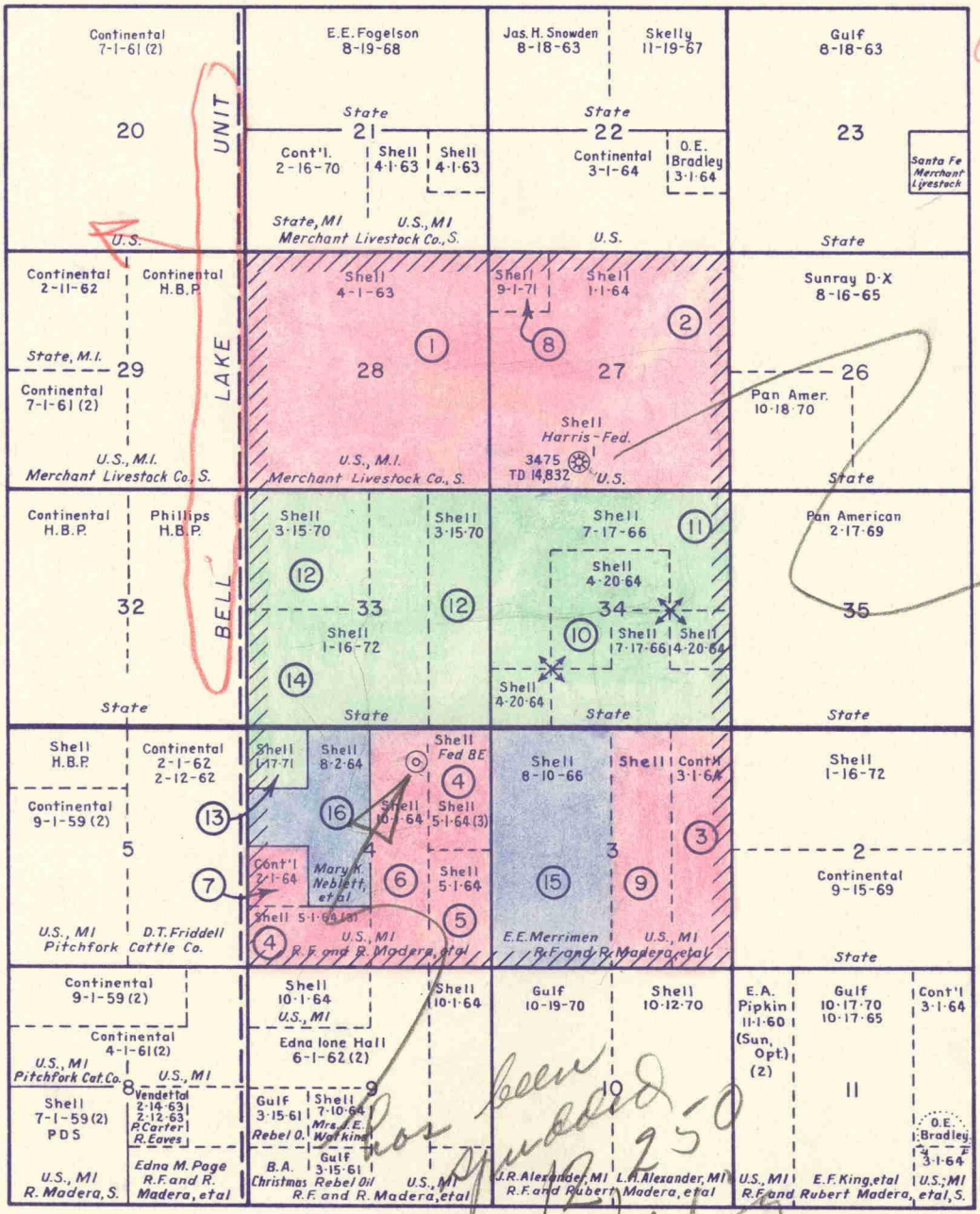


Shell 95%
Contl 5%
100%
6 of the Co's have agreed

this well will not be recognized as a unit well until an other producer is completed

What is unit area based on

has been plugged 12-2-50 fishing

EXHIBIT A

To Accompany Application
For Designation of
Antelope Ridge Unit Area

- Unit Outline
- Federal Acreage 2040 53%
- State Acreage 1320 34.5%
- Fee Acreage 480 12.5%

October 1962

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1
CASE NO. 2719

SHELL OIL CO
MIDLAND AREA
EXPLORATION DEPT.
ROSWELL DIV.
NOV 27 '62
DO NOT REPRODUCE

R 6444 # 4

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
ANTELOPE RIDGE UNIT AREA
LEA COUNTY, STATE OF NEW MEXICO

NO._____

THIS AGREEMENT, entered into as of the 3rd day of December 1962, 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 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. 1, Chap. 162), (Laws of 1951, Chap. 7, Art.11,Sec. 41 N.M. Statutes 1953 Annotated) to consent to and 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 Oil Conservation Commission of the State of New Mexico is authorized by an Act of the 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 Antelope Ridge Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

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

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

1. ENABLING ACT AND REGULATIONS. The 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 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.

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

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

Township 23-South, Range 34-East

Section 27: All
Section 28: All
Section 33: All
Section 34: All

Township 24-South, Range 34-East

Section 3: Lots 1, 2, 3, 4, S-1/2 N-1/2 and S-1/2
Section 4: Lots 1, 2, 3, 4, S-1/2 N-1/2 and S-1/2

situated in Lea County, New Mexico, containing 3,839.80 acres, more or less.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit B attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits A and B

shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor" or the Commissioner of Public Lands, hereinafter referred to as "Commissioner", and not less than six copies of the revised exhibits shall be filed with the Supervisor, and at least one copy shall be filed with the Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director," after preliminary concurrence by the Director, or on demand of the Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, 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 copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

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

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

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys, however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within 5 years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director and Commissioner. The unit operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating-acreage basis, respectively, with approval of the Director and Commissioner

provided such extension application is submitted to the Director and Commissioner not later than 60 days prior to the expiration of said 10-year period.

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

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

4. UNIT OPERATOR. Shell Oil Company 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 discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of 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 an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director and Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor, as to Federal lands, and the Commissioner, 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.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time a participating area established hereunder is in existence, but, 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, and shall not later than 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 of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation.

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

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

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be

required to select a new operator. Such selection shall not become effective until

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

(b) the selection shall have been filed with the Supervisor and approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Commissioner at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor, and one true copy with the Commissioner, prior to approval of this unit agreement.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of

exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if such location is upon Federal land, or by the Commissioner if such location is upon State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Devonian formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor, if on Federal land, or the Commissioner if on State land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 14,800 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor, if on Federal land, or the Commissioner, if on State land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof,

or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and the Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and the Commissioner may, after reasonable notice to the Unit Operator, and each working interest owner, lessee, and lessor at their last known addresses, declare this unit agreement terminated.

Notwithstanding anything else herein, the well now completed in the SE-1/4 SW-1/4 of Section 27, T-23-S, R-34-E, N. M. P. M., shall not be recognized as a unit well until completion in paying quantities of another well on the unitized land.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Commissioner and the Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor, the Commissioner, and the Commission may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall

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

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Commissioner.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor, the Commissioner, and the Commission are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director, the Commissioner, and the Commission a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director, the Commissioner and the Commission to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of the initial participating area. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any

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

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

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

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

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, the Commissioner, and the Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for

sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

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

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

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

14. ROYALTY SETTLEMENT. The United States 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 the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty

share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty 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 royalties due under their leases.

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

Royalty due the United States 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 each participating area were a single consolidated lease.

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

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

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

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

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

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but

otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary and the Commissioner shall and by their approval hereof, or by the approval hereof by their duly authorized representative, 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, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

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

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and Commissioner or their duly authorized representative 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, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, 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) 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) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan 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."

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

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the 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, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and the Commissioner or their duly authorized representative and shall terminate five (5) years from said effective date unless

(a) such date of expiration is extended by the Director and the Commissioner, or

(b) it is reasonably determined prior to the expiration of the fixed term of any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and the Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and the Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, 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. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, however, that no alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Commissioner, nor as to any land of the State of New Mexico as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

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

22. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior, the Commissioner of Public Lands and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the Commissioner, 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

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

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.

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

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which are hereby incorporated by reference in this agreement.

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

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

28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. 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 committed hereto. Joinder to the unit agreement by a working-interest owner, at any time,

must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. 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, the Commissioner, and the Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, Commissioner, or Commission.

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 lands within the above-described unit area.

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

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

been surrendered to such party.

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

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

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

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

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

For any period the working interest in any lands are not expressly committed to the unit operating agreement as the result of any such surrender or forfeiture, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective participating working interest ownerships in any such participating area or areas, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals,

minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized, as to such participating area or areas.

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

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

31. 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 on 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.

32. 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, 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.

Insofar as applicable to the parties hereto, each party hereto elects that the parties hereto, and the operations hereunder, be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954 or such portion or portions thereof as to which the Secretary of the Treasury of the United States or his delegate may permit such exclusion. Unit Operator is hereby authorized and directed to execute on behalf of each party hereto such further evidence of such election as may be required by regulations issued under said Subchapter K, and, should such regulations require execution by each party, each party hereto agrees to execute such further evidence.

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

UNIT OPERATOR

SHELL OIL COMPANY

Date: Dec. 3, 1962
Attest:
R. L. Hughston
Assistant Secretary

By: J. V. Lindsey
Attorney in Fact

Address: P. O. Box 1509
Midland, Texas

WORKING INTEREST OWNERS

SHELL OIL COMPANY

Date: Dec. 3, 1962
Attest:
R. L. Hughston
Assistant Secretary

By: J. V. Lindsey
Attorney in Fact

Address: P. O. Box 1509
Midland, Texas

CONTINENTAL OIL COMPANY

Dated: December 4, 1962
Attest:
Jay Selton
ASSISTANT SECRETARY

By: John C. Thacker
Attorney in Fact

Address: 1710 Fair Building
Fort Worth, Texas

STATE OF TEXAS

COUNTY OF MIDLAND

Before me, the undersigned authority, on this day personally appeared J. V. Lindsey, known to me to be the person whose name is subscribed to the foregoing instrument as Attorney-in-Fact for Shell Oil Company and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and as the free act and deed of said Shell Oil Company in the capacity therein stated.

Given under my hand and seal of office this 3 day of December 1962.

My Commission Expires: June 1, 1963

Jean Akins
Notary Public in and for Midland County, Texas

Notary Public in and for Midland County, Texas

STATE OF TEXAS

COUNTY OF TARRANT

Before me, the undersigned authority, on this day personally appeared JOHN E KIRCHER, known to me to be the person whose name is subscribed to the foregoing instrument as Attorney-in-Fact for Continental Oil Company and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and as the free act and deed of said Continental Oil Company in the capacity therein stated.

Given under my hand and seal of office this 4th day of December, 1962.

My Commission Expires: 6-1-63

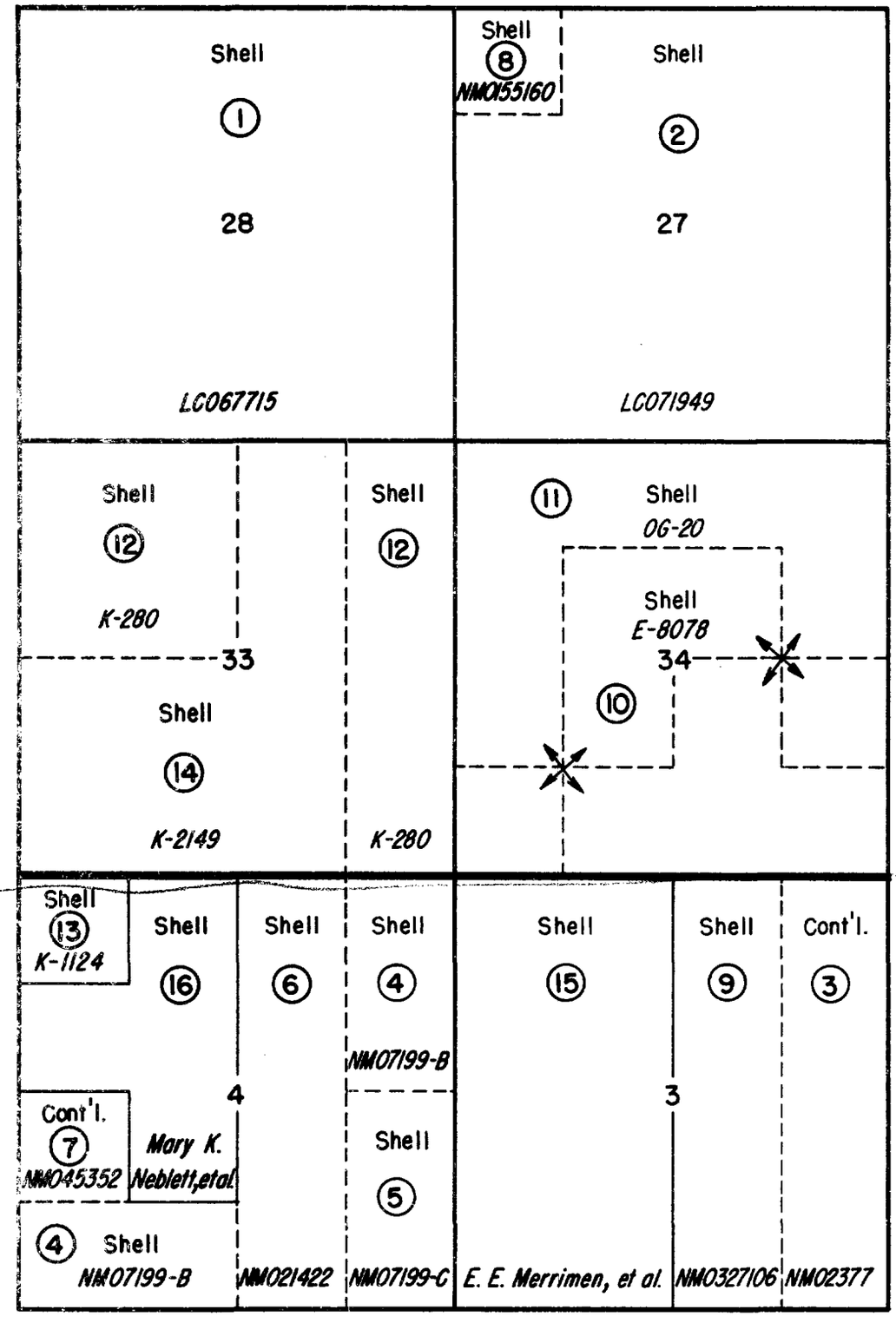
Barbara Lee Nelson

Notary Public in and for Tarrant County, Texas

Exhibit A

ANTELOPE RIDGE UNIT AREA

T-23 & 24-S, R-34-E, N.M.P.M., New Mexico



(1) Means tract number as listed on Exhibit B

Exhibit B - Antelope Ridge Unit Area, Lea County, New Mexico, T-23 and 24-S, R-34-E

Tract No.	Description of Land	Number of Acres	Application or Serial No. and effective date of lease	Basic Royalty and percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
	Federal Land		Las Cruces Serials				
1.	All Section 28, T-23-S, R-34-E	640.00	067715 5-1-51	U. S. - All	Shell Oil Company	Elliott, Inc. 4% L.C. Harris 1%	Shell Oil Company - All
2.	E-1/2, E-1/2 W-1/2, SW-1/4 NW-1/4, W-1/2 SW-1/4 Sec.27, T-23-S, R-34-E	600.00	071949 2-1-50	U. S. - All	Shell Oil Company	Sunshine Royalty Co. 1% Elliott, Inc. 4%	Shell Oil Company - All
			New Mexico Serials				
3.	Lot 1, SE-1/4 NE-1/4, E-1/2 SE-1/4 Sec. 3, T-24-S, R-34-E	160.05	02377 4-1-52	U. S. - All	Continental Oil Company	George H. Carter 3%	Continental Oil Company- All
4.	Lot 1, SE-1/4 NE-1/4, S-1/2 SW-1/4 Sec. 4, T-24-S, R-34-E	159.98	07199-B 6-1-52	U. S. - All	Shell Oil Company	Edna Ione & Ora R. Hall, Jr. 5%	Shell Oil Company - All
5.	E-1/2 SE-1/4 Sec.4, T-24-S, R-34-E	80.00	07199-C 6-1-52	U. S. - All	Shell Oil Company	Frank O. & Elizabeth Ann Elliott 5%	Shell Oil Company - All
6.	Lot 2, SW-1/4 NE-1/4, W-1/2 SE-1/4 Sec.4, T-24-S, R-34-E	159.94	021422 11-1-50	U. S. - All	Shell Oil Company	E.H. & Pearl O. Pipkin- $479,860.00 out of 5% of production	Shell Oil Company - All
7.	NW-1/4 SW-1/4 Sec.4, T-24-S, R-34-E	40.00	045352 2-1-59	U. S. - All	Continental Oil Company	Channing Brown 5%	Continental Oil Company- All
8.	NW-1/4 NW-1/4 Sec.27, T-23-S, R-34-E	40.00	0155160 9-1-61	U. S. - All	Shell Oil Company	Dennis & Adren Nix 5%	Shell Oil Company - All
9.	Lot 2, SW-1/4 NE-1/4, W-1/2 SW-1/4 Sec.3, T-24-S, R-34-E	160.04	0327106 12-1-62	U. S. - All	Shell Oil Company	Marion Allen, et ux, 2½% C.E. Strange, et ux, 2½%	Shell Oil Company - All

9 Federal tracts 2040.01 acres or 53.13 % of unit area.

Tract No.	Description of Land	Number of Acres	Application or Serial No. and effective date of lease	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage	Per Cent of Unit Area(Tract Participation)
	State of New Mexico Lands							
10.	SW-1/4 NE-1/4, SE-1/4 NW-1/4,NE-1/4 SW-1/4, SW-1/4 SW-1/4,NE-1/4 SE-1/4 Sec.34,T-23-S, R-34-E	200.00	E-8078 4-20-54	State of New Mexico - All	Shell Oil Company	None	Shell Oil Company-All	5.2086
11.	N-1/2 NE-1/4,SE-1/4 NE-1/4,N-1/2 NW-1/4, SW-1/4 NW-1/4,NW-1/4 SW-1/4,SE-1/4 SW-1/4, NW-1/4 SE-1/4,S-1/2 SE-1/4 Sec. 34, T-23-S, R-34-E	440.00	OG-20 7-17-56	State of New Mexico - All	Shell Oil Company	None	Shell Oil Company-All	11.4589
12.	E-1/2 E-1/2 and NW-1/4 Sec.33,T-23-S,R-34-E	320.00	K-280 3-15-60	State of New Mexico - All	Shell Oil Company	None	Shell Oil Company-All	8.3338
13.	Lot 4,Section 4, T-24-S, R-34-E	39.86	K-1124 1-17-61	State of New Mexico - All	Shell Oil Company	None	Shell Oil Company-All	1.0381
14.	W-1/2 E-1/2 and SW-1/4 Sec.33,T-23-S, R-34-E	320.00	K-2149 1-16-62	State of New Mexico - All	Shell Oil Company	None	Shell Oil Company-All	8.3338
	5 State of New Mexico tracts 1319.86 acres or 34.37% of unit area							
	Patented land							
15.	Lots 3 and 4,S-1/2 NW-1/4,SW-1/4 Sec.3, T-24-S,R-34-E	320.03	8-16-61	Lamar Lunt & Lucille C.Lunt-37.5000% Edwin E & Elsie L. Merriman-23.4375% Thomas W. & Marilee Butler-7.8125% Gracie T.Robinson-31.2500%	Shell Oil Company	None	Shell Oil Company-All	

Tract No.	Description of Land	Number of Acres	Application or Serial No. and effective date of lease	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
16.	Lot 3,S-1/2 NW-1/4, NE-1/4 SW-1/4 Sec.4, T-24-S, R-34-E	159.90	5-1-59	L.B.& Willie G. Hodges-25.00% George H. and Margaret K.Hunker-25.00% Maisie K.(Moore) Neblett-50.00%	Shell Oil Company	None	Shell Oil Company-All
2 Patended tracts 479.93 acres or 12.50% of unit area							

CERTIFICATION-DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the act approved February 25, 1920, 41 Stat. 437, 30 U. S. C. secs. 181, et seq., as amended by the act of August 8, 1946, 60 Stat. 950, and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 CFR § 4.611, 12 F. R. 6784, I do hereby:

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

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

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

Dated: _____.

_____

Director, United States Geological Survey

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
ANTELOPE RIDGE UNIT AREA
LEA COUNTY, STATE OF NEW MEXICO

NO. 14-08-0001-8492

THIS AGREEMENT, entered into as of the 3rd day of December 1962, 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 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. 1, Chap. 162), (Laws of 1951, Chap. 7, Art.11,Sec. 41 N.M. Statutes 1953 Annotated) to consent to and 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 Oil Conservation Commission of the State of New Mexico is authorized by an Act of the 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 Antelope Ridge Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

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

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

1. ENABLING ACT AND REGULATIONS. The 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 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.

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

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

Township 23-South, Range 34-East

Section 27: All
Section 28: All
Section 33: All
Section 34: All

Township 24-South, Range 34-East

Section 3: Lots 1, 2, 3, 4, S-1/2 N-1/2 and S-1/2
Section 4: Lots 1, 2, 3, 4, S-1/2 N-1/2 and S-1/2

situated in Lea County, New Mexico, containing 3,839.80 acres, more or less.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit B attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits A and B

shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor" or the Commissioner of Public Lands, hereinafter referred to as "Commissioner", and not less than six copies of the revised exhibits shall be filed with the Supervisor, and at least one copy shall be filed with the Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director," after preliminary concurrence by the Director, or on demand of the Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, 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 copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

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

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

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys, however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within 5 years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director and Commissioner. The unit operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating-acreage basis, respectively, with approval of the Director and Commissioner

provided such extension application is submitted to the Director and Commissioner not later than 60 days prior to the expiration of said 10-year period.

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

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

4. UNIT OPERATOR. Shell Oil Company 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 discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of 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 an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director and Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor, as to Federal lands, and the Commissioner, 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.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time a participating area established hereunder is in existence, but, 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, and shall not later than 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 of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation.

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

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

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be

required to select a new operator. Such selection shall not become effective until

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

(b) the selection shall have been filed with the Supervisor and approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Commissioner at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor, and one true copy with the Commissioner, prior to approval of this unit agreement.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of

exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if such location is upon Federal land, or by the Commissioner if such location is upon State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Devonian formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor, if on Federal land, or the Commissioner if on State land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 14,800 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor, if on Federal land, or the Commissioner, if on State land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof,

or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and the Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and the Commissioner may, after reasonable notice to the Unit Operator, and each working interest owner, lessee, and lessor at their last known addresses, declare this unit agreement terminated.

Notwithstanding anything else herein, the well now completed in the SE-1/4 SW-1/4 of Section 27, T-23-S, R-34-E, N. M. P. M., shall not be recognized as a unit well until completion in paying quantities of another well on the unitized land.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Commissioner and the Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor, the Commissioner, and the Commission may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall

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

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Commissioner.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor, the Commissioner, and the Commission are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director, the Commissioner, and the Commission a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director, the Commissioner and the Commission to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of the initial participating area. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any

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

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

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

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

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, the Commissioner, and the Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for

sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

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

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

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

14. ROYALTY SETTLEMENT. The United States 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 the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty

otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary and the Commissioner shall and by their approval hereof, or by the approval hereof by their duly authorized representative, 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, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

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

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and Commissioner or their duly authorized representative 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

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 royalties due under their leases.

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

Royalty due the United States 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 each participating area were a single consolidated lease.

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

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

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

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

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

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

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, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, 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) 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) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan 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."

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

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the 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, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and the Commissioner or their duly authorized representative and shall terminate five (5) years from said effective date unless

(a) such date of expiration is extended by the Director and the Commissioner, or

(b) it is reasonably determined prior to the expiration of the fixed term of any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and the Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and the Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, 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. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, however, that no alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Commissioner, nor as to any land of the State of New Mexico as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

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

22. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior, the Commissioner of Public Lands and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the Commissioner, 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

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

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.

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

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which are hereby incorporated by reference in this agreement.

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

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

28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. 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 committed hereto. Joinder to the unit agreement by a working-interest owner, at any time,

must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. 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, the Commissioner, and the Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, Commissioner, or Commission.

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 lands within the above-described unit area.

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

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

been surrendered to such party.

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

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

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

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

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

For any period the working interest in any lands are not expressly committed to the unit operating agreement as the result of any such surrender or forfeiture, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective participating working interest ownerships in any such participating area or areas, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals,

minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized, as to such participating area or areas.

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

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

31. 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 on 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.

32. 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, 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.

Insofar as applicable to the parties hereto, each party hereto elects that the parties hereto, and the operations hereunder, be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954 or such portion or portions thereof as to which the Secretary of the Treasury of the United States or his delegate may permit such exclusion. Unit Operator is hereby authorized and directed to execute on behalf of each party hereto such further evidence of such election as may be required by regulations issued under said Subchapter K, and, should such regulations require execution by each party, each party hereto agrees to execute such further evidence.

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

UNIT OPERATOR

Date: Dec. 3, 1962
Attest:
R. L. Hughston
Assistant Secretary

SHELL OIL COMPANY

By: J. V. Lindsey
Attorney in Fact

Address: P. O. Box 1509
Midland, Texas

WORKING INTEREST OWNERS

Date: Dec. 3, 1962
Attest:
R. L. Hughston
Assistant Secretary

SHELL OIL COMPANY

By: J. V. Lindsey
Attorney in Fact

Address: P. O. Box 1509
Midland, Texas

Date: December 4, 1962
Attest:
Jay Nelson
ASSISTANT SECRETARY

CONTINENTAL OIL COMPANY

By: John G. Kirchhevel
Attorney in Fact

Address: 1710 Fair Building
Fort Worth, Texas

7959
214

STATE OF TEXAS

COUNTY OF MIDLAND

Before me, the undersigned authority, on this day personally appeared J. V. Lindsey, known to me to be the person whose name is subscribed to the foregoing instrument as Attorney-in-Fact for Shell Oil Company and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and as the free act and deed of said Shell Oil Company in the capacity therein stated.

Given under my hand and seal of office this 3 day of December, 1962.

My Commission Expires: June 1, 1963

Notary Public in and for Midland County, Texas

STATE OF TEXAS

COUNTY OF TARRANT

Before me, the undersigned authority, on this day personally appeared JOHN E. KIRCHER, known to me to be the person whose name is subscribed to the foregoing instrument as Attorney-in-Fact for Continental Oil Company and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and as the free act and deed of said Continental Oil Company in the capacity therein stated.

Given under my hand and seal of office this 4th day of December, 1962.

My Commission Expires: 6-1-63

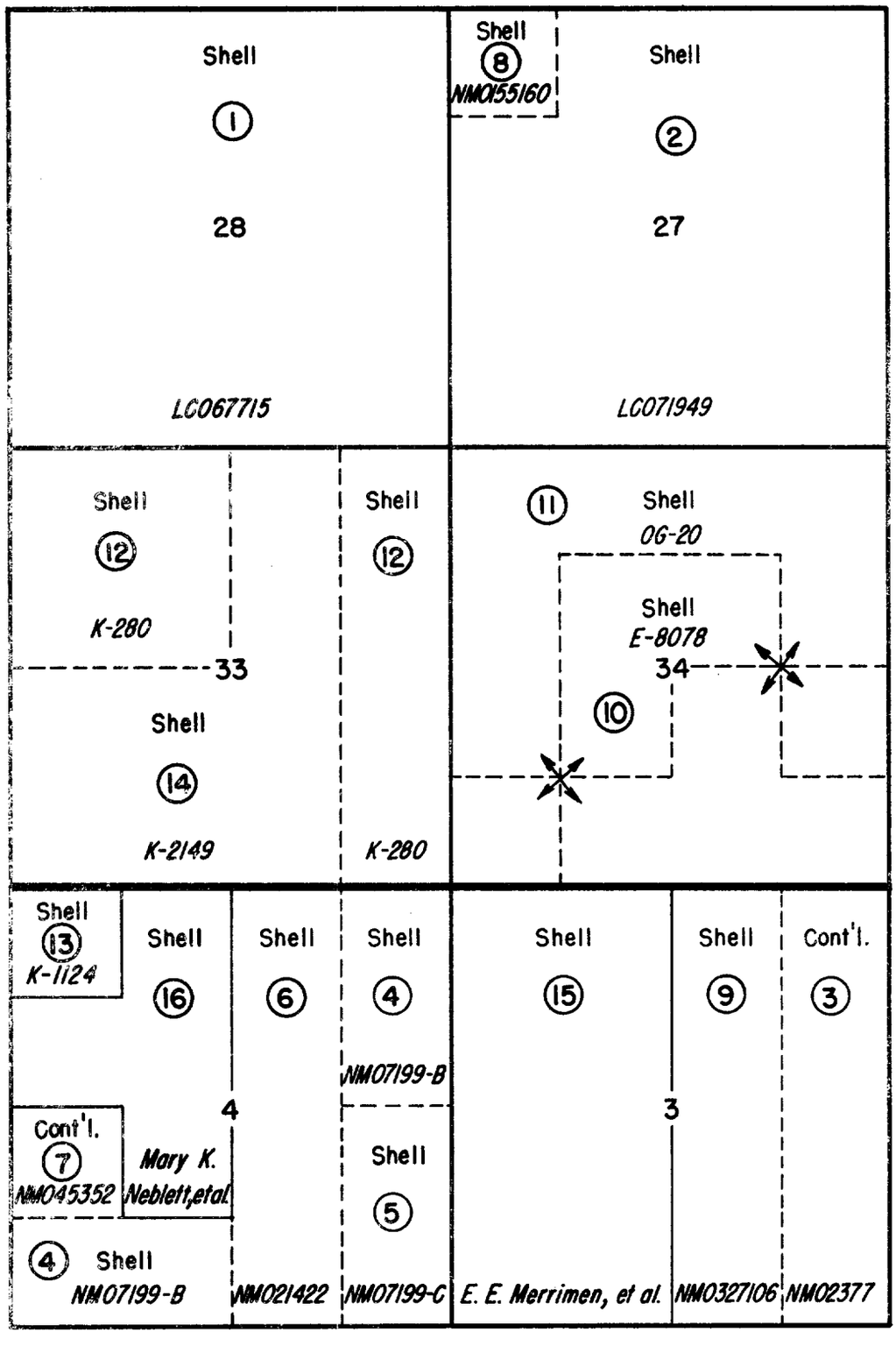
Barbara Lee Nelson

Notary Public in and for Tarrant County, Texas

Exhibit A

ANTELOPE RIDGE UNIT AREA

T-23 & 24-S, R-34-E, N.M.P.M., New Mexico



(1) Means tract number as listed on Exhibit B

Exhibit B - Antelope Ridge Unit Area, Lea County, New Mexico, T-23 and 24-S, R-34-E

Tract No.	Description of Land	Number of Acres	Application or Serial No. and effective date of lease	Basic Royalty and percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
	Federal Land		Las Cruces Serials				
1.	All Section 28, T-23-S, R-34-E	640.00	067715 5-1-51	U. S. - All	Shell Oil Company	Elliott, Inc. 4% Helen O. Watson 1%	Shell Oil Company - All
2.	E-1/2, E-1/2 W-1/2, SW-1/4 NW-1/4, W-1/2 SW-1/4 Sec. 27, T-23-S, R-34-E	600.00	071949 2-1-50	U. S. - All	Shell Oil Company	Sunshine Royalty Co. 1% Elliott, Inc. 4%	Shell Oil Company - All
			New Mexico Serials				
3	Lot 1, SE-1/4 NE-1/4, E-1/2 SE-1/4 Sec. 3, T-24-S, R-34-E	160.05	02377 4-1-52	U. S. - All	Continental Oil Company	George H. Carter 3%	Continental Oil Company- All
4.	Lot 1, SE-1/4 NE-1/4, S-1/2 SW-1/4 Sec. 4, T-24-S, R-34-E	159.98	07199-B 6-1-52	U. S. - All	Shell Oil Company	Edna Ione & Ora R. Hall, Jr. 5%	Shell Oil Company - All
5.	E-1/2 SE-1/4 Sec. 4, T-24-S, R-34-E	80.00	07199-C 6-1-52	U. S. - All	Shell Oil Company	Frank O. & Elizabeth Ann Elliott 5%	Shell Oil Company - All
6.	Lot 2, SW-1/4 NE-1/4, W-1/2 SE-1/4 Sec. 4, T-24-S, R-34-E	159.94	021422 11-1-50	U. S. - All	Shell Oil Company	E.H. & Pearl O. Pipkin- $479,860.00 out of 5% of production	Shell Oil Company - All
7.	NW-1/4 SW-1/4 Sec. 4, T-24-S, R-34-E	40.00	045352 2-1-59	U. S. - All	Continental Oil Company	Channing Brown 3%	Continental Oil Company- All
8.	NW-1/4 NW-1/4 Sec. 27, T-23-S, R-34-E	40.00	0155160 9-1-61	U. S. - All	Shell Oil Company	Dennis & Adren Nix 5%	Shell Oil Company - All
9.	Lot 2, SW-1/4 NE-1/4, W-1/2 SE-1/4 Sec. 3, T-24-S, R-34-E	160.04	0327106 12-1-62	U. S. - All	Shell Oil Company	Marion Allen, et ux, 2½% C.E. Strange, et ux, 2½%	Shell Oil Company - All

9 Federal tracts 2040.01 acres or 53.13 % of unit area.

Tract No.	Description of Land	Number of Acres	Application or Serial No. and effective date of lease	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage	Per Cent of Unit Area(Tract Participation)
	State of New Mexico Lands							
10.	SW-1/4 NE-1/4, SE-1/4 NW-1/4,NE-1/4 SW-1/4, SW-1/4 SW-1/4,NE-1/4 SE-1/4 Sec.34,T-23-S, R-34-E	200.00	E-8078 4-20-54	State of New Mexico - All	Shell Oil Company	None	Shell Oil Company-All	5.2086
11.	N-1/2 NE-1/4,SE-1/4 NE-1/4,N-1/2 NW-1/4, SW-1/4 NW-1/4,NW-1/4 SW-1/4,SE-1/4 SW-1/4, NW-1/4 SE-1/4,S-1/2 SE-1/4 Sec. 34, T-23-S, R-34-E	440.00	OG-20 7-17-56	State of New Mexico - All	Shell Oil Company	None	Shell Oil Company-All	11.4589
12.	E-1/2 E-1/2 and NW-1/4 Sec.33,T-23-S,R-34-E	320.00	K-280 3-15-60	State of New Mexico - All	Shell Oil Company	None	Shell Oil Company-All	8.3338
13.	Lot 4,Section 4, T-24-S, R-34-E	39.86	K-1124 1-17-61	State of New Mexico - All	Shell Oil Company	None	Shell Oil Company-All	1.0381
14.	W-1/2 E-1/2 and SW-1/4 Sec.33,T-23-S, R-34-E	320.00	K-2149 1-16-62	State of New Mexico - All	Shell Oil Company	None	Shell Oil Company-All	8.3338
	5 State of New Mexico tracts 1319.86 acres or 34.37% of unit area							
	Patented land							
15.	Lots 3 and 4,S-1/2 NW-1/4,SW-1/4 Sec.3, T-24-S,R-34-E	320.03	8-16-61	Lamar Lunt & Lucille C.Lunt-37.5000% Edwin E & Elsie L. Merriman-23.4375% Thomas W. & Marilee Butler-7.8125% Gracie T.Robinson-18.7500% Howell and Ellie Spear 12.5000%	Shell Oil Company	None	Shell Oil Company-All	

Tract No.	Description of Land	Number of Acres	Application or Serial No. and effective date of lease	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
16.	Lot 3, S-1/2 NW-1/4, NE-1/4 SW-1/4 Sec.4, T-24-S, R-34-E	159.90	5-1-59	L.B.& Willie G. Hodges-25.00% George H. and Margaret K.Hunker-25.00% Maisie K.(Moore) Neblett-50.00%	Shell Oil Company	None	Shell Oil Company-All
2 Patended tracts 479.93 acres or 12.50% of unit area							

MA-971

CONSENT AND RATIFICATION

STATE OF NEW MEXICO)
COUNTY OF LEA)

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, under date of December 1, 1961, that certain unit agreement for the development and operation of the Antelope Ridge unit area was entered into by and between the owners of certain oil and gas interests, and said agreement was recorded on the _____ day of _____, 19____, in Volume _____, at Page _____ of the _____ Records of Lea County, New Mexico, and reference is hereby made to the same for all purposes, and the undersigned hereby acknowledge receipt of a copy of said agreement, and

WHEREAS, the undersigned are the owners of an oil and gas interest in and to the following described land, to-wit:

All of Section 28, Township 23-South, Range 34-East

which land is described as Tract No. 1 in Exhibit "B" to said unit agreement, and the undersigned are desirous of commiting said interest to said unit agreement as provided by Section 29 thereof, and of ratifying said unit agreement;

NOW, THEREFORE, the undersigned do hereby consent to and ratify and confirm all of the terms and provisions of said unit agreement, and do hereby commit said interest to said unit agreement exactly as if the undersigned had originally executed said unit agreement or a counterpart thereof.

EXECUTED this 10th day of December, 1962.

P. C. Watson
P. C. Watson

Helen O. Watson
Helen O. Watson

STATE OF NEW MEXICO)
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 10 day of December, 1962, by Helen O. Watson and husband, P. C. Watson.

My Commission Expires
4-17-65

Notary Public in and for Eddy County, New Mexico

ACCEPTANCE AND APPROVAL BY WORKING INTEREST OWNER AND UNIT OPERATOR

The undersigned Shell Oil Company, working interest owner with respect to the above committed interest, and Shell Oil Company, unit operator, do hereby accept and approve the above and foregoing Consent and Ratification.

Dated this 11th day of December, 1962.

UNIT OPERATOR:

By: O. V. Lawrence

WORKING INTEREST OWNER:

By: O. V. Lawrence

MA-971

CONSENT AND RATIFICATION

STATE OF NEW MEXICO)
COUNTY OF LEA)

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, under date of December 3, 1962, that certain unit agreement for the development and operation of the Antelope Ridge unit area was entered into by and between the owners of certain oil and gas interests, and said agreement was recorded on the _____ day of _____, 19___, in Volume _____, at Page _____ of the _____ Records of Lea County, New Mexico, and reference is hereby made to the same for all purposes, and the undersigned hereby acknowledge receipt of a copy of said agreement, and

WHEREAS, the undersigned are the owners of an oil and gas interest in and to the following described land, to-wit:

Lot 1, Southeast 1/4 Northeast 1/4, and South 1/2 Southwest 1/4 of Section 4, Township 24-South, Range 34-East

which land is described as Tract No. 4 in Exhibit "B" to said unit agreement, and the undersigned are desirous of commiting said interest to said unit agreement as provided by Section 29 thereof, and of ratifying said unit agreement;

NOW, THEREFORE, the undersigned do hereby consent to and ratify and confirm all of the terms and provisions of said unit agreement, and do hereby commit said interest to said unit agreement exactly as if the undersigned had originally executed said unit agreement or a counterpart thereof.

EXECUTED this 4th day of December, 1962.

Ora R. Hall, Jr.

Mina Ione Hall

STATE OF NEW MEXICO)
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 4th day of December, 1962, by Ora R. Hall, Jr. and wife, Mina Ione Hall.

My Commission Expires
April 11, 1966

Bernelle Goodwin
Notary Public in and for Chaves County, New Mexico

ACCEPTANCE AND APPROVAL BY WORKING INTEREST OWNER AND UNIT OPERATOR

The undersigned Shell Oil Company, working interest owner with respect to the above committed interest, and Shell Oil Company, unit operator, do hereby accept and approve the above and foregoing Consent and Ratification.

Dated this 8th day of December, 1962.

UNIT OPERATOR:

By: O. V. Lawrence

WORKING INTEREST OWNER:

By: O. V. Lawrence

MA-971

CONSENT AND RATIFICATION

STATE OF NEW MEXICO)
COUNTY OF LEA)

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, under date of December 3, 1962, that certain unit agreement for the development and operation of the Antelope Ridge unit area was entered into by and between the owners of certain oil and gas interests, and said agreement was recorded on the _____ day of _____, 19___, in Volume _____, at Page _____ of the _____ Records of Lea County, New Mexico, and reference is hereby made to the same for all purposes, and the undersigned hereby acknowledge receipt of a copy of said agreement, and

WHEREAS, the undersigned are the owners of an oil and gas interest in and to the following described land, to-wit:

East 1/2 Southeast 1/4 of Section 4, Township 24-South, Range 34-East

which land is described as Tract No. 5 in Exhibit "B" to said unit agreement, and the undersigned are desirous of commiting said interest to said unit agreement as provided by Section 29 thereof, and of ratifying said unit agreement;

NOW, THEREFORE, the undersigned do hereby consent to and ratify and confirm all of the terms and provisions of said unit agreement, and do hereby commit said interest to said unit agreement exactly as if the undersigned had originally executed said unit agreement or a counterpart thereof.

EXECUTED this 3rd day of December, 1962.

Frank O. Elliott

Elizabeth Ann Elliott

STATE OF NEW MEXICO)
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 3rd day of December, 1962, by Frank O. Elliott and wife, Elizabeth Ann Elliott.

My Commission Expires
June 1, 1966

Notary Public in and for Chaves County, New Mexico

ACCEPTANCE AND APPROVAL BY WORKING INTEREST OWNER AND UNIT OPERATOR

The undersigned SHELL OIL COMPANY, working interest owner with respect to the above committed interest, and SHELL OIL COMPANY, unit operator, do hereby accept and approve the above and foregoing Consent and Ratification.

Dated this 8th day of December, 1962.

UNIT OPERATOR:

By: C. V. Laurence

WORKING INTEREST OWNER:

By: C. V. Laurence

MA-971

CONSENT AND RATIFICATION

STATE OF NEW MEXICO)
COUNTY OF LEA)

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, under date of December 4, 1962, that certain unit agreement for the development and operation of the Antelope Ridge unit area was entered into by and between the owners of certain oil and gas interests, and said agreement was recorded on the _____ day of _____, 19___, in Volume _____, at Page _____ of the _____ Records of Lea County, New Mexico, and reference is hereby made to the same for all purposes, and the undersigned hereby acknowledge receipt of a copy of said agreement, and

WHEREAS, the undersigned are the owners of an oil and gas interest in and to the following described land, to-wit:

Lot 2, Southwest 1/4 Northeast 1/4 and West 1/2 Southeast 1/4 of Section 4, Township 24-South, Range 34-East

which land is described as Tract No. 6 in Exhibit "B" to said unit agreement, and the undersigned are desirous of commiting said interest to said unit agreement as provided by Section 29 thereof, and of ratifying said unit agreement;

NOW, THEREFORE, the undersigned do hereby consent to and ratify and confirm all of the terms and provisions of said unit agreement, and do hereby commit said interest to said unit agreement exactly as if the undersigned had originally executed said unit agreement or a counterpart thereof.

EXECUTED this 4th day of December, 1962.

Pearl O. Pipkin

Sole Devisee of Eugene H. Pipkin

STATE OF NEW MEXICO)
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 4th day of December, 1962, by **Pearl O. Pipkin, a widow.**

My Commission Expires

May 10, 1966

Georgia D. Bippus
Notary Public in and for Chaves County, New Mexico

ACCEPTANCE AND APPROVAL BY WORKING INTEREST OWNER AND UNIT OPERATOR

The undersigned Shell Oil Company, working interest owner with respect to the above committed interest, and Shell Oil Company, unit operator, do hereby accept and approve the above and foregoing Consent and Ratification.

Dated this 8th day of December, 1962.

UNIT OPERATOR:

By: O. V. Laurence

WORKING INTEREST OWNER:

By: O. V. Laurence

MA-971

CONSENT AND RATIFICATION

STATE OF NEW MEXICO)
COUNTY OF LEA)

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, under date of December 1, 1962, that certain unit agreement for the development and operation of the Antelope Ridge unit area was entered into by and between the owners of certain oil and gas interests, and said agreement was recorded on the _____ day of _____, 19____, in Volume _____, at Page _____ of the _____ Records of Lea County, New Mexico, and reference is hereby made to the same for all purposes, and the undersigned hereby acknowledge receipt of a copy of said agreement, and

WHEREAS, the undersigned are the owners of an oil and gas interest in and to the following described land, to-wit:

Lot 2, Southwest 1/4 Northeast 1/4 and West 1/2 Southwest 1/4 of Section 3, Township 24-South, Range 34-East

which land is described as Tract No. 9 in Exhibit "B" to said unit agreement, and the undersigned are desirous of commiting said interest to said unit agreement as provided by Section 29 thereof, and of ratifying said unit agreement;

NOW, THEREFORE, the undersigned do hereby consent to and ratify and confirm all of the terms and provisions of said unit agreement, and do hereby commit said interest to said unit agreement exactly as if the undersigned had originally executed said unit agreement or a counterpart thereof.

EXECUTED this 7th day of December, 19 62.

Fred Allen

Fred Allen

Marion Allen

Marion Allen

STATE OF CALIFORNIA
COUNTY OF Kern)

The foregoing instrument was acknowledged before me this 7th day of December, 19 62, by Marion Allen and husband, Fred Allen.

My Commission Expires
June 30, 1963

E Sifford
Notary Public in and for Kern County, California

ACCEPTANCE AND APPROVAL BY WORKING INTEREST OWNER AND UNIT OPERATOR

The undersigned Shell Oil Company, working interest owner with respect to the above committed interest, and Shell Oil Company, unit operator, do hereby accept and approve the above and foregoing Consent and Ratification.

Dated this 6th day of December, 19 62.

UNIT OPERATOR:

By: O. V. Laurence

WORKING INTEREST OWNER:

By: O. V. Laurence

MA-971

CONSENT AND RATIFICATION

STATE OF NEW MEXICO)
COUNTY OF Lea)

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, under date of December 1, 1962, that certain unit agreement for the development and operation of the Antelope Ridge unit area was entered into by and between the owners of certain oil and gas interests, and said agreement was recorded on the _____ day of _____, 19____, in Volume _____, at Page _____ of the _____ Records of Lea County, New Mexico, and reference is hereby made to the same for all purposes, and the undersigned hereby acknowledge receipt of a copy of said agreement, and

WHEREAS, the undersigned are the owners of an oil and gas interest in and to the following described land, to-wit:

Lot 2, Southwest 1/4 Northeast 1/4 and West 1/2 Southwest 1/4 of Section 3, Township 24-South, Range 34-East

which land is described as Tract No. 9 in Exhibit "B" to said unit agreement, and the undersigned are desirous of commiting said interest to said unit agreement as provided by Section 29 thereof, and of ratifying said unit agreement;

NOW, THEREFORE, the undersigned do hereby consent to and ratify and confirm all of the terms and provisions of said unit agreement, and do hereby commit said interest to said unit agreement exactly as if the undersigned had originally executed said unit agreement or a counterpart thereof.

EXECUTED this 6th day of December, 1962.

C. E. Strange

C. E. Strange

Sherrie R. Strange

Sherrie R. Strange

STATE OF CALIFORNIA)
COUNTY OF Kern)

The foregoing instrument was acknowledged before me this 6th day of December, 1962, by C. E. Strange and wife, Sherrie R. Strange.

My Commission Expires

July 25, 1964

Edith R. Combs

Notary Public in and for Kern County, California

ACCEPTANCE AND APPROVAL BY WORKING INTEREST OWNER AND UNIT OPERATOR

The undersigned Shell Oil Company, working interest owner with respect to the above committed interest, and Shell Oil Company, unit operator, do hereby accept and approve the above and foregoing Consent and Ratification.

Dated this 6th day of December, 1962.

UNIT OPERATOR:

By: O. V. Laurence

WORKING INTEREST OWNER:

By: O. V. Laurence

MA-971

CONSENT AND RATIFICATION

STATE OF NEW MEXICO)
COUNTY OF LEA)

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, under date of December 3, 1962, that certain unit agreement for the development and operation of the Antelope Ridge unit area was entered into by and between the owners of certain oil and gas interests, and said agreement was recorded on the _____ day of _____, 19___, in Volume _____, at Page _____ of the _____ Records of Lea County, New Mexico, and reference is hereby made to the same for all purposes, and the undersigned hereby acknowledge receipt of a copy of said agreement, and

WHEREAS, the undersigned are the owners of an oil and gas interest in and to the following described land, to-wit:

Lots 3 and 4, South 1/2 Northwest 1/4, and Southwest 1/4 of Section 3, Township 24-South, Range 34-East

which land is described as Tract No. 15 in Exhibit "B" to said unit agreement, and the undersigned are desirous of commiting said interest to said unit agreement as provided by Section 29 thereof, and of ratifying said unit agreement;

NOW, THEREFORE, the undersigned do hereby consent to and ratify and confirm all of the terms and provisions of said unit agreement, and do hereby commit said interest to said unit agreement exactly as if the undersigned had originally executed said unit agreement or a counterpart thereof.

EXECUTED this 7th day of December, 1962.

Lamar Lunt
Lamar Lunt

Lucille C. Lunt
Lucille C. Lunt

STATE OF NEW MEXICO)
COUNTY OF SANTA FE)

The foregoing instrument was acknowledged before me this 7th day of December, 1962, by Lamar Lunt and wife, Lucille C. Lunt.

My Commission Expires

MY COMMISSION EXPIRES MAY 8, 1963

Edna Swope
Notary Public in and for Santa Fe County, New Mexico

ACCEPTANCE AND APPROVAL BY WORKING INTEREST OWNER AND UNIT OPERATOR

The undersigned Shell Oil Company, working interest owner with respect to the above committed interest, and Shell Oil Company, unit operator, do hereby accept and approve the above and foregoing Consent and Ratification.

Dated this 8th day of December, 1962.

UNIT OPERATOR:

By: O. V. Lawrence

WORKING INTEREST OWNER:

By: O. V. Lawrence

MA-971

CONSENT AND RATIFICATION

STATE OF NEW MEXICO)
COUNTY OF Lea)

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, under date of December 3, 1962, that certain unit agreement for the development and operation of the Antelope Ridge unit area was entered into by and between the owners of certain oil and gas interests, and said agreement was recorded on the _____ day of _____, 19___, in Volume _____, at Page _____ of the _____ Records of Lea County, New Mexico, and reference is hereby made to the same for all purposes, and the undersigned hereby acknowledge receipt of a copy of said agreement, and

WHEREAS, the undersigned are the owners of an oil and gas interest in and to the following described land, to-wit:

Lots 3 and 4, South 1/2 Northwest 1/4, Southwest 1/4 of Section 3, Township 24-South, Range 34-East

which land is described as Tract No. 15 in Exhibit "B" to said unit agreement, and the undersigned are desirous of commiting said interest to said unit agreement as provided by Section 29 thereof, and of ratifying said unit agreement;

NOW, THEREFORE, the undersigned do hereby consent to and ratify and confirm all of the terms and provisions of said unit agreement, and do hereby commit said interest to said unit agreement exactly as if the undersigned had originally executed said unit agreement or a counterpart thereof.

EXECUTED this 12th day of December, 1962.

Paul J. Stout

Paul J. Stout

Betty J. Stout

Betty J. Stout

STATE OF NEW MEXICO)
COUNTY OF Lea)

The foregoing instrument was acknowledged before me this 12th day of December, 1962, by Paul J. Stout and wife, Betty J. Stout.

My Commission Expires

9-9-65

Lucie Stout

Notary Public in and for Lea County, New Mexico

ACCEPTANCE AND APPROVAL BY WORKING INTEREST OWNER AND UNIT OPERATOR

The undersigned Shell Oil Company, working interest owner with respect to the above committed interest, and Shell Oil Company, unit operator, do hereby accept and approve the above and foregoing Consent and Ratification.

Dated this 21st day of December, 1962.

UNIT OPERATOR:

By: O. V. Lawrence

WORKING INTEREST OWNER:

By: O. V. Lawrence

MA-971

CONSENT AND RATIFICATION

STATE OF NEW MEXICO)
COUNTY OF Lea)

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, under date of December 3, 1962, that certain unit agreement for the development and operation of the Antelope Ridge unit area was entered into by and between the owners of certain oil and gas interests, and said agreement was recorded on the _____ day of _____, 19___, in Volume _____, at Page _____ of the _____ Records of Lea County, New Mexico, and reference is hereby made to the same for all purposes, and the undersigned hereby acknowledge receipt of a copy of said agreement, and

WHEREAS, the undersigned are the owners of an oil and gas interest in and to the following described land, to-wit:

Lots 3 and 4, South 1/2 Northwest 1/4, Southwest 1/4
of Section 3, Township 24-South, Range 34-East

which land is described as Tract No. 15 in Exhibit "B" to said unit agreement, and the undersigned are desirous of commiting said interest to said unit agreement as provided by Section 29 thereof, and of ratifying said unit agreement;

NOW, THEREFORE, the undersigned do hereby consent to and ratify and confirm all of the terms and provisions of said unit agreement, and do hereby commit said interest to said unit agreement exactly as if the undersigned had originally executed said unit agreement or a counterpart thereof.

EXECUTED this 29 day of Nov, 1962.

Gracie T Robinson
Gracie T. Robinson

STATE OF NEW MEXICO)
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 29 day of Nov, 1962, by Gracie T. Robinson, a widow.

My Commission Expires
MY COMMISSION EXPIRES
JULY 25, 1963

Notary Public in and for Eddy
County, New Mexico

ACCEPTANCE AND APPROVAL BY WORKING INTEREST OWNER AND UNIT OPERATOR

The undersigned Shell Oil Company, working interest owner with respect to the above committed interest, and Shell Oil Company, unit operator, do hereby accept and approve the above and foregoing Consent and Ratification.

Dated this 6th day of December, 1962.

UNIT OPERATOR:

By: O. V. Laurence

WORKING INTEREST OWNER:

By: O. V. Laurence

MA-971

CONSENT AND RATIFICATION

STATE OF NEW MEXICO)
COUNTY OF Lea)

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, under date of December 3, 1962, that certain unit agreement for the development and operation of the Antelope Ridge unit area was entered into by and between the owners of certain oil and gas interests, and said agreement was recorded on the _____ day of _____, 19___, in Volume _____, at Page _____ of the _____ Records of Lea County, New Mexico, and reference is hereby made to the same for all purposes, and the undersigned hereby acknowledge receipt of a copy of said agreement, and

WHEREAS, the undersigned are the owners of an oil and gas interest in and to the following described land, to-wit:

Lots 3 and 4, South 1/2 Northwest 1/4, and Southwest 1/4 of Section 3, Township 24-South, Range 34-East

which land is described as Tract No. 15 in Exhibit "B" to said unit agreement, and the undersigned are desirous of commiting said interest to said unit agreement as provided by Section 29 thereof, and of ratifying said unit agreement;

NOW, THEREFORE, the undersigned do hereby consent to and ratify and confirm all of the terms and provisions of said unit agreement, and do hereby commit said interest to said unit agreement exactly as if the undersigned had originally executed said unit agreement or a counterpart thereof.

EXECUTED this 5th day of December, 1962.

Thomas W. Butler

Marilee Butler

STATE OF TEXAS)
COUNTY OF Dallas)

The foregoing instrument was acknowledged before me this 8th day of December, 1962, by Thomas W. Butler and wife, Marilee Butler.

My Commission Expires
June 1, 1963

Notary Public in and for Dallas County, Texas

ACCEPTANCE AND APPROVAL BY WORKING INTEREST OWNER AND UNIT OPERATOR

The undersigned Shell Oil Company, working interest owner with respect to the above committed interest, and Shell Oil Company, unit operator, do hereby accept and approve the above and foregoing Consent and Ratification.

Dated this 8th day of December, 1962.

UNIT OPERATOR:

By: O. V. Lawrence

WORKING INTEREST OWNER:

By: O. V. Lawrence

MA-971

CONSENT AND RATIFICATION

STATE OF NEW MEXICO)
COUNTY OF LEA)

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, under date of December 1, 1962, that certain unit agreement for the development and operation of the Antelope Ridge unit area was entered into by and between the owners of certain oil and gas interests, and said agreement was recorded on the _____ day of _____, 19___, in Volume _____, at Page _____ of the _____ Records of Lea County, New Mexico, and reference is hereby made to the same for all purposes, and the undersigned hereby acknowledge receipt of a copy of said agreement, and

WHEREAS, the undersigned are the owners of an oil and gas interest in and to the following described land, to-wit:

Lots 3 and 4, South 1/2 Northwest 1/4, Southwest 1/4
Section 3, Township 24-South, Range 34-East

which land is described as Tract No. 15 in Exhibit "B" to said unit agreement, and the undersigned are desirous of commiting said interest to said unit agreement as provided by Section 29 thereof, and of ratifying said unit agreement;

NOW, THEREFORE, the undersigned do hereby consent to and ratify and confirm all of the terms and provisions of said unit agreement, and do hereby commit said interest to said unit agreement exactly as if the undersigned had originally executed said unit agreement or a counterpart thereof.

EXECUTED this 7th day of December, 1962.

Howell Spear

Ellie Spear

STATE OF NEW MEXICO)
COUNTY OF LEA)

The foregoing instrument was acknowledged before me this 7th day of December, 1962, by Howell Spear and wife, Ellie Spear.

My Commission Expires
June 4, 1964

Notary Public in and for Lea County, New Mexico

ACCEPTANCE AND APPROVAL BY WORKING INTEREST OWNER AND UNIT OPERATOR

The undersigned Shell Oil Company, working interest owner with respect to the above committed interest, and Shell Oil Company, unit operator, do hereby accept and approve the above and foregoing Consent and Ratification.

Dated this 6th day of December, 1962.

UNIT OPERATOR:

By: O. V. Lawrence

WORKING INTEREST OWNER:

By: O. V. Lawrence

MA-971

CONSENT AND RATIFICATION

STATE OF NEW MEXICO)
COUNTY OF Lea)

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, under date of December 3, 1962, that certain unit agreement for the development and operation of the Antelope Ridge unit area was entered into by and between the owners of certain oil and gas interests, and said agreement was recorded on the _____ day of _____, 19___, in Volume _____, at Page _____ of the _____ Records of Lea County, New Mexico, and reference is hereby made to the same for all purposes, and the undersigned hereby acknowledge receipt of a copy of said agreement, and

WHEREAS, the undersigned are the owners of an oil and gas interest in and to the following described land, to-wit:

Lots 3 and 4, South 1/2 Northwest 1/4, Southwest 1/4 of Section 3, T-24-S, R-34-E

which land is described as Tract No. 15 in Exhibit "B" to said unit agreement, and the undersigned are desirous of commiting said interest to said unit agreement as provided by Section 29 thereof, and of ratifying said unit agreement;

NOW, THEREFORE, the undersigned do hereby consent to and ratify and confirm all of the terms and provisions of said unit agreement, and do hereby commit said interest to said unit agreement exactly as if the undersigned had originally executed said unit agreement or a counterpart thereof.

EXECUTED this 7th day of December, 1962.

Edwin E. Merriman
Edwin E. Merriman

Elsie L. Merriman
Elsie L. Merriman

STATE OF TEXAS)
COUNTY OF Lubbock)

The foregoing instrument was acknowledged before me this 7th day of December, 1962, by Edwin E. Merriman and wife, Elsie L. Merriman.

My Commission Expires
6-1-63

Jane G. Hanshaw
Notary Public in and for Lubbock County, Texas

ACCEPTANCE AND APPROVAL BY WORKING INTEREST OWNER AND UNIT OPERATOR

The undersigned Shell Oil Company, working interest owner with respect to the above committed interest, and Shell Oil Company, unit operator, do hereby accept and approve the above and foregoing Consent and Ratification.

Dated this 8th day of December, 1962.

UNIT OPERATOR:

By: C. V. Laurence

WORKING INTEREST OWNER:

By: C. V. Laurence

MA-971

CONSENT AND RATIFICATION

STATE OF NEW MEXICO)
COUNTY OF LEA)

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, under date of December 1, 1962, that certain unit agreement for the development and operation of the Antelope Ridge unit area was entered into by and between the owners of certain oil and gas interests, and said agreement was recorded on the _____ day of _____, 19___, in Volume _____, at Page _____ of the _____ Records of Lea County, New Mexico, and reference is hereby made to the same for all purposes, and the undersigned hereby acknowledge receipt of a copy of said agreement, and

WHEREAS, the undersigned are the owners of an oil and gas interest in and to the following described land, to-wit:

Lot 3, South 1/2 Northwest 1/4 and Northeast 1/4 Southwest 1/4 of Section 4, Township 24-South, Range 34-East

which land is described as Tract No. 16 in Exhibit "B" to said unit agreement, and the undersigned are desirous of commiting said interest to said unit agreement as provided by Section 29 thereof, and of ratifying said unit agreement;

NOW, THEREFORE, the undersigned do hereby consent to and ratify and confirm all of the terms and provisions of said unit agreement, and do hereby commit said interest to said unit agreement exactly as if the undersigned had originally executed said unit agreement or a counterpart thereof.

EXECUTED this 2nd day of January, 1963.

Maisie K. Moore Neblett
Maisie K. (Moore) Neblett

STATE OF CALIFORNIA)
COUNTY OF Los Angeles)

The foregoing instrument was acknowledged before me this 2nd day of January, 1963, by Maisie K. (Moore) Neblett, a widow.

My Commission Expires
April 19 1966

H. P. Gardner
Notary Public in and for Los Angeles County, California

My Commission Expires April 19, 1966

ACCEPTANCE AND APPROVAL BY WORKING INTEREST OWNER AND UNIT OPERATOR

The undersigned SHELL OIL COMPANY, working interest owner with respect to the above committed interest, and SHELL OIL COMPANY, unit operator, do hereby accept and approve the above and foregoing Consent and Ratification.

Dated this 4th day of January, 1963.

UNIT OPERATOR:
By: O. V. Laurence

WORKING INTEREST OWNER:
By: O. V. Laurence

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

ANTELOPE RIDGE UNIT

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 3, 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 10th day of December 19 62.

Commissioner of Public Lands
of the State of New Mexico

CERTIFICATION-DETERMINATION

14-08-0001 8492

Pursuant to the authority vested in the Secretary of the Interior, under the act approved February 25, 1920, 41 Stat. 437, 30 U. S. C. secs. 181, et seq., as amended by the act of August 8, 1946, 60 Stat. 950, and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 CFR § 4.611, 12 F. R. 6784, I do hereby:

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

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

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

Dated: DEC 27 1962.

Acting Director, United States Geological Survey

RLH:MN
11/23/62
I-95-62

UNIT OPERATING AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE ANTELOPE RIDGE UNIT AREA, LEA COUNTY, STATE OF NEW MEXICO

THIS AGREEMENT made and entered into this the 3rd day of December, 1962, by and between Shell Oil Company, a Delaware corporation, with offices at Midland, Texas, hereinafter referred to as "Unit Operator" and Continental Oil Company, a Delaware corporation, with offices at Roswell, New Mexico, hereinafter referred to as "Continental";

W I T N E S S E T H:

WHEREAS, the parties hereto have concurrently herewith entered into a certain unit agreement for the development and operation of the Antelope Ridge Unit Area, hereinafter referred to as "Unit Agreement" embracing as to all formations the following described lands, to-wit:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T-23-S, R-34-E

Section 27:	All
Section 28:	All
Section 33:	All
Section 34:	All

T-24-S, R-34-E

Section 3:	All
Section 4:	All

situated in Lea County, New Mexico, and containing 3,839.80 acres, more or less;

which said land to the extent same has been, or is hereafter committed to said Unit Agreement and made subject to this agreement is hereinafter referred to as "Unit Area"; and,

WHEREAS, Sections 7 and 12 of said Unit Agreement provide for the apportionment of all costs and expenses incurred in conducting the unit operation under the terms of the said Unit Agreement and for the allocation of production of unitized substances among the working interest owners in accordance with a Unit Operating Agreement to be made and entered into by and between the Unit Operator and the Working Interest Owners having interests committed to said Unit Agreement and this agreement is the Unit Operating Agreement which is entered into and conformed to the provisions of such Unit Agreement;

NOW, THEREFORE, it is mutually agreed between the parties hereto, as follows:

1.

UNIT PLAN CONFIRMED

The aforesaid Unit Agreement and exhibits attached thereto are hereby confirmed and made a part of this agreement.

2.

MANAGEMENT OF UNIT

2.1 UNIT OPERATOR AND EMPLOYEES: Shell Oil Company, a corporation, the party hereto named as Unit Operator under the provisions of the Unit Agreement, or its duly appointed successor unit operator, shall have full and exclusive right to develop and operate the Unit Area for the production of unitized substances for the account of the parties hereto subject to the provisions of this agreement and the Unit Agreement. All individuals employed by Unit Operator in the conduct of operations hereunder shall be the employees of Unit Operator alone, and their working hours, rates of compensation and all other matters relating to their employment shall be determined solely by Unit Operator.

2.2 UNIT OPERATOR - DUTIES: Unit Operator shall in the conduct of operations hereunder:

(a) Conduct the operations in a good and workmanlike manner as would an ordinarily prudent operator in the exercise of its judgment and discretion, acting in good faith;

(b) Consult freely with Continental concerning unit operations, the formation of participating area under the Unit Agreement, and the establishment of plans for further development thereunder, and keep Continental informed of all matters arising during the operation of the Unit Area which Unit Operator, in the exercise of its best judgment, considers important;

(c) Keep full and accurate records of all costs incurred, and controllable materials and equipment, which records, receipts and vouchers in support thereof, shall be available for inspection by authorized representatives of Continental at reasonable intervals during usual business hours, at the office of the Unit Operator;

(d) Permit Continental through its duly authorized representatives, but at its sole risk and expense, to have access to the Unit Area at all times, and to the derrick floor of each well drilled or being drilled hereunder, for the purpose of

observing operations conducted hereunder and inspecting jointly owned materials, equipment and other property, and to have access at reasonable times to all information and data in the possession of Unit Operator concerning the Unit Area;

(e) Furnish to Continental such of the following matters, as Continental makes a timely written request therefor: Copies of Unit Operator's authorization for expenditures or items thereof in excess of Ten Thousand Dollars ($10,000), drilling reports, well logs, basic engineering data, tank tables, gauge reports and run tickets, and reports of stock on hand at the first of each month, and samples of cores or cuttings taken from wells drilled hereunder, containers therefor to be furnished by Continental;

(f) Comply with the terms and conditions of the Unit Agreement and all valid applicable Federal and State laws and regulations;

(g) Keep the land in the Unit Area free from all liens and encumbrances occasioned by its operations, and save only the lien granted the Unit Operator under this agreement;

(h) As to each obligatory well, by which is meant an exploratory well that is necessary to continue the Unit Agreement in effect, a well that is required by an approved plan of development or a well that is demanded as an offset to a well or wells located on land not subject to the Unit Agreement, the Unit Operator shall timely notify Continental of the date by which the well should be commenced and whether or not it proposes that the well should be drilled.

2.3 UNIT OPERATOR - RESTRICTIONS: Without the prior written consent of Continental to the making thereof, no part of any single expenditure by Operator in developing and operating the leasehold interest committed to the Unit Agreement or for capital investments in excess of Ten Thousand Dollars ($10,000) except in connection with the drilling of a well which has been previously authorized pursuant to this agreement shall be chargeable to Continental.

2.4 UNIT OPERATOR - LIABILITIES: Unit Operator shall not be liable to Continental for anything done or omitted to be done by it in the conduct of operations hereunder while acting in good faith. The provisions of this section shall not relieve Operator of the necessity of obtaining the consent of Continental to expenditures in excess of Ten Thousand ($10,000) as above provided. In the case of

Dollars

blowout, explosion, fire, flood, or other said emergency, Unit Operator may take such steps and incur such expense as, in its opinion, are required to deal with the emergency and to safeguard life and property; provided Unit Operator shall as promptly as possible report the emergency to Continental and shall endeavor to secure any sanction that might otherwise have been required.

3.

COST AND EXPENSES

3.1 ACCOUNTING PROCEDURE: Except as elsewhere herein specifically provided, Unit Operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the Unit Area pursuant to this agreement; shall keep a full and accurate account thereof; and shall charge each of the parties hereto with his respective share thereof upon the basis herein provided. The charges to such account and settlement thereof and related matters shall be made and handled in accordance with the Accounting Procedure attached as Exhibit "A" hereto. In the event of a conflict between the provisions of said Accounting Procedure and its agreement, this agreement shall control.

3.2 OPERATOR'S LIEN: Unit Operator is hereby granted a prior lien on the rights and interest of Continental in the Unit Area and the material and equipment thereon, and the unitized substances which are allocated to it hereunder, to secure the payment of its obligations hereunder. Should Continental fail to pay any obligation hereunder within thirty (30) days after being billed therefor as provided in the referred to Accounting Procedure, Exhibit "A", Unit Operator shall have the right at its option at any time thereafter, such default continuing, to foreclose said lien. In lieu of, or in addition to such remedy, Unit Operator may notify the purchaser of Continental's share of unitized substances and such purchaser shall pay all proceeds accruing on account thereof to Unit Operator until said obligation is extinguished. In lieu of, or in addition to the remedy above specified for such default, Unit Operator may have any other remedy afforded by law or equity on account thereof.

3.3 TAXES: All taxes levied upon or against or measured by the production of unitized substances shall be borne by the owners of such production according to the ratio of their respective ownerships thereof. The Unit Operator shall make and file all necessary ad valorem renditions and returns covering all real and

personal property acquired hereunder and/or subject hereto and Continental shall reimburse Unit Operator for (a) the ad valorem taxes levied upon Continental's leasehold interests covered by this agreement provided that if any such interest is subject to a separately assessed overriding royalty or production payment, Continental shall be given credit for the reduction in taxes paid as a result thereof; and (b) the percentage of the ad valorem taxes on personal property located on any participating area which is equal to Continental's percentage of participation in production from that participating area.

3.4 INSURANCE: Unit Operator shall carry insurance in the following amounts to cover its operations pursuant to the terms of this agreement:

(a) Workmen's compensation insurance meeting the requirements of the State of New Mexico;

(b) General public liability insurance with limits of not less than $100,000.00 for any one person injured in any one accident, and not less than $300,000.00 for more than one person injured in any one accident; and not less than $100,000.00 for property damage per accident;

(c) Automotive Public Liability Insurance with limits of not less than $100,000.00 for any one person injured in any one accident and not less than $300,000.00 for more than one person injured in any one accident, and not less than $10,000.00 for property damages per accident.

All such insurance shall be carried for the benefit of the parties hereto and the premiums therefor shall be charged to the joint account; provided, however, that the premiums for such Automobile Public Liability Insurance on Unit Operator's fully owned equipment shall not be charged directly to the joint account, but shall be covered by the flat rates charged for the use of such equipment pursuant to the provisions of the Accounting Procedure Schedule, Exhibit "A", attached hereto.

Unit Operator shall require its contractors and subcontractors also to carry such Workmen's Compensation, General Public Liability and Automotive Public Liability Insurance with limits not less than those hereinabove provided to be carried by Unit Operator.

3.5 DRILLING CONTRACTS: All wells drilled on the Unit Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area.

Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature, except Operator shall not assume any loss, risk, damage or liability resulting from the well blowing out, cratering or running wild other than that from injury to Operator's equipment and employees. All such unassumed loss, risk, damage or liability shall be chargeable to the parties hereto as any other cost or expense of development or operation.

4.

DRILLING AND OPERATIONS FOR UNITIZED SUBSTANCES

4.1 INITIAL TEST WELL: The initial test well provided for in Section 9 of the Unit Agreement has already been started by the Unit Operator on the NW-1/4 of the NE-1/4 of Section 4, T-24-S, R-34-E, N.M.P.M. Unless the well is completed as one capable of producing in paying quantities and is placed in a participating area which includes land committed to the unit agreement by Continental, all costs and expenses and risks in connection with the drilling and completion of the said well including the plugging and abandoning thereof, if it proves to be a dry hole, shall be borne by the Unit Operator and Continental shall be liable for no part thereof.

In the event said initial test well should prove to be a dry hole or well not capable of producing oil or gas in paying quantities, there shall be no obligation on the part of the Unit Operator to drill any additional wells as provided in Section 9 of the Unit Agreement. Unit Operator may however apply for a reasonable extension or extensions of time within which to commence additional drilling operations but shall not be obligated to do so.

If a discovery of unitized substances in paying quantities is obtained in any test well drilled under the terms of Section 9 of the Unit Agreement, an adjustment shall be made in the manner provided for in Section 5 hereof of all the costs and expenses incurred in drilling, testing, equipping, and completing said well.

If any test well drilled as aforesaid obtains production but not in sufficient quantities to warrant the formation of a participating area therefor, the owner of the working interest in the tract upon which such well is located shall have the option for

twenty (20) days after the completion of such well to pay for all the costs and expenses incurred in drilling, testing, equipping, and completing such well and thereupon to take over such well and to operate it thereafter. If a well is so taken over by the owner of the tract on which it is located, the production therefrom shall be allocated solely to the tract upon which the well is located and the working interest owner of such tract shall, subject to its paying the royalties burdening such production, be solely entitled to such production. The exercise of such option shall be made by written notice to the other party hereto delivered within the said twenty (20) days after the completion of the well. Unless such working interest owner shall so notify the other party of its election to take over any such well, Unit Operator may thereafter operate such well for the benefit and at the sole cost and expense of the party, or parties, including itself who have borne the cost and expense of drilling, testing, equipping, and completing such well in the proportion that they have borne such cost and expense subject only to payment of royalties, overriding royalties and production payments which burden such production, and the rental upon the acreage constituting the well site.

4.2 ADDITIONAL WELLS NOT ON PARTICIPATING AREA: All costs, expenses and risks in connection with the drilling and completion of any additional well on the Unit Area other than one drilled on a participating area (as to which Section 5.2 will apply) shall be borne by the parties as they may hereafter agree; provided that if a participating area is formed or extended as the result of the well being completed for production in paying quantities, there shall be an adjustment in the sharing of the cost thereof in accordance with the provisions of Section 5.1 hereof.

5.

DISTRIBUTION OF DEVELOPMENT AND OPERATING COSTS AND PRODUCTION BETWEEN WORKING INTERESTS IN PARTICIPATING AREAS

5.1 INVESTMENT ADJUSTMENTS: Within thirty (30) days after the establishment of any participating area under the provisions of the Unit Agreement, there shall be an investment adjustment in cash, without interest, between those who shall have contributed to the cost of completing and operating the well which shall cause the creation of the participating area up to the date of the establishment of the said area, which parties shall be in this section termed "drilling party" and the owners of the working interests in the tracts in the participating area in the following manner:

(a) The value at the time of installation of all field property including, but not by way of limitation, casing in the well resulting in the creation of the participating area, drilling and production equipment, service connections for water and fuel, gas, oil and gas pipeline connections, tanks, structures, camps, facilities, including field facilities and appliances located on or used in connection with the operation of the well which resulted in the creation of the participating area shall be paid to the drilling party by the working interest owners in the participating area, each of whom shall pay that share of such value which equals the rates of the net mineral acres in said participating area and covered by the oil and gas leases committed by that party to the Unit Agreement to the net mineral acres in said participating area and covered by all oil and gas leases committed to the Unit Agreement; and thereupon each of said working interest owners shall become the owner of an interest in said items proportionate to the share of the value thereof paid by that owner. The recipient of such a payment shall share same in the ratio of their respective contributions to the cost of the prior development.

(b) The working interest owners in the participating area shall also pay on the same proportionate basis to the parties who contributed to the intangible cost of drilling, completing, and operating the well which resulted in the creation of the participating area the actual cost thereof up to the date when such participating area shall become effective under the provisions of said Unit Agreement. It is intended that by an adjustment in investment in tangible property and in intangible costs, all working interest owners in the participating area as established, will bear said costs according to the net mineral acres covered by their respective oil and gas leaseholds in the participating area and that any party who theretofore has not paid and borne its proportionate part as determined on the above-described basis, shall pay the difference to the other party without interest.

(c) All items which would be considered in the adjustment of accounts between the parties if an operation were one conducted by the Unit Operator for the benefit of both parties shall be taken into consideration and the charges on account thereof in such an adjustment of investments shall be what they would be under Exhibit "A", the accounting procedure.

5.2 DEVELOPMENT AND OPERATING EXPENSES ACCRUING AFTER THE CREATION OF A PARTICIPATING AREA: Costs and expenses accruing in connection with the development and operation of a participating area after its formation shall be borne and the property and equipment thereafter purchased in connection therewith shall be owned by each of the parties hereto according to the ratio of the net mineral acres covered by that party's oil and gas leaseholds in the participating area to the total net mineral acres covered by all oil and gas leaseholds in the participating area; provided, however, that the obligations with reference to further development costs and expenses shall be subject to the following:

(a) Should either party hereto desire that any further development (drilling, deepening, plugging back, or recompletion of a well) of that participating area be undertaken and the parties be unable to agree with reference thereto, the proposing party shall give the other party written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation, and the estimated cost of the operation. The other party shall have twenty (20) ~~ten (10)~~ days (except as to plugging back, recompletion or deepening operations where a drilling rig is on location, the period shall be limited to forty-eight (48) hours exclusive of Saturday, Sunday or a legal holiday) after receipt of such notice within which to join in the operation by notifying the proposing party of its election to participate therein. If the other party does not so join therein, then the proposing party must cause the proposed operation to be commenced within thirty (30) days after the expiration of the notice, or as promptly as possible after the expiration of the forty-eight (48)-hour period where the drilling rig is on location, as the case may be, and to be continued diligently to completion in order to be entitled to the benefits of this section of this agreement, and the entire cost and risk of conducting such operation shall be borne by the proposing party without subjecting the leasehold estates involved in such operation to any lien or encumbrance of any kind whatsoever on account thereof. Each such operation shall be under the direction and control of the Unit Operator whether or not it is the proposing party and if it results in a producer of oil or gas in paying quantities, the Unit Operator shall operate the same at the expense and for the account of the proposing party until the proposing party shall have received from the share of the revenue therefrom that

the non-participating party would have received had it participated in the operation (1) an amount equal to 200% of the cost of what the non-participating party's share of the cost of completing the operation, including the cost of newly acquired equipment both in the well and above the surface would have been under that condition and (2) an amount equal to 100% of such party's share of the cost of operating and maintaining the completion which results from the operation (including the payment of all royalties, overriding royalties and other payments from production which affect such party's leasehold interests) during the time such payout is being made. Thereafter, all expenses of operating the completion which resulted from the said operation shall be borne and the said well and equipment therein, thereon, and appurtenant thereto and the oil and gas produced therefrom shall be owned by the parties in the ratio of their respective interests in the affected participating area. The Unit Operator shall keep a separate account therefor, for each operation in which both parties do not participate during the payout period above-specified and shall keep both parties informed with reference thereto. All production from such an operation shall be accounted for on the basis of posted, or going prices of major purchasing companies in the vicinity for like products.

(b) No well in which both parties have an interest may be deepened, plugged back, or recompleted while it is producing in paying quantities unless both parties agree thereto.

5.3 ALLOCATION OF PRODUCTION AS BETWEEN WORKING INTEREST OWNERS: Each party hereto shall own that part of the production from a participating area that is allocated under Section 12 of the Unit Agreement to tracts that are within the participating area and that that party committed to the Unit Agreement, subject, however to the payment of royalties, overriding royalties and production payments that burden the oil and gas leaseholds committed by that party. Each party shall pay or cause to

be paid all such royalties, overriding royalties and production payments that burden its said oil and gas leaseholds.

5.4 RIGHT TO TAKE PRODUCTION IN KIND: Each party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Unit Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Any extra expenditures incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party.

Each party shall execute all division orders and contracts of sale pertaining to its interest in production from the Unit Area, and shall be entitled to receive payment direct from the purchaser or purchasers thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Unit Area, Unit Operator shall have the right, subject to revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others for the time being, at not less than the market price prevailing in the area, which shall in no event be less than the price which Unit Operator receives for its portion of the oil and gas produced from the Unit Area. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Notwith-

standing the foregoing, Unit Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party sixty (60) days' notice of such intended sale.

6.

RENTALS, AND MINIMUM ROYALTIES AND EXTENSIONS OF LEASES

6.1 RENTALS, AND MINIMUM ROYALTIES AND EXTENSIONS OF LEASES: Each of the parties hereto shall bear the burden of and shall pay all rentals, advance rentals or delay rentals and minimum royalties due under the terms of their respective leases committed to the Unit Agreement and if any such lease can be extended by virtue of the provisions thereof or of a statute or regulation, shall obtain such renewals and extensions thereof as may be permitted by the applicable provision, statute or regulation, and shall concurrently submit to Unit Operator evidence thereof. If either party determines not to pay any such rental or to obtain any such renewal or extension as to any tract, it shall notify the other party at least sixty (60) days before the date such rental is due or the date application for such renewal or extension must be filed, and it shall thereupon tender an assignment to the other party of all right, title and interest under said lease to that tract; provided, however, each such assignment shall be subject to all obligations with respect to reassignment, if any, of the party making such assignment theretofore created in favor of parties who are not parties to this agreement. In the event of the unintentional failure of either party to make proper payment of any such rental or to obtain any such renewal or extension of a Federal lease where payment of such rental or obtaining such renewal or extension is required to continue the lease in force, there shall be no money liability on the part of the party failing to pay such rental or to obtain such renewal or extension, but such party shall make a bona fide effort to secure a new lease covering the same interest and commit such lease to the Unit Agreement, and in the event of failure to secure a new lease within a reasonable time, the party failing to pay any such rental or to obtain such renewal or extension shall not thereafter be credited with the ownership of the lease as to which such rental was not paid or such renewal or extension was not obtained.

7.

LOSS OF LEASE

7.1 LOSS OF TITLE: Each party hereby represents that it is now the owner of the interests in tracts of land in the Unit Area as set out in Exhibit "B" attached to the Unit Agreement. Any loss of title, whether partial or complete, as to any lease committed to the Unit Agreement shall, with the exceptions noted in the next paragraph of this section, be borne entirely by such party and such party's interest shall be reduced in proportion to any such loss as of the date of the determination of the loss but such adjustment shall not affect its liability for costs, expenses and liabilities incurred by Unit Operator prior thereto. Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, or equipment previously paid under this agreement, such amount shall be proportionately shared by the party or parties then bearing the burden of the costs so paid.

If any lease subject to a participating area created under the provisions of the Unit Agreement is lost due to the fact that the production therefrom is shut in by reason of lack of market, the loss shall not be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests in the said participating area and there shall be no readjustment of interests in the participating area.

8.

CHANGE OF OWNERSHIP

8.1 ASSIGNMENTS: Either party may, at any time, transfer or assign all of its working interest to the other party, or to any other person, association or corporation, when such assignment is made expressly subject to the terms of the Unit Agreement and the terms of this agreement, and wherein the assignee shall accept and agree to perform all duties, obligations and liabilities thereof. On the making of such assignment, the assignor shall thereupon be relieved of all future duties, obligations and liabilities under this agreement and under the Unit Agreement. A partial assignment of working interest shall be effective as above described to the extent of the interest so assigned. No assignment made under the provisions of this section

shall be binding upon the Unit Operator until a certified copy of said assignment has been delivered to Unit Operator. The terms of this agreement shall be deemed to be covenants running with the land and the leasehold estates and interests therein of the parties hereto, and shall be binding upon and inure to the benefit of the parties hereto, their heirs, personal representatives, successors and assigns.

8.2 WITHDRAWAL OF PARTY: If either party hereto so desires, it may withdraw from this agreement by conveying, assigning and transferring, without warranty, either express or implied, to the other party hereto if such other party does not desire to withdraw all of its rights, title and interest in and under the leases included in the Unit Area, together with the withdrawing party's interest in all wells, casing, material, equipment, fixtures and other personal property belonging to any joint account which may be involved, but such conveyance or assignment shall not relieve said party from any obligation or liability accrued or incurred prior to the date thereof. The withdrawing party shall be relieved from all obligations and liabilities thereafter to accrue under this contract, and the right of such party to any benefits subsequently accruing hereunder shall cease; but assignee shall pay assignor for its interest in all casing, material, equipment, fixtures and other personal property at the salvage value thereof computed in accordance with the Accounting Procedure Schedule, Exhibit "A", hereto attached.

8.3 SUBSEQUENT JOINDER: There shall be no subsequent joinder in the Unit Agreement and in this agreement except on such terms and conditions as the parties who are then committed to this agreement then require; provided, that joinders may be made by those to whom surrenders are made under Section 30 of the Unit Agreement as there provided. However, no surrender shall be made except as provided in Section 8.4 hereof.

8.4 SURRENDER OF INTERESTS: After production is obtained on the Unit no lease committed to the Unit Agreement shall be surrendered in whole or in part, unless the parties hereto mutually consent thereto. Thereafter, should either party at any time desire to surrender any lease committed to said Unit Agreement and the other party should not agree or consent to such surrender, the party desiring so to surrender shall tender an assignment, without express or implied warranty of title, of all of such party's interest in such lease to the other party. The party desiring

to surrender its interest, pursuant to the provisions of this section, shall give fifteen (15) days' written notice of its intention to do so to the other party and within said time the said other party may notify the party desiring to surrender that such party does, or does not, desire to accept the interest sought to be assigned. Such assignment shall be free and clear of all liens and encumbrances and upon delivery thereof, the assigning party shall be relieved of all further obligations with respect to the lease or leases so assigned but such assignment shall not relieve the assigning party of any obligations to any joint account which may be involved or incurred with respect to such lease or leases prior to the assignment thereof.

9.

MISCELLANEOUS PROVISIONS

9.1 NOTICES: Except as herein otherwise expressly provided, all notices, reports or other communications required or permitted hereunder shall be deemed to have been properly given or delivered when delivered personally or when sent by certified or registered mail or by telegraph with all postage or charges fully prepaid, and addressed to the proper party hereto, at the address shown beneath that party's signature hereto, or such other address as may thereafter be furnished. The date of service by mail shall be the date on which such written notice or other communication is deposited in the United States Post Office, addressed as above provided.

9.2 RELATION OF PARTIES: The rights, duties, obligations and liabilities of the parties hereto shall be several and not joint or collective, and nothing herein contained shall ever be construed as creating a partnership of any kind, joint venture, an association or a trust or as imposing upon any one or more of the parties hereto any partnership duty, obligation or liability. Each party hereto shall be individually responsible for only its obligations, as set out in this agreement.

9.3 INCOME TAX ELECTION, SUB-CHAPTER K, OF CHAPTER 1 SUB-TITLE A INTERNAL REVENUE CODE: Notwithstanding any provisions herein that the rights and liabilities of the parties hereunder are several and not joint or collective, or that this agreement and the operations hereunder shall not constitute a partnership, if for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects to be excluded from the application of all of the provisions of Subchapter K, Chapter 1,

Subtitle A, of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of said Code and the regulation promulgated thereunder. The Unit Operator is hereby authorized and directed to execute on behalf of each of the parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and data required by Federal Regulations 1.761-1(a). Should there be any requirement that each party hereto further evidence this election, each party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the property covered by this agreement is located, or any future income tax law of the United States, contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of said Subchapter K is permitted, each of the parties hereto hereby makes such election or agrees to make such election as may be permitted by such law. In making this election, each of the parties hereto hereby states that the income derived by him from the operations under this agreement can be adequately determined without the computation of partnership taxable income.

In the event Unit Operator executes for and on behalf of Continental any election authorized under the provisions of this section, Unit Operator shall give notice of such election to Continental.

9.4 FORCE MAJEURE: In the event any party hereto is rendered unable, wholly or in part, by force majeure to carry out its obligations under this contract other than the obligation to make payments of amounts due hereunder, it is agreed that upon such party's giving notice and reasonably full particulars of force majeure in writing or by telegraph to the other parties hereto within a reasonable time after the occurrence of the cause relied upon, then the obligations of the party giving the notice, so far as they are affected by force majeure, shall be suspended during

the continuance of any liability so caused, but for no longer period; and the cause of the force majeure shall, so far as possible, be remedied with all reasonable dispatch. The term "force majeure" as employed herein shall mean any cause not reasonably within the control of the party claiming suspension.

The settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty and the above mentioned requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of opposing party when such course is inadvisable in the discretion of the party having the difficulty.

9.5 CONFORMATION TO LAWS AND REGULATIONS: All of the provisions of this agreement are hereby expressly made subject to all applicable Federal or State laws, orders, rules and regulations, and in the event this contract or any provision hereof is found to be inconsistent with or contrary to any such law, order, rule or regulation the latter shall be deemed to control and this contract shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

9.6 EFFECTIVE DATE AND TERM: This agreement shall become effective as of the effective date of the Unit Agreement and shall remain in full force and effect during the term of said Unit Agreement and any and all extensions or renewals thereof, and, in the event of the termination of the Unit Agreement for any reason, this agreement shall continue in full force and effect as to all wells which have not been plugged and abandoned as of the time of the termination of the Unit Agreement and the rights and interests of the parties hereto in such wells and their participation in the production therefrom and in the cost of the operation thereof, shall be governed by the provisions hereof and this agreement with respect thereto shall remain in full force and effect so long as any such well is capable of producing oil or gas in paying quantities.

IN WITNESS WHEREOF, this agreement is executed as of the day and year first hereinabove written.

SHELL OIL COMPANY

By _____
Attorney in Fact

Address for Notices:
P. O. Box 1509
Midland, Texas

ATTEST:

Jay Deltan
Asst Secretary

CONTINENTAL OIL COMPANY

By John E. Kircher
President

Address for Notices:

Box 1377
Roswell, New Mexico

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 3 day of December, 1962, by J. V. Lindsey, Attorney in Fact for SHELL OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission expires:
June 1, 1963

Jane Atkins
Notary Public in and for Midland County, Texas

STATE OF Texas)
)
COUNTY OF Tarrant)

The foregoing instrument was acknowledged before me this 4th day of December, 1962, by JOHN E. KIRCHER, as _____ for CONTINENTAL OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission expires:
6-1-63

Barbara Lee Nelson
Notary Public in and for Tarrant County, Texas

EXHIBIT "A"

Attached to and made a part of Unit Operating Agreement dated December 3, 1962, between Shell Oil Company, as Operator, and Continental Oil Company, as Non-Operator

ACCOUNTING PROCEDURE

(JOINT OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this "Accounting Procedure" is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the nonoperating parties, whether one or more.

"Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.

"Parties" shall mean Operator and Non-Operators.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Conflict with Agreement

In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the agreement to which this Accounting Procedure is attached, the provisions of the agreement shall control.

3. Collective Action by Non-Operators

Where an agreement or other action of Non-Operators is expressly required under this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the agreement or action of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

4. Statements and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses, for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under Subparagraph C below:

A. Statement in detail of all charges and credits to the Joint Account.

B. Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.

C. Statement of all charges and credits to the Joint Account summarized by appropriate classifications indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.

5. Payment and Advances by Non-Operators

Each Non-Operator shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

6. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operators to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.

7. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided however, the making of an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Paragraph 6 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

II. DIRECT CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Delay or other rentals and royalties when such rentals and royalties are paid by Operator for the Joint Account of the Parties.

2. Labor

A. Salaries and wages of Operator's employees directly engaged on the Joint Property in the conduct of the Joint Operations, and salaries or wages of technical employees who are temporarily assigned to and directly employed on the Joint Property.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1 of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.

3. **Employee Benefits**
Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost; provided however, the total of such charges shall not exceed ten percent (10%) of Operator's labor costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

4. **Material**
Material purchased or furnished by Operator for use on the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.

5. **Transportation**
Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:
A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where like material is available, except by agreement with Non-Operators.
B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by agreement with Non-Operators. No charge shall be made to Joint Account for moving Material to other properties belonging to Operator, except by agreement with Non-Operators.
C. In the application of subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of $100 or less.

6. **Services**
A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 2 of Section III.
B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.

7. **Damages and Losses to Joint Property**
All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or any other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

8. **Legal Expense**
All costs and expenses of handling, investigating and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorneys' fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), except by agreement with Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.

9. **Taxes**
All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

10. **Insurance Premiums**
Premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties.

11. **Other Expenditures**
Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator for the necessary and proper conduct of the Joint Operations.

III. INDIRECT CHARGES

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items plus a fixed rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraphs 1, 2, and 3 of this Section III OR by combining all three of said items under the fixed rate provided for in Paragraph 4 of this Section III, as indicated next below:

OPERATOR SHALL CHARGE THE JOINT ACCOUNT UNDER THE TERMS OF:

☒ Paragraphs 1, 2 and 3. (Allocation of district expense plus fixed rate for administrative overhead plus warehousing.)
☐ Paragraph 4. (Combined fixed rate)

1. **District Expense**
Operator shall charge the Joint Account with a pro rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's Roswell Production Division office located at or near Roswell, New Mexico (or a comparable office if location changed), and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

2. **Administrative Overhead**
Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1 of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charges shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged as direct charges as provided in Paragraphs 2 and 8 of Section II.

WELL BASIS (RATE PER WELL PER MONTH)

	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
Well Depth	Each Well	First Five	Next Five	All Wells Over Ten
All	$500.00	$60.00	$50.00	$40.00

The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting, or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in this Paragraph 2 of Section III, unless such cost and expense are agreed upon between Operator and Non-Operators as a direct charge to the Joint Account.

3. **Operator's Fully Owned Warehouse Operating and Maintenance Expense**
(Describe fully the agreed procedure to be followed by the Operator.)
None

4. **Combined Fixed Rates**
Operator shall charge the Joint Account for the services covered by Paragraph 1, 2 and 3 of this Section III, the following fixed per well rates:

WELL BASIS (RATE PER WELL PER MONTH)

	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
Well Depth	Each Well	First Five	Next Five	All Wells Over Ten

Said fixed rate (shall) (shall not) include salaries and expenses of production foremen.

5. **Application of Administrative Overhead or Combined Fixed Rates**
The following limitations, instructions and charges shall apply in the application of the per well rates as provided under either Paragraph 2 or Paragraph 4 of this Section III:
   A. Charges for drilling wells shall begin on the date each well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
   B. The status of wells shall be as follows:
      (1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for water flooding operations and salt water disposal wells shall be considered the same as producing wells.
      (2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. When such a well is plugged a charge shall be made at the producing well rates.
      (3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling or workover rig shall be considered the same as drilling wells.
      (4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, all wells capable of producing will be counted in determining the charge.
      (5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.
      (6) Wells completed in multiple horizons, in which the production is not commingled down hole, shall be considered as a producing well for each separately producing horizon.
   C. The well rates shall apply to the total number of wells being drilled or operated under the agreement to which this Accounting Procedure is attached, irrespective of individual leases.
   D. The well rates shall be adjusted on the first day of April of each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

6. ~~For the construction of compressor plants, water stations, secondary recovery systems, salt water disposal facilities~~, and other such projects, as distinguished from the more usual drilling and producing operations, Operator in addition to the Administrative Overhead or Combined Fixed Rates provided for in Paragraph 2 and 4 of this Section III, shall charge the Joint Account with an additional overhead charge as follows:
   A. Total cost less than $25,000, no charge.
   B. Total cost more than $25,000 but less than $100,000, _____% of total cost.
   C. Total cost of $100,000 or more, _____% of the first $100,000 plus _____% of all over $100,000 of total cost.
   Total cost shall mean the total gross cost of any one project. For the purpose of this Paragraph the component parts of a single project shall not be treated separately and the cost of drilling wells shall be excluded.

7. The specific rates provided for in this Section III may be amended from time to time by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. BASIS OF CHARGES TO JOINT ACCOUNT

Subject to the further provisions of this Section IV, Operator will procure all Material and services for the Joint Property. At the Operator's option, Non-Operator may supply Material or services for the Joint Property.

1. **Purchases**
Material purchased and service procured shall be charged at the price paid by Operator after deduction of all discounts actually received.

2. **Material furnished from Operator's Warehouse or Other Properties**
   A. New Material (Condition "A")
      (1) Tubular goods, two inch (2") and over, shall be priced on Eastern Mill base (i. e. Youngstown, Ohio; Lorain, Ohio; and Indiana Harbor, Indiana) on a minimum carload basis effective at date of movement and f. o. b. railway receiving point nearest the Joint Property, regardless of quantity. In equalized hauling charges, Operator is permitted to include ten cents (10c) per hundred-weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.
      (2) Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and f. o. b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is available.
      (3) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.
   B. Used Material (Condition "B" and "C")
      (1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.
      (2) Material which cannot be classified as Condition "B" but which,
         (a) After reconditioning will be further serviceable for original function as good secondhand Material (Condition "B"), or
         (b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty per cent (50%) of current new price.
      (3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for

some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.

(4) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. **Premium Prices**
Whenever Material is not readily obtainable at prices specified in Paragraphs 1 and 2 of this Section IV because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in procuring such Material, in making it suitable for use, and in moving it to the Joint Property, provided, that notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. **Warranty of Material Furnished by Operator**
Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

5. **Equipment and Facilities Furnished by Operator**
A. Operator shall charge the Joint Account for use of equipment and facilities at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation and interest on investment not to exceed six per cent (6%) per annum, provided such rates shall not exceed those currently prevailing in the immediate area within which the Joint Property is located. Rates for automotive equipment shall generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommeded uniform charges against Joint Property operations. Rates for laboratory services shall not exceed those currently prevailing if performed by outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.
B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.
C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

V. DISPOSAL OF MATERIAL

The Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus Condition "A" or "B" Material. The disposition of surplus Controllable Material, not purchased by Operator, shall be subject to agreement between Operator and Non-Operators, provided Operator shall dispose of normal accumulations of junk and scrap Material either by transfer or sale from the Joint Property.

1. **Material Purchased by the Operator or Non-Operators**
Material purchased by either the Operator or Non-Operators shall be credited by the Operator to the Joint Account for the month in which the Material is removed by the purchaser.

2. **Division in Kind**
Division of Material in kind, if made between Operator and Non-Operators, shall be in proportion to the respective interests in such Material. The Parties will thereupon be charged individually with the value of the Material received or receivable. Proper credits shall be made by the Operator in the monthly statement of operations.

3. **Sales to Outsiders**
Sales to outsiders of Material from the Joint Property shall be credited by Operator to the Joint Account at the net amount collected by Operator from vendee. Any claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operators or divided in kind, unless otherwise agreed to between Operator and Non-Operators shall be priced on the following basis:

1. **New Price Defined**
New price as used in this Section VI shall be the price specified for New Material in Section IV.

2. **New Material**
New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred per cent (100%) of current new price (plus sales tax if any).

3. **Good Used Material**
Good used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for reuse without reconditioning:
A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or
B. At sixty-five per cent (65%) of current new price if Material was originally charged to the Joint Account as secondhand at seventy-five percent (75%) of new price.

4. **Other Used Material**
Used Material (Condition "C"), at fifty per cent (50%) of current new price, being used Material which:
A. Is not in sound and serviceable condition but suitable for reuse after reconditioning, or
B. Is serviceable for original function but not suitable for reconditioning.

5. **Bad-Order Material**
Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at a price comparable with that of items normally used for such other purpose.

6. **Junk Material**
Junk Material (Condition "E"), being obsolete and scrap Material, at prevailing prices.

7. **Temporarily Used Material**
When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price as provided for in Paragraph 3 B of this Section VI, such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the service rendered.

VII. INVENTORIES

The Operator shall maintain detailed records of Material generally considered controllable by the Industry.

1. **Periodic Inventories, Notice and Representation**
At reasonable intervals, inventories shall be taken by Operator of the Joint Account Material, which shall include all such Material as is ordinarily considered controllable. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator, who shall in that event furnish Non-Operators with a copy thereof.

2. **Reconciliation and Adjustment of Inventories**
Reconciliation of inventory with charges to the Joint Account shall be made, and a list of overages and shortages shall be jointly determined by Operator and Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable to Non-Operator only for shortages due to lack of reasonable diligence.

3. **Special Inventories**
Special inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.