

UNIT AGREEMENT
WEST PEARL QUEEN UNIT
LEA COUNTY, NEW MEXICO

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Exhibit "A" (Map of Unit Area)
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LEA COUNTY OFFICE

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
WEST PEARL QUEEN UNIT
LEA COUNTY, NEW MEXICO

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

W I T N E S S E T H :

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39, N.M.S. 1953 Anno) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-41, N.M.S. 1953 Anno) to amend with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such unitized development and operation of State lands; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Sec. 65-3-14, N.M.S. 1953 Anno) to approve this agreement, and the conservation provisions hereof; and

WHEREAS, the Mineral Leasing Act of February 25, 1920 (41 Stat. 437, as amended 30 U.S.C. Sections 181, et seq.) authorizes Federal lessees and their representatives to unite with each other or

jointly or separately with others in collectively adopting and operating a unit plan of development or operation of any oil or gas pool, field or like area or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

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

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

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

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

part of this agreement.

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

(a) "Unit Area" is defined as follows:

T. 19 S., R. 35 E.,

Section 20: SW/4 SE/4
Section 21: SW/4 SW/4
Section 28: W/2, W/2 SE/4 and SE/4 SE/4
Section 29: All
Section 30: E/2 SE/4, SE/4 NE/4 and
 SW/4 SE/4
Section 31: NE/4, E/2 NW/4, N/2 SE/4 and
 NE/4 SW/4
Section 32: N/2, N/2 SW/4 and NW/4 SE/4
Section 33: N/2 and N/2 SE/4

containing 2,520 acres, more or less,
Lea County, New Mexico.

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

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

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

(e) "Secretary" is defined as the Secretary of the Interior of the United States of America or any person duly authorized to exercise the powers vested in that officer.

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

(g) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey for the region in which the Unit Area is situated.

(h) "Unitized Formation" shall be the stratigraphic interval underlying the Unit Area extending from the top of the Queen formation to a depth of fifty feet (50') below the base of Zone IIIA of the Queen formation, the top of the Queen and the base of Zone IIIA having been encountered at the depths of 4,660 feet and 5,008 feet, respectively, beneath the derrick floor of Gulf Oil Corporation's Lea State "IH" No. 1, located 1,980 feet from the south and east lines of Section 29, T-19-S, R-35-E, Lea County, New Mexico as shown on the Schlumberger Gamma Ray-Neutron Log run May 13, 1958.

(i) "Unitized Substances" means all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.

(j) "Primary Phase Participation" of each Working Interest Owner means the sum of a tract participation percentages credited to such Working Interest Owner on Exhibit "B" during the Primary Phase of Operations.

(k) "Secondary Phase Participation" of each Working Interest Owner means the sum of the tract participation percentages credited to such Working Interest Owner on Exhibit "B" during the Secondary Phase of Operations.

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

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

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

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

(p) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 9, infra, and shall be styled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico".

(q) "Unit Manager" is defined as the person or corporation appointed by the Unit Working Interest Owners to perform the duties of the Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Section 8 hereof.

(r) "Primary Phase of Operations" or "Primary Phase" means the period of time beginning the effective date hereof and continuing until 7 a.m. on the first day of the calendar month after 587,461 barrels of oil shall have been produced after October 1, 1963 from the Unitized Formation; provided, if less than all of the tracts described in Exhibit "B" are committed to this agreement, the Remaining Primary Reserves for the Unit Area (587,461 barrels) shall be reduced by the number of barrels of Remaining Primary Reserves attributed to the tracts that are not committed to this agreement. Working Interest Owners' or Unit Operator's Monthly Reports, Form C-115, filed with the New Mexico Oil Conservation Commission shall be conclusive evidence of the number of barrels of oil produced from the Unit Area after October 1, 1963.

(s) "Secondary Phase of Operations" or "Secondary Phase" means the remainder of the term of this agreement after the end of the Primary Phase.

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

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

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

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

SECTION 3. EXHIBITS. Exhibit "A", attached hereto, is a map showing the Unit Area and the boundaries and identity of tracts and leases in said Unit 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 comprising each tract, percentage ownership of each Working Interest Owner in each tract, and the percentage of participation each tract has in the Unit Area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary, and copies of such revision shall be filed with and approved by the Land Commissioner and the Supervisor as required.

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

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

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the Primary and Secondary Phase Participation to be assigned on the basis of admission of such tract or tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if at least three Working Interest Owners having in the aggregate eighty percent (80%) Secondary Phase Participation have agreed to such tract or tracts being brought into the unit, then Unit Operator shall:

(1) After preliminary concurrence by the Director and the Land Commissioner prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the Primary and Secondary Phase Participations to be assigned thereto and the proposed effective date thereof; and

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

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above with the Land Commissioner and Supervisor the following: (a) Evidence of mailing or delivering copies of said notice of expansion; (b) An application for such expansion; (c) An instrument containing the appropriate joinders reflecting the qualifications of the new tract in the same manner required for the qualification of tracts under Section 13 hereof; and (d) Copies of any objections received.

The expansion shall, after due consideration of all pertinent information and approval by the Land Commissioner and the Director, become effective as of the date prescribed in the notice thereof, preferably the first day of the month subsequent to the date of notice, or on such other date as set by the Land Commissioner and the Director in the order or instrument approving such expansion.

SECTION 5. 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". Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation as above described.

SECTION 6. UNIT OPERATOR. Gulf Oil Corporation is hereby initially designated the Unit Operator, and by signing this instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided. Whenever reference is made

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

SECTION 7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, the Land Commissioner and the Director, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

The Unit Operator shall be subject to removal by at least two of the committed Working Interest Owners having in the aggregate 75% or more Secondary Phase Participation exclusive of the Secondary Phase Participation of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Land Commissioner and the Director.

In all such instances of effective resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided the Working Interest Owners shall be jointly responsible for the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

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

resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, books, and records, materials, appurtenances and any other assets, used in connection with Unit Operations and owned by the Working Interest Owners to the new duly qualified successor Unit Operator, or to the Unit Manager 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 the removal of any material, equipment or appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator who resigns or is removed hereunder from any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall select a successor Unit Operator as herein provided. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Land Commissioner and filed with the Supervisor. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the Land Commissioner and the Director, at their election, may declare this agreement terminated.

In selecting a successor Unit Operator the majority vote of the Working Interest Owners shall prevail, provided that in the event one Working Interest Owner should own more than forty-five percent (45%) voting interest, its vote shall not be regarded as sufficient unless supported by the vote of two or more Working Interest Owners having a combined voting interest of at least six percent (6%). If the Unit Operator who is removed votes only to succeed itself or fails to vote, the successor Unit Operator shall be selected by the affirmative vote of at least seventy-five percent (75%) of the voting interest remaining. In

voting under this Section 8 each Working Interest Owner shall have a voting interest equal to its Secondary Phase Participation.

SECTION 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.

Costs and expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this agreement, and in case of any inconsistency or conflict between this agreement, and the Unit Operating Agreement, this Unit Agreement shall prevail. Copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Land Commissioner and with the Supervisor as required prior to approval of this agreement.

SECTION 10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto 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. Upon request acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to

any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

SECTION 11. PLAN OF OPERATIONS. It is recognized and agreed by the parties hereto that all of the land subject to this agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this agreement is to formulate and to put into effect a secondary recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Supervisor, the Land Commissioner and the Commission, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquified petroleum gases and any one or more other substances or combination of substances whether produced from the Unit Area or not, and that the location of input wells, the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. Subject to like approval the plan of operation may be revised as conditions may warrant.

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

SECTION 12. EASEMENTS OR USE OF SURFACE. The parties hereto, to the extent of their rights and interest, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may reasonably be necessary for unit operations, including the

free use of water from the Unit Area for unit operations, insofar as such rights are granted by the oil and gas leases.

Working Interest Owners shall pay the owner for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from unit operations.

SECTION 13. TRACT PARTICIPATION. In Exhibit "B" attached hereto, there are listed and numbered the various tracts within the Unit Area and set forth opposite each tract are figures which represent the percentage of participation allocated to each tract in the Unit Area during the Primary and Secondary Phases of Operations, respectively, as those terms are defined herein.

The percentage of participation of each tract during the Primary Phase of Operations shown on Exhibit "B" was determined in accordance with the following formula:

$$\frac{\text{Total Tract Remaining Primary Reserves Subsequent to Sept. 30, 1963}}{\text{Total Unit Area Remaining Primary Reserves Subsequent to Sept. 30, 1963}} \quad \times \quad 60\%$$

Plus (+)

$$\frac{\text{Total Tract Oil Production For The Six (6) Months Prior to Oct. 1, 1963}}{\text{Total Unit Area Oil Production For The Six (6) Months Prior to Oct. 1, 1963}} \quad \times \quad 40\%$$

Equals (=)

Tract Primary Phase Participation Percentage

The percentage of participation of each tract during the Secondary Phase of Operations shown on Exhibit "B" was determined in accordance with the following formula:

$$\frac{\text{Total Tract Ultimate Primary Recovery}}{\text{Total Unit Area Ult. Primary Recovery}} \quad \times \quad 100\%$$

Equals (=)

Tract Secondary Phase Participation Percentage

Ultimate primary recovery as used herein is the sum of the accumulated oil production through September, 1963 (2,098,539 barrels) as shown on the pertinent Operators' Monthly Reports, Form C-115, on file with the Commission and the Remaining Primary Reserves of Oil for all tracts initially defined in Exhibit "B" on October 1, 1963 (587,461 barrels), subject to the reduction provided for under Section 2 (r).

SECTION 14. TRACTS QUALIFIED FOR PARTICIPATION. On and after the effective date hereof the tracts within the Unit Area which shall be entitled to participation in the production of Unitized Substances therefrom shall be those tracts more particularly described in Exhibit "B" that corner or have a common boundary (tracts separated only by a public highway or a railroad right of way shall be considered to have a common boundary), and that otherwise qualify as follows:

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

(b) Each tract as to which Working Interest Owners owning not less than eighty five percent (85%) of the Working Interest have become parties to this agreement, regardless of the percentage of Royalty Interest therein that is committed hereto, and as to which the Working Interest Owners in said tract who have executed this agreement have agreed to indemnify and hold harmless all other parties hereto in a manner satisfactory to the Working Interest Owners qualified under Section 14 (a) against any and all claims and demands that may be made by the non-joining interest owners on account of the inclusion of such tract in the Unit Area and the operation of the Unit Area on the basis herein provided. In the event less than eighty five percent (85%) of the Working Interest Owners qualified under Section 14 (a) have approved the inclusion of such tract in the Unit Area, said tract shall not be considered qualified to be included in the Unit. For the purpose of this Section 14 (b), the voting interest of a Working Interest Owner shall be equal to the ratio that its Secondary Phase Participation attributable to tracts that qualify under Section 14 (a) bears to the total Secondary Phase Participation of all Working Interest Owners attributable to all tracts qualified under Section 14 (a). Upon the inclusion of such a tract in the Unit Area, the Primary or Secondary Phase Participation that would have been attributed to the nonsubscribing owners of the Working Interest in such tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such tract who have become parties to this agreement, in proportion to their respective Working Interests in the tract.

SECTION 15. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on Unitized Land for drilling, operating, camp, and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the Unit Area in accordance with the respective tract participation effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit "B".

The amount of Unitized Substances so allocated to each tract, and only that amount (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such tract), shall for all intents and purposes be deemed to have been produced from such tract.

The Unitized Substances allocated to each tract shall be distributed among, or accounted for to, the parties executing, consenting to or ratifying this agreement entitled to share in the production from such tract in the same manner, in the same proportions and upon the same conditions as they would have participated and shared in the production from such tract had this agreement not been entered into and with the same legal force and effect.

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

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

The Unitized Substances allocated to each tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell

or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on Unitized Land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 15 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unit Area currently, as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party and in order to avoid curtailing the operation of the Unit Area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto. Notwithstanding 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.

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

If, after the effective date of this agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any tract or tracts within the Unit Area

not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 32 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the Unit Area as provided for in Section 31 (Loss of Title), Exhibit "B" shall be revised by the Unit Operator and distributed to the Working Interest Owners, the Land Commissioner, and the Supervisor to show the new percentage participation of all the then effectively committed tracts; and the revised Exhibit "B", upon approval by the Land Commissioner and the Supervisor, shall govern all the allocation of production from and after the effective date thereof until a new revised Exhibit "B" is filed and approved as hereinabove provided.

SECTION 16. ROYALTY SETTLEMENT. The State of New Mexico, the United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances produced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interest not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained

shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

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

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

SECTION 17. RENTAL SETTLEMENT. Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations; provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty

in lieu thereof, due under their leases. Rental for lands of the State of New Mexico subject to this agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. Rental or minimum royalty for lands of the United States of America subject to this agreement shall be paid at the rates specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

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

SECTION 20. LEASES AND CONTRACTS CONFORMED AND EXTENDED.

The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Secretary and the Land Commissioner, respectively, shall, and by their approval hereof, or by the approval hereof by their duly authorized representatives,

do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement.

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

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part 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, producing or secondary recovery operations performed hereunder upon any tract of Unitized Lands shall be accepted and deemed to be performed upon and for the benefit of each and every tract of Unitized Land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on land therein embraced.

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

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

(e) Termination of this agreement shall not affect any lease which, pursuant to the terms thereof or any applicable laws, shall continue in force and effect thereafter.

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

(g) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to that portion committed and that portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease (whether within or without the Unit Area), (1) if, and for so long as oil or gas are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement; or (2) if, and for so long as some part of the

lands embraced in such lease committed to this agreement are allocated Unitized Substances; or (3) if, at the expiration of the secondary term the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein and for so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas said lease shall continue in full force and effect as to all the lands embraced therein so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Section 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 non-unitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

SECTION 21. MATHEMATICAL ERRORS. It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical errors which might exist in the pertinent exhibits to this agreement upon approval by the Land Commissioner and the Supervisor.

SECTION 22. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or an acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished

with the original or an acceptable photostatic or certified copy of the recorded instrument of transfer.

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

(a) The execution or ratification of this agreement and the Unit Operating Agreement by Working Interest Owners owning a combined Secondary Phase Participation of at least 85%, and the execution or ratification of the agreement by Royalty Owners owning a combined interest of at least 65% of the Royalty Interest, in said Unit Area; and

(b) The approval of this agreement by the Land Commissioner, the Secretary or his duly authorized representative, and the Commission; and

(c) The filing of at least one counterpart of this agreement for record in the office of the County Clerk of Lea County, New Mexico, by the Unit Operator; and provided, further, that if (a), (b) and (c) above are not accomplished on or before January 1, 1965, this agreement shall ipso facto terminate on said date (hereinafter called "termination date") and thereafter be of no further force or effect, unless prior thereto this agreement has been executed or ratified by Working Interest Owners owning a combined Secondary Phase Participation of at least 80%, and the Working Interest Owners owning a combined Secondary Phase Participation of at least 80% committed to this agreement have decided to extend said termination date for a period not to exceed six months (hereinafter called "extended termination date"). If said termination date is so extended and (a), (b) and (c) are not accomplished on or before said extended termination date, this agreement shall ipso facto terminate on said extended termination date and thereafter be of no further force or effect.

Unit Operator shall, within thirty (30) days after the effective date of this agreement, file for record in the office where a counterpart of this agreement is recorded, a certificate to the effect that this agreement has become effective according to its terms and stating further the effective date.

SECTION 24: TERM. The term of this agreement shall be for the time that Unitized Substances are produced in paying quantities and as long thereafter as Unit Operations are conducted without a cessation of more than one hundred eighty (180) consecutive days, unless sooner terminated by Working Interest Owners in the manner herein provided.

This agreement may be terminated by Working Interest Owners having a combined Secondary Phase Participation of at least eighty-five percent (85%) whenever such Working Interest Owners determine that Unit Operations are no longer profitable or feasible. Notice of termination shall be given to all parties and filed with the Land Commissioner, the Supervisor, the Commission and filed for record with the County Clerk of Lea County, New Mexico.

Upon termination of this agreement the further development and operation of the Unit Area as a unit shall be abandoned, Unit Operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts just as if this agreement had never been entered into.

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

SECTION 25. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, at his discretion, the rate of prospecting and development and, within the limits made or fixed by the Commission, to alter or modify the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose

thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided, further, that no such 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 Land Commissioner and as to any lands of the State of New Mexico or privately-owned land subject to this agreement 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 fifteen (15) days from notice, and thereafter subject to administrative appeal before becoming final.

SECTION 26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all of the provisions of Section 301 (1) to (7) inclusive, of Executive Order 10925, as amended (28 F.R. 6485), which are hereby incorporated by reference in this agreement.

SECTION 27. APPEARANCES. Unit Operator shall have the right to appear for or on behalf of any and all interests affected hereby before the Land Commissioner, the Department and the Commission, and to appeal from any order issued under the rules and regulations of the Land Commissioner, the Department or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Land Commissioner, the Department or the Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

SECTION 28. NOTICES. All notices, demands, objections or statements required hereunder to be given or rendered to the parties

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

SECTION 29. 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 Federal or State law or rule or regulation issued thereunder in any way affecting such party, or as a waiver by any such party or any right beyond his or its authority to waive.

SECTION 30. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue secondary recovery operations or to operate on or produce Unitized Substances from any of the land covered by this agreement shall be suspended while, but only so long as the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials, in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

SECTION 31. LOSS OF TITLE. In the event title to any tract of Unitized Land shall fail so that the tract is no longer qualified for participation in the production of Unitized Substances under Section 14

of this agreement, and the true owner cannot be induced to join this Unit Agreement, such tract shall be removed from the Unit Area effective as of the first day of the calendar month in which the failure of title is finally determined and there shall be such readjustment of future costs and benefits by revision of Exhibits "A" and "B" as may be required on account of the loss of such title. In the event of a dispute as to the title or right of any Royalty or Working Interest Owner the payment for (or deliver in kind of) Unitized Substances on account thereof may be withheld (or marketed and the proceeds impounded) without liability or interest until the dispute is finally settled; provided, that as to State or Federal land or leases, no payments of funds due the State of New Mexico or the United States of America shall be withheld but such funds shall be deposited as directed by the Land Commissioner or the Supervisor (as the case may be) to be held as unearned money pending final settlement of the title dispute and then applied as earned or returned in accordance with such final settlement.

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

SECTION 32. NONJOINDER AND SUBSEQUENT JOINDER. Joinder by any Royalty Owner at any time must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to the Unit Agreement by a Working Interest Owner at any time must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Unit Agreement.

After the effective date hereof, the commitment of any interest in any tract within the Unit Area shall be upon such terms as may be negotiated by Working Interest Owners and the owner of such interest and upon approval by the Land Commissioner and the Director.

If any of the tracts in Exhibit "B" fail to qualify for inclusion in the Unit Area on the effective date hereof Unit Operator shall recompute, using the original basis of computation, of the Tract Participation of each of the qualifying tracts and shall revise Exhibits "A" and "B" accordingly. The revised exhibits shall be effective as of the effective date hereof upon approval of the Land Commissioner and the Supervisor.

SECTION 33. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, and may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the land within the above described Unit Area.

SECTION 34. TAXES. Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the Unitized Land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No such taxes shall be charged to the United States or to the State of New Mexico, nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 35. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the Working Interest Owners, nor any of them, shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure, in whole or in part, to comply with any applicable provisions thereof to the extent that said Unit Operator or Working Interest Owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator, in the exercise of due diligence, to obtain concurrence of proper representatives of the United States and the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority which by any provisions of this agreement are vested in the Commission shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico, and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

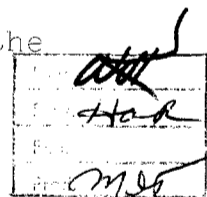
SECTION 36. NO PARTNERSHIP. The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

SECTION 37. PRODUCTION AS OF THE EFFECTIVE DATE. Unit Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area in order to ascertain the amount of merchantable

oil above the pipe line connection in such tanks as of 7:00 a.m. on the effective date hereof. All such oil which has then been legally produced shall be and remain the property of the Working Interest Owner and Royalty Owner entitled thereto, the same as if the Unit had not been formed, and such parties shall promptly remove said oil from the Unit Area. Any such oil not so removed shall be sold by Unit Operator for the account of such Working Interest Owner, subject to the payment of all Royalty to Royalty Owners under the terms hereof. The oil which is in excess of the prior allowables of the wells from which it was produced shall be deemed to be Unitized Substances produced after the effective date hereof.

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

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



GULF OIL CORPORATION

ATTEST:

John R. Barker
Assistant Secretary

Date: February 17, 1964

By *W. B. H. Jones*
Attorney-in-Fact
P. O. Box 1938
Roswell, New Mexico

THE STATE OF NEW MEXICO

℥

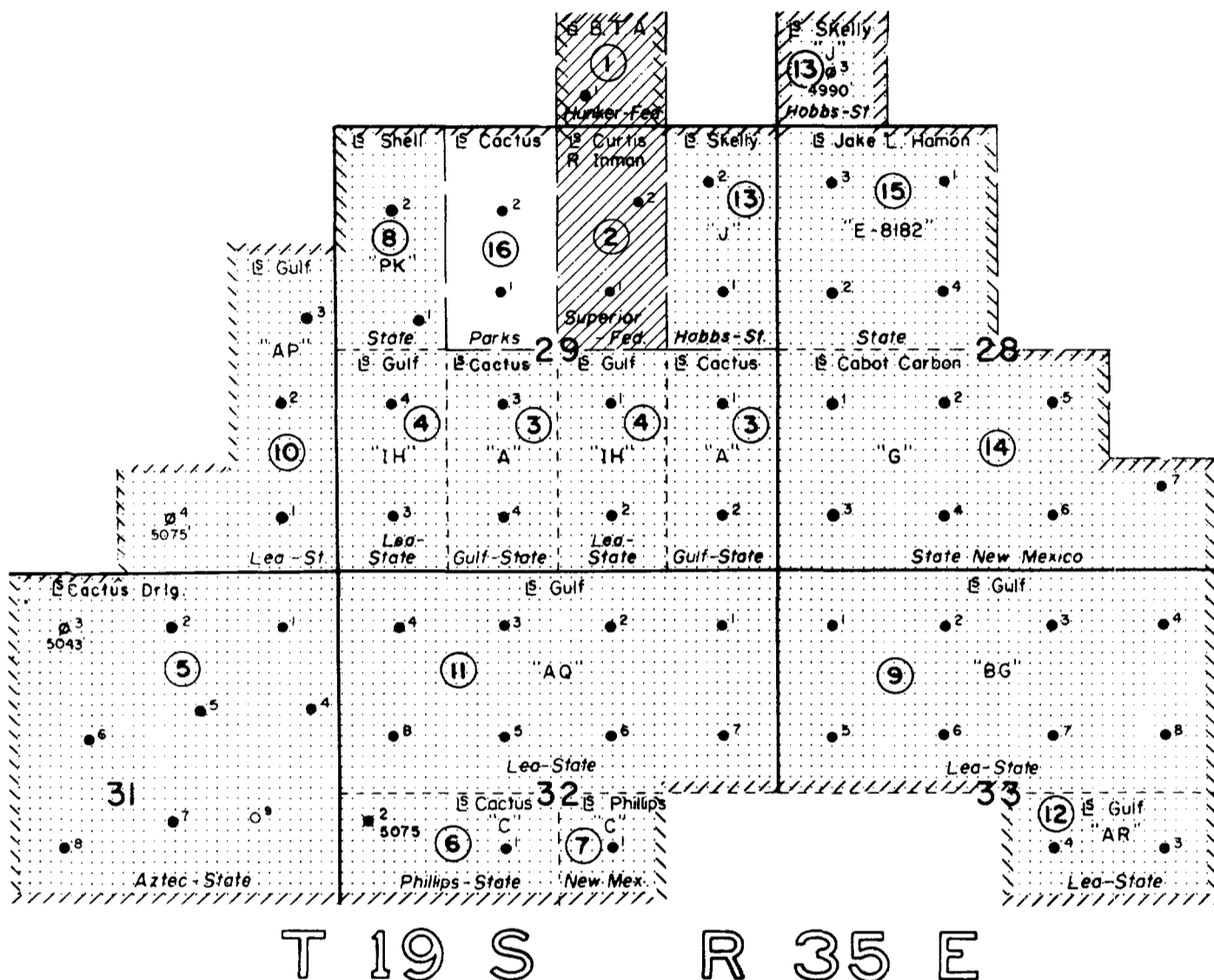
COUNTY OF CHAVES

℥

The foregoing instrument was acknowledged before me this 17th
day of February, 1964, by W. B. HOPKINS,
Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania corporation on
behalf of said corporation.

Eva Marie Cooper
Notary Public

My Commission Expires:
My Commission Expires August 15, 1966



FEDERAL AND STATE LEASE
DESIGNATION

EXHIBIT A






TRACT NO.

1	LC-069704-A
2	LC-070397
3	E-1587
4	E-1587
5	E-1638
6	E-1922
7	E-1922
8	E-5840
9	E-5841
10	E-5885
11	E-5886
12	E-5887
13	E-7418
14	E-8183 AND
	E-8184
15	E-8182

WEST PEARL QUEEN UNIT

LEA COUNTY, NEW MEXICO

- LEGEND -

-  FEDERAL
-  STATE
-  FEE
-  UNIT AREA BOUNDARY
-  TRACT NUMBER

Scale: 1" = 2000'

EXHIBIT "B" TO UNIT AGREEMENT

WEST PEARL QUEEN UNIT
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND LEASE DATE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
Federal Land							
1.	SW/4 SE/4 Sec. 20-19S-35E	40	LC-069704-A 7-1-51	U. S. A. - All	George Hunker, Jr.	Elizabeth Ann Elliott - 1.3125% Ora R. Hall, Jr. - 1.3125% George H. Hunker, Jr. & Margaret K. Hunker - 2.6250% Thomas L. Pearson & Emily Elizabeth Pearson 1.0000%	B.T.A. Oil Producers - All
2.	W/2 NE/4 Sec. 29-19S-35E	80	LC-070397 8-1-49	U. S. A. - All	H. A. Jacobs (Deceased)	El Paso National Bank Independent Executor Estate of Homer A. Jacobs & Margaret S. Jacobs, Homer A. Jacobs, Jr., E. Philip, S. Jacobs, Devises - 0.2500% R. E. Smith - 0.2500% The Superior Oil Co. - 17.7500% Earl F. Vigarito - 0.2500%	Curtis R. Inman - 37.50000% Kay Kimbell Estate - 46.87500% W. E. Lyle, Jr. - 15.62500%
State Land							
3.	E/2 SE/4; E/2 SW/4 Sec. 29-19S-35E	160	E-1587 11-10-47	State of New Mexico - All	Gulf Oil Corp.	Gulf Oil Corporation - 5.45875%	Cactus Drilling - All
4.	W/2 SW/4; W/2 SW/4 Sec. 29-19S-35E	160	E-1587 11-10-47	State of New Mexico - All	Gulf Oil Corp.	None	Gulf Oil Corp. - All

2 Federal Tracts, 120.00 acres of 4.7619% of Unit Area.

36.65625% Production Payment to
The First National Bank of Fort Worth
A/C Tarrant Foundation Inc.*

TRACT NO.		SERIAL NO. AND LEASE DATE		BASIC ROYALTY AND OWNERSHIP PERCENTAGE		OVERRIDING ROYALTY AND PERCENTAGE		WORKING INTEREST AND PERCENTAGE	
DESCRIPTION OF LAND		ACRES		LESSOR OF RECORD		AND PERCENTAGE		AND PERCENTAGE	
5.	NE/4, N/2 SE/4, NE/4 SW/4, E/2 NW/4 Sec. 31-19S-35E	360	E-1638 12-10-47	State of New Mexico - all	Aztec Oil & Gas Co. Aztec Oil & Gas	- 5.46875%	Cactus Drilling Co. - 49.999% Penrose and Zachary - 3.333% Broseco Corporation - 46.583% John B. Rich - 0.083%		
6.	N/2 SW/4 Sec. 32-19S-35E	80	E-1922 6-10-48	State of New Mexico - All	Phillips Petroleum	Phillips Petroleum	- 8.20312%	Cactus Drilling Co. - All	
7.	NW/4 SE/4 Sec. 32-19S-35E	40	E-1922 6-10-48	State of New Mexico - All	Phillips Petroleum	None		Phillips Petroleum - All	
8.	W/2 NW/4 Sec. 29-19S-35E	80	E-5840 12-10-51	State of New Mexico - All	Shell Oil Co.	None		Shell Oil Company - All	
9.	N/2 Sec. 33-19S-35E	320	E-5841 12-10-51	State of New Mexico - All	Gulf Oil Corp.	None		Gulf Oil Corporation - All	
10.	SE/4 NE/4, E/2 SE/4, SW/4 SE/4 Sec. 30-19S-35E	160	E-5885 1-10-52	State of New Mexico - All	Gulf Oil Corp.	None		Gulf Oil Corporation - All	
11.	N/2 Sec. 32-19S-35E	320	E-5886 1-10-52	State of New Mexico - All	Gulf Oil Corp.	None		Gulf Oil Corporation - All	
12.	N/2 SE/4 Sec. 33-19S-35E	80	E-5887 1-10-52	State of New Mexico - All	Gulf Oil Corp.	None		Gulf Oil Corporation - All	
13.	E/2 NE/4 Sec. 29; SW/4 SW/4 Sec. 21-19S-35E	120	E-7418 9-15-53	State of New Mexico - All	Skelly Oil Co.	None		Skelly Oil Company - All	
14.	SW/4 Sec. 28-19S-35E	160	E-8183 5-18-54	State of New Mexico - All	Cabot Corporation	None		Cabot Corporation - All	
14A.**	W/2 SW/4, SE/4 SE/4 Sec. 28-19S-35E	120	E-8184 5-18-54	State of New Mexico - All	Cabot Corporation	None		Cabot Corporation - All	
15	NW/4 Sec. 28-19S-35E	160	E-8182 5-18-54	State of New Mexico - All	Jake L. Hanon	A. C. Elliott	- 1.36719%	Don O. Campbell - 49.999% Jake L. Hanon - 50.001%	

13 State Tracts, 2,710.00 acres of 92.0635% of Unit Area

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND LEASE DATE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
16.	E/2 NW/4 Sec. 29-19S-35E	80	Patent Land 1-17-58	Jerry L. Hooper, Jimmy J. Hooper, and Jeanine Hooper Byron - 7.500000% Bertha Leck - 0.058595% Harris - 0.058595% J. Bert Leck - 0.029298% Mary Ann Leck - 0.029298% Jenkins - 0.029298% W.P. McIntosh - 5.156250% Lester A. Parks et ux Clara, & Bobby Gene Parks et ux Gail - 1.523438%	Cactus Drilling Co.	None	Cactus Drilling Co. - 88.33181% J. E. Simmons - 11.66819%

1 Fee Tract, 80.00 acres of 3.1746% of Unit Area

* Oil Payment shown above in Tract 2 is a burden on the interest of the Kay Kimbell Estate and W. E. Lyle, Jr.
** State Leases E-8183 and E-8184 (Tracts No. 14 and 14A) have been consolidated by order of the Land Commissioner.

I. Recapitulation of Number of Acres

	Number of Acres	Percentage of Unit Area
Federal Lands	120.00	4.7619%
State Lands	2,320.00	92.0635%
Patented Lands	80.00	3.1746%

II. Primary and Secondary Phase Participation of Tracts in Unit Area.

Tract No.	Working Interest Owner	Primary Phase	Secondary Phase
1.	B.T.A. Oil Producers	1.70730%	1.00521%
2.	Curtis R. Imman	0.51491%	1.10294%
	Kay Kimbell Estate	0.64365%	1.37869%
	W. E. Lyle, Jr.	0.21455%	0.45956%
3.	Cactus Drilling Company	6.54907%	9.04691%
4.	Gulf Oil Corporation	3.71957%	6.51566%

<u>Tract No.</u>	<u>Working Interest Owner</u>	<u>Primary Phase</u>	<u>Secondary Phase</u>
5.	Cactus Drilling Company Penrose and Zachary Broseco Corporation John B. Rich	11.8943%	7.05509%
6.	Cactus Drilling Company	0.79296%	0.47035%
7.	Phillips Petroleum Company	11.08165%	6.57300%
8.	Shell Oil Company	0.01983%	0.01176%
9.	Gulf Oil Corporation	3.5942%	2.86672%
10.	Gulf Oil Corporation	0.47881%	0.40953%
11.	Gulf Oil Corporation	1.85460%	2.30827%
12.	Gulf Oil Corporation	19.92179%	16.38124%
13.	Gulf Oil Corporation	4.59010%	4.65376%
14.	Skelly Oil Company	11.62928%	13.03053%
14A.	Cabot Corporation	1.99325%	1.93596%
15.	Cabot Corporation	0.96900%	1.93596%
16.	Jake L. Hamon and Don O. Chapel Cactus Drilling Company J. E. Simmons	7.90343%	9.33943%
		5.92757%	7.00458%
		1.90087%	3.27625%
		1.84963%	2.86107%
		0.24433%	0.37794%
	TOTAL	100.00000%	100.00000%

WORKING INTEREST OWNERS JOINDER
IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
WEST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 15 day of May, June, 1964.

ATTEST:

W. E. Lyle Jr.
Frances W. Lyle (wife)

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 196____, by _____ of _____ a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

THE STATE OF TEXAS
COUNTY OF TOWN

The foregoing instrument was acknowledged before me this 15 day of June, 1964, by W. E. Lyle Jr. Frances W. Lyle.

My Commission Expires: 6/1/65

W. E. Lyle Jr.
Notary Public

WORKING INTEREST OWNERS JOINDER

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 28th day of May, 1964.

ATTEST;

~~Assistant~~ Secretary

CABOT CORPORATION

By: E. L. Green Vice President

Vice President

APPROVED
TO FORM

THE STATE OF TEXAS

COUNTY OF GRAY

The foregoing instrument was acknowledged before me this 28th day of May, 1964, by E. L. GREEN, JR., Vice President of CABOT CORPORATION, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1965

THE STATE OF

COUNTY OF

The foregoing instrument was acknowledged before me this _____ day
of _____, 196_____, by _____

My Commission Expires:

Notary Public

WORKING INTEREST OWNERS JOINDER
IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
WEST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 5 day of May, 1964.

ATTEST:

SHELL OIL COMPANY

By: J. V. Lindsey

Attorney in Fact

THE STATE OF TEXAS *§*
COUNTY OF MIDLAND *§*

The foregoing instrument was acknowledged before me this 5 day of May, 1964, by J. V. Lindsey,
Attorney in Fact of Shell Oil Company,
a Delaware corporation, on behalf of said corporation.

My Commission Expires:
6-1-65

Rosalyn Magee Rosalyn Magee
Notary Public Notary Public in and for
Midland County, Texas

THE STATE OF _____ *§*
COUNTY OF _____ *§*

The foregoing instrument was acknowledged before me this _____ day of _____, 196____, by _____.

My Commission Expires:

Notary Public

WORKING INTEREST OWNERS JOINDER
IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
WEST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 15th day of April, 1964.

Phillips Petroleum Company

ATTEST:

Lorne N. Thompson
ASST. SECRETARY

H. D. Brockby
VICE PRESIDENT

THE STATE OF Oklahoma
COUNTY OF Washington

The foregoing instrument was acknowledged before me this 15th day of April, 1964, by H. D. Brockby,
VICE PRESIDENT of Phillips Petroleum Company,
a Delaware corporation, on behalf of said corporation.

My Commission Expires:

Russell J. McLellan

My Comm. Expires 11-1-66

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 196____, by _____.

Notary Public

My Commission Expires:

WORKING INTEREST OWNERS JOINDER
IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
WEST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 28th day of MAY, 1964.

ATTEST:

J. J. Gordon
Assistant Secretary

*from
the
books*
SKELLY OIL COMPANY, a corporation

By

C. L. Blacksher
Vice President

THE STATE OF Oklahoma
COUNTY OF Tulsa

The foregoing instrument was acknowledged before me this 28th day of May, 1964, by C. L. Blacksher,
a Vice President of Skelly Oil Company,
a Delaware corporation, on behalf of said corporation.

My Commission Expires:
My Commission Expires May 31, 1967

David L. Allen
Notary Public

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 196____, by _____.

Notary Public

My Commission Expires:

WORKING INTEREST OWNERS JOINDER
IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
WEST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 11th day of May, 1964.

ATTEST:

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 196____, by _____ of _____ a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

THE STATE OF Texas
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 11th day of May, 1964, by Curtis R. Inman and Muriel Henderson Inman.

My Commission Expires:
June 1, 1965

Edith Ford
Notary Public

WORKING INTEREST OWNERS JOINDER
IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
WEST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 8th day of June, 1964.

ATTEST:

Katherine E. Parks
Secretary

TERMS AND CONTENT APPROVED

BY John P. M. Nangle

BROSECO CORPORATION

By [Signature]
Executive Vice President

THE STATE OF Maryland §
COUNTY OF Baltimore §

The foregoing instrument was acknowledged before me this 8th day of June, 1964, by John B. Rich, Executive Vice-President of Broseco Corporation, a Maryland corporation, on behalf of said corporation.

My Commission Expires:
May 3, 1965

[Signature]
Notary Public

THE STATE OF _____ §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, 196____, by _____.

My Commission Expires:

Notary Public

WORKING INTEREST OWNERS JOINDER
IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
WEST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 8th day of June, 1964.

ATTEST:

James B. Rich
Harriet R. G. Rich

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 196____, by _____ of _____ a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

THE STATE OF Maryland
COUNTY OF Baltimore

The foregoing instrument was acknowledged before me this 8th day of June, 1964, by John B. Rich and Harriet R. G. Rich.

My Commission Expires: May 3, 1965

[Signature]
Notary Public

WORKING INTEREST OWNERS JOINDER
IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
WEST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 5th day of June, 1964.

ATTEST:

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 196____, by _____ of _____ a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

THE STATE OF Texas
COUNTY OF Tarrant

The foregoing instrument was acknowledged before me this 5th day of June, 1964, by James M. Zachary of Tarrant County, Texas

My Commission Expires: June 5th 1965

Carmen Rios
Notary Public

CARMEN RIOS, Notary Public
In and for Tarrant County, Texas
My commission expires June 1, 1965

WORKING INTEREST OWNERS JOINDER
IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
WEST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 15th day of June, 1964.

ATTEST:

[Signature]

CACTUS DRILLING COMPANY

By Geo. W. Baker

THE STATE OF New Mexico §
COUNTY OF Lea §

The foregoing instrument was acknowledged before me this 15th day of June, 1964, by George W. Baker, Vice President of Cactus Drilling Company, a Texas corporation, on behalf of said corporation.

My Commission Expires: Dec. 19, 1967

Howell Grimes
Notary Public

THE STATE OF _____ §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, 196____, by _____.

My Commission Expires: _____

Notary Public

WORKING INTEREST OWNERS JOINDER
IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
WEST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 15th day of June, 1964.

ATTEST:

J.E. Simmons
Beulah H. Simmons

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 196____, by _____ of _____ a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

THE STATE OF New Mexico
COUNTY OF Lea

The foregoing instrument was acknowledged before me this 16th day of June, 1964, by J.E. Simmons and Wife Beulah H. Simmons Box 548, Lovington, New Mexico

My Commission Expires:
MY COMMISSION EXPIRES OCTOBER 11, 1967.

J.E. Simmons
Notary Public

WORKING INTEREST OWNERS JOINDER
IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
WEST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 7th day of June, 1964.

ATTEST: [Signature]

[Signature]
INDEPENDENT EXECUTOR

[Signature]

[Signature]
INDEPENDENT EXECUTOR

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 196____, by _____ of _____ a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

THE STATE OF TEXAS
COUNTY OF TARRANT

The foregoing instrument was acknowledged before me this 7th day of June, 1964, by _____

My Commission Expires: _____

[Signature]
Notary Public

WORKING INTEREST OWNERS JOINDER
IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
WEST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 24th day of June, 1964.

ATTEST:

BTA OIL PRODUCERS

By: Allen K. Trobaugh

Allen K. Trobaugh, Partner

THE STATE OF Texas)
COUNTY OF Midland)

The foregoing instrument was acknowledged before me this 24th day of June, 1964, by Allen K. Trobaugh,
one of the partners of BTA Oil Producers,
a partnership ~~corporation, on behalf of said corporation~~

My Commission Expires:
June 1, 1965

[Signature]
Notary Public

THE STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196____, by _____.

Notary Public

My Commission Expires:

WORKING INTEREST OWNERS JOINDER
IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
WEST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 29th day of MAY, 1964.

ATTEST:

Jake L. Hamon
Jake L. Hamon

Nancy Blackburn Hamon
Nancy Blackburn Hamon

Don O. Chapell
Don O. Chapell

Lena Stonum Chapell
Lena Stonum Chapell

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 196____, by _____ of _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

THE STATE OF TEXAS
COUNTY OF DALLAS

The foregoing instrument was acknowledged before me this 26th day of June, 1964, by Jake L. Hamon and wife, Nancy Blackburn Hamon, and Don O. Chapell and wife, Lena Stonum Chapell.

My Commission Expires: June 1, 1965.

R. G. Keeney
R. G. Keeney, Notary Public in and for
Dallas County, Texas

WORKING INTEREST OWNERS JOINDER
IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
WEST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, West Pearl Queen Unit, Lea County, New Mexico", providing for the development and operation of 2,520 acres, more or less, in Township 19 South, Range 35 East, N.M.P.M., Lea County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a Working Interest Owner, to provide for conducting secondary recovery operations; and

WHEREAS, said Unit Agreement and Unit Operating Agreement each provide for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned Working Interest Owner whose interests are defined in said instruments and exhibits thereto, desires to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Working Interest Owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 26th day of JUNE, 1964.

ATTEST:

George H. Hunker, Jr.
George H. Hunker, Jr.
Margaret K. Hunker
Margaret K. Hunker

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 196____, by _____ of _____ a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

THE STATE OF NEW MEXICO
COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 26th day of JUNE, 1964, by George H. Hunker, Jr. and Margaret K. Hunker, his wife

Eleanor Delene Hall
Notary Public

My Commission Expires: _____

5-4-65

Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their said interests to the West Pearl Queen Unit Agreement and do hereby consent thereto and ratify and agree to be bound by all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Elizabeth Ann Elliott
Elizabeth Ann Elliott

Frank O. Elliott
Frank O. Elliott

STATE OF NEW MEXICO X
COUNTY OF CHAVES X

The foregoing instrument was acknowledged before me this 17th day of April, 1964, by Elizabeth Ann Elliott and Frank O. Elliott, her husband

My Commission Expires:
June 1, 1966

Paul S. Hamden
Notary Public

STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 196 , by _____, _____ of _____, a _____ corporation on behalf of said corporation.

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their said interests to the West Pearl Queen Unit Agreement and do hereby consent thereto and ratify and agree to be bound by all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

El Paso National Bank, Independent Executor
Estate of Homer A. Jacobs and Margaret S. Jacobs

By *Joseph F. Nelan*
Vice-President and Senior Trust Officer

Homer A. Jacobs, Jr. & Philip S. Jacobs, Devisees
Joined herein by their wives

By *Homer A. Jacobs Jr* Homer A. Jacobs, Jr.

By *Patricia Jacobs* Patricia Jacobs

By *Philip S. Jacobs* Philip S. Jacobs

By *Patricia W. Jacobs* Patricia W. Jacobs

STATE OF TEXAS)

COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me this 27 day of May, 1964, by Homer A. Jacobs, Jr. and Patricia Jacobs.

My Commission Expires:

June 1, 1965

Miss Barbara E. Harrell
Notary Public

STATE OF TEXAS)

COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me this 27th day of May, 1964, by Joseph F. Nelan, Vice-President & Senior Trust Officer of El Paso National Bank, a Texas Corporation on behalf of said corporation.

My Commission Expires:

June 1, 1965

Judy Barragan
Notary Public
JUDY BARRAGAN, Notary Public
In and for El Paso County, Texas
My commission expires June 1, 1966

STATE OF TEXAS)

COUNTY OF BEXAR)

The foregoing instrument was acknowledged before me this 22nd day of May, 1964, by Philip S. Jacobs and Patricia W. Jacobs,

My Commission Expires:

June 1, 1965

S. Madelyn Ancient
Notary Public, Bexar County, Texas

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their said interests to the West Pearl Queen Unit Agreement and do hereby consent thereto and ratify and agree to be bound by all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Ora R. Hall, Jr.
Ora R. Hall, Jr.
Edna Ione Hall
Edna Ione Hall

STATE OF New Mexico X
COUNTY OF Chaves X

The foregoing instrument was acknowledged before me this 21st day of April, 1964, by Ora R. Hall, Jr. and Edna Ione Hall,
his wife,

Bernell L. Graham
Notary Public

My Commission Expires:
April 11, 1966

STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 196__, by _____, _____ of _____, a _____ corporation on behalf of said corporation.

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their said interests to the West Pearl Queen Unit Agreement and do hereby consent thereto and ratify and agree to be bound by all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Bertha Leck Harris
Ralph J. Harris

STATE OF New Mexico X
COUNTY OF Eddy X

The foregoing instrument was acknowledged before me this 21st day of May, 1964, by Bertha Leck Harris and Ralph J. Harris, her husband.

My Commission Expires:
July 3, 1967

[Signature]
Notary Public

STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 196__, by _____, _____ of _____, a _____ corporation on behalf of said corporation.

My Commission Expires:

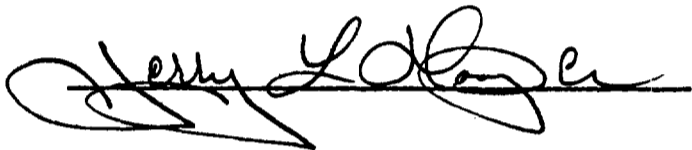
. Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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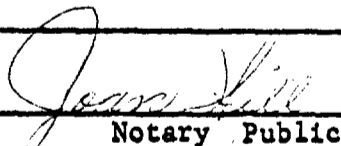
IN WITNESS WHEREOF this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.



STATE OF Texas X
COUNTY OF Midland X

The foregoing instrument was acknowledged before me this 21st day of June, 1964, by Jerry L. Hooper

My Commission Expires: _____


Notary Public

STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 196__, by _____, _____ of _____, a _____ corporation on behalf of said corporation.

My Commission Expires: _____

Notary Public



CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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

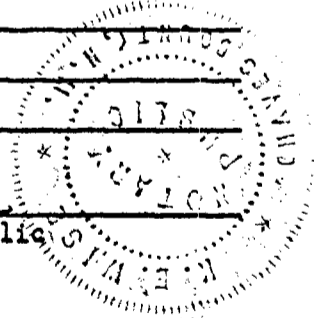
Jimmy J. Harper

STATE OF New Mexico Y
COUNTY OF Chaves Y

The foregoing instrument was acknowledged before me this 23 day of June, 1964, by Jimmy J. Harper

My Commission Expires:
Oct 12 1967

Debbie
Notary Public



STATE OF _____ Y
COUNTY OF _____ Y

The foregoing instrument was acknowledged before me this _____ day of _____, 196__, by _____, _____ of _____, a _____ corporation on behalf of said corporation.

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

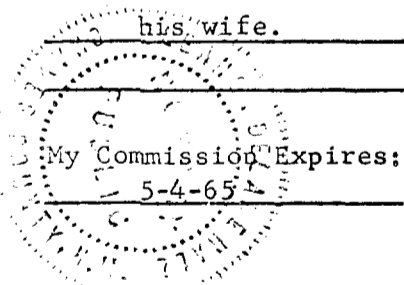
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IN WITNESS WHEREOF this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

George H. Hunker, Jr.
Margaret K. Hunker

STATE OF NEW MEXICO X
COUNTY OF CHAVES X

The foregoing instrument was acknowledged before me this 20th day of April, 1964, by George H. Hunker, Jr. and Margaret K. Hunker,
his wife.



Eleanor Delane Hall
Notary Public

STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 196__, by _____, _____ of _____, a _____ corporation on behalf of said corporation.

My Commission Expires: _____

Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their said interests to the West Pearl Queen Unit Agreement and do hereby consent thereto and ratify and agree to be bound by all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

* Mary Ann Seck Jenkins
Mary L. Jenkins

STATE OF New Mexico X
COUNTY OF Roosevelt X

The foregoing instrument was acknowledged before me this 23 day of May, 1964, by Mary Ann Seck Jenkins and her husband,
Mary L. Jenkins.

My Commission Expires:
Jan. 15, 1968

Anna M. Armstrong
Notary Public
105 E. 2nd (Box 326)
Portales, New Mexico.

STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 196__, by _____, _____ of _____, a _____ corporation on behalf of said corporation.

My Commission Expires:

. Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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

Jay Bert Lock
P.O. Box 275
Pearblossom,
Calif

STATE OF California X
COUNTY OF Los Angeles X

The foregoing instrument was acknowledged before me this 22 day of May, 1966, by Jay Bert Lock

RAY W. ROBERSON

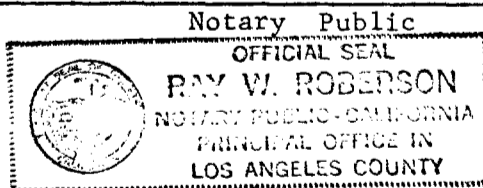
My Commission Expires Nov. 18, 1967

My Commission Expires:

November 18, 1967

Ray W. Roberson

STATE OF _____ X
COUNTY OF _____ X



The foregoing instrument was acknowledged before me this _____ day of _____, 196__, by _____, _____ of _____, a _____ corporation on behalf of said corporation.

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their said interests to the West Pearl Queen Unit Agreement and do hereby consent thereto and ratify and agree to be bound by all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

L. R. McIntosh
Emeline M. McIntosh (wife)

STATE OF H. Mex X

COUNTY OF Catron X

The foregoing instrument was acknowledged before me this 5th day of June, 1964, by L. R. McIntosh and

Emeline M. McIntosh (his-wife)

My Commission Expires:

Jan. 14, 1967

Clarence R. Graham
Notary Public

STATE OF _____ X

COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 196__, by _____, _____ of _____, a _____ corporation on behalf of said corporation.

My Commission Expires:

. Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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

Bobby G. Parks
Gail Parks
Lester A. Parks
Clara Parks

STATE OF NEW MEXICO X
COUNTY OF EDDY X

The foregoing instrument was acknowledged before me this 30th day of April, 1964, by Bobby G. Parks and Gail Parks, his wife, and Lester A. Parks and Clara Parks, his wife.

My Commission Expires: July 3, 1967
Reddon L. Immor
Notary Public

STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 196__, by _____, _____ of _____, a _____ corporation on behalf of said corporation.

My Commission Expires: _____

Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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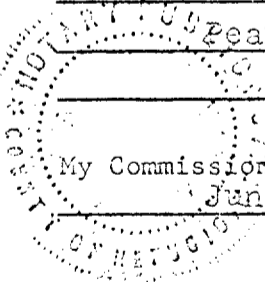
IN WITNESS WHEREOF this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Thomas L. Pearson

Mrs. Emily Elizabeth Pearson

STATE OF Texas X
COUNTY OF Refugio X

The foregoing instrument was acknowledged before me this 12th day of May, 1964, by Thomas L. Pearson and Mrs Emily Elizabeth Pearson



My Commission Expires:
June 1 1965

A. D. Aikin
Notary Public

A. D. Aikin, Notary Public in and for Refugio County Texas

STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 196__, by _____, _____ of _____, a _____ corporation on behalf of said corporation.

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their said interests to the West Pearl Queen Unit Agreement and do hereby consent thereto and ratify and agree to be bound by all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Ralph E. Smith

Peggy D. Smith

P.O. Box 216 Bitter Lake
Newport Beach
Calif.

STATE OF CALIFORNIA X
COUNTY OF ORANGE X

The foregoing instrument was acknowledged before me this 5th day of May, 1964, by RALPH E. SMITH and PEGGY D. SMITH, husband and wife.



Expires: January 1965

John C. Hazelwood,
Notary Public

COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 196__, by _____, of _____, a _____ corporation on behalf of said corporation.

My Commission Expires: _____

_____, Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their said interests to the West Pearl Queen Unit Agreement and do hereby consent thereto and ratify and agree to be bound by all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

THE SUPERIOR OIL COMPANY

BY: C. A. Noble
Vice President

ATTEST: [Signature]
Assy. Secretary

STATE OF Texas)
COUNTY OF Harris)

On this 15 day of May, 1964,
before me appeared C. A. NOBLE,

to me personally known, who, being by me duly sworn did say that he is the Vice President of The Superior Oil Company, a Nevada corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said C. A. NOBLE
acknowledged said instrument to be the free act and deed of said corporation.

[Signature: Corinne Steele]
Notary Public

My Commission Expires:

CORINNE STEELE
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

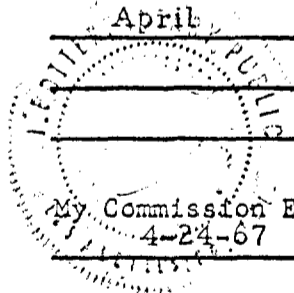
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IN WITNESS WHEREOF this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Earl F. Vigario
a single man

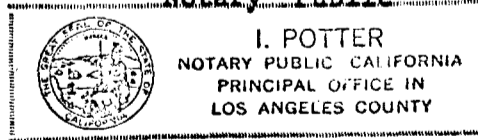
STATE OF California X
COUNTY OF Los Angeles X

The foregoing instrument was acknowledged before me this 22nd day of April, 1964, by Earl F. Vigario, a single man



I. Potter

Notary Public



STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 196__, by _____, _____ of _____, a _____ corporation on behalf of said corporation.

My Commission Expires: _____

Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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

Andrew C. Elliott

Virginia M. Elliott

STATE OF Texas X

COUNTY OF Midland X

The foregoing instrument was acknowledged before me this 8th day of July, 1964, by Andrew C. Elliott and his wife,
Virginia M. Elliott

My Commission Expires:
June 1, 1965

Oleta D. Mullinax
Notary Public Oleta D. Mullinax

STATE OF _____ X

COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 196 , by _____, _____ of _____, a _____ corporation on behalf of said corporation.

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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

Jeannine Hoyer Byron

STATE OF Louisiana Y
COUNTY OF Cadeo Y

The foregoing instrument was acknowledged before me this 29th day of June, 1964, by Jeannine Hoyer Byron

My Commission Expires: Sept Levin Kessler
Notary Public

STATE OF _____ Y
COUNTY OF _____ Y

The foregoing instrument was acknowledged before me this _____ day of _____, 196__, by _____, _____ of _____, a _____ corporation on behalf of said corporation.

My Commission Expires: _____ Notary Public

CONSENT AND RATIFICATION OF
WEST PEARL QUEEN UNIT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the West Pearl Queen Unit Area embracing lands in Lea County, New Mexico, which said Agreement was executed by Gulf Oil Corporation on February 17, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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

ATTEST:

G. L. Anderson
Assistant Secretary

Tarrant Foundation, Inc.

By: Whitfield J. Collins
Vice President

The First National Bank of Fort Worth

ATTEST:

Edmund R. Meyer
Assistant Vice President

By: L. C. Maxwell
Vice President

STATE OF TEXAS Y

COUNTY OF TARRANT Y

The foregoing instrument was acknowledged before me this 30th day of April, 1964, by Whitfield J. Collins, Vice President of Tarrant Foundation, Inc., a Texas corporation on behalf of said corporation.

My Commission Expires:
June 1, 1965

Ruth Ann Wright
Notary Public

RUTH ANN WRIGHT, Notary Public
Tarrant County, Texas

STATE OF TEXAS Y

COUNTY OF TARRANT Y

The foregoing instrument was acknowledged before me this 30th day of April, 1964, by L. C. Maxwell, Vice President of The First National Bank of Fort Worth, a Texas corporation on behalf of said corporation.

My Commission Expires:
June 1, 1965

Ruth Ann Wright
Notary Public

RUTH ANN WRIGHT, Notary Public
Tarrant County, Texas

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

WEST PEARL QUEEN UNIT

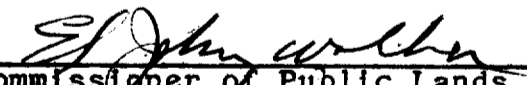
LEA COUNTY, NEW MEXICO

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 ~~February 17, 1964~~, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

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

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 30th day of June 19 64.


Commissioner of Public Lands
of the State of New Mexico

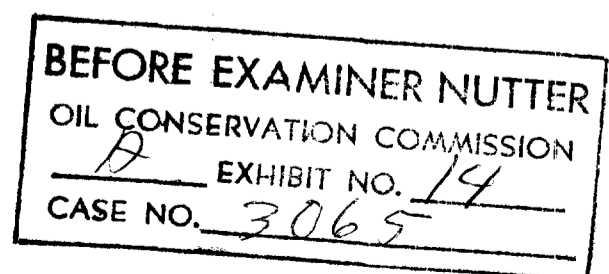
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30 1/0 1-1-1
Cm. 1-1-1

UNIT AGREEMENT
WEST PEARL QUEEN UNIT
LEA COUNTY, NEW MEXICO

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
WEST PEARL QUEEN UNIT
LEA COUNTY, NEW MEXICO

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

W I T N E S S E T H :

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39, N.M.S. 1953 Anno) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-41, N.M.S. 1953 Anno) to amend with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such unitized development and operation of State lands; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Sec. 65-3-14, N.M.S. 1953 Anno) to approve this agreement, and the conservation provisions hereof; and

WHEREAS, the Mineral Leasing Act of February 25, 1920 (41 Stat. 437, as amended 30 U.S.C. Sections 181, et seq.) authorizes Federal lessees and their representatives to unite with each other or

jointly or separately with others in collectively adopting and operating a unit plan of development or operation of any oil or gas pool, field or like area or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

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

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

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

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

part of this agreement.

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

(a) "Unit Area" is defined as follows:

T. 19 S., R. 35 E.,

Section 20: SW/4 SE/4
Section 21: SW/4 SW/4
Section 28: W/2, W/2 SE/4 and SE/4 SE/4
Section 29: All
Section 30: E/2 SE/4, SE/4 NE/4 and
SW/4 SE/4
Section 31: NE/4, E/2 NW/4, N/2 SE/4 and
NE/4 SW/4
Section 32: N/2, N/2 SW/4 and NW/4 SE/4
Section 33: N/2 and N/2 SE/4

containing 2,520 acres, more or less,
Lea County, New Mexico.

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

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

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

(e) "Secretary" is defined as the Secretary of the Interior of the United States of America or any person duly authorized to exercise the powers vested in that officer.

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

(g) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey for the region in which the Unit Area is situated.

(h) "Unitized Formation" shall be the stratigraphic interval underlying the Unit Area extending from the top of the Queen formation to a depth of fifty feet (50') below the base of Zone IIIA of the Queen formation, the top of the Queen and the base of Zone IIIA having been encountered at the depths of 4,660 feet and 5,008 feet, respectively, beneath the derrick floor of Gulf Oil Corporation's Lea State "IH" No. 1, located 1,980 feet from the south and east lines of Section 29, T-19-S, R-35-E, Lea County, New Mexico as shown on the Schlumberger Gamma Ray-Neutron Log run May 13, 1958.

(i) "Unitized Substances" means all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.

(j) "Primary Phase Participation" of each Working Interest Owner means the sum of a tract participation percentages credited to such Working Interest Owner on Exhibit "B" during the Primary Phase of Operations.

(k) "Secondary Phase Participation" of each Working Interest Owner means the sum of the tract participation percentages credited to such Working Interest Owner on Exhibit "B" during the Secondary Phase of Operations.

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

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

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

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

(p) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 9, infra, and shall be styled "Unit Operating Agreement, West Pearl Queen Unit, Lea County, New Mexico".

(q) "Unit Manager" is defined as the person or corporation appointed by the Unit Working Interest Owners to perform the duties of the Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Section 8 hereof.

(r) "Primary Phase of Operations" or "Primary Phase" means the period of time beginning the effective date hereof and continuing until 7 a.m. on the first day of the calendar month after 587,461 barrels of oil shall have been produced after October 1, 1963 from the Unitized Formation; provided, if less than all of the tracts described in Exhibit "B" are committed to this agreement, the Remaining Primary Reserves for the Unit Area (587,461 barrels) shall be reduced by the number of barrels of Remaining Primary Reserves attributed to the tracts that are not committed to this agreement. Working Interest Owners' or Unit Operator's Monthly Reports, Form C-115, filed with the New Mexico Oil Conservation Commission shall be conclusive evidence of the number of barrels of oil produced from the Unit Area after October 1, 1963.

(s) "Secondary Phase of Operations" or "Secondary Phase" means the remainder of the term of this agreement after the end of the Primary Phase.

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

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

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

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

SECTION 3. EXHIBITS. Exhibit "A", attached hereto, is a map showing the Unit Area and the boundaries and identity of tracts and leases in said Unit 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 comprising each tract, percentage ownership of each Working Interest Owner in each tract, and the percentage of participation each tract has in the Unit Area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary, and copies of such revision shall be filed with and approved by the Land Commissioner and the Supervisor as required.

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

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

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the Primary and Secondary Phase Participation to be assigned on the basis of admission of such tract or tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if at least three Working Interest Owners having in the aggregate eighty percent (80%) Secondary Phase Participation have agreed to such tract or tracts being brought into the unit, then Unit Operator shall:

(1) After preliminary concurrence by the Director and the Land Commissioner prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the Primary and Secondary Phase Participations to be assigned thereto and the proposed effective date thereof; and

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

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above with the Land Commissioner and Supervisor the following: (a) Evidence of mailing or delivering copies of said notice of expansion; (b) An application for such expansion; (c) An instrument containing the appropriate joinders reflecting the qualifications of the new tract in the same manner required for the qualification of tracts under Section 13 hereof; and (d) Copies of any objections received.

The expansion shall, after due consideration of all pertinent information and approval by the Land Commissioner and the Director, become effective as of the date prescribed in the notice thereof, preferably the first day of the month subsequent to the date of notice, or on such other date as set by the Land Commissioner and the Director in the order or instrument approving such expansion.

SECTION 5. 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". Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation as above described.

SECTION 6. UNIT OPERATOR. Gulf Oil Corporation is hereby initially designated the Unit Operator, and by signing this instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided. Whenever reference is made

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

SECTION 7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, the Land Commissioner and the Director, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

The Unit Operator shall be subject to removal by at least two of the committed Working Interest Owners having in the aggregate 75% or more Secondary Phase Participation exclusive of the Secondary Phase Participation of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Land Commissioner and the Director.

In all such instances of effective resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided the Working Interest Owners shall be jointly responsible for the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

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

resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, books, and records, materials, appurtenances and any other assets, used in connection with Unit Operations and owned by the Working Interest Owners to the new duly qualified successor Unit Operator, or to the Unit Manager 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 the removal of any material, equipment or appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator who resigns or is removed hereunder from any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall select a successor Unit Operator as herein provided. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Land Commissioner and filed with the Supervisor. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the Land Commissioner and the Director, at their election, may declare this agreement terminated.

In selecting a successor Unit Operator the majority vote of the Working Interest Owners shall prevail, provided that in the event one Working Interest Owner should own more than forty-five percent (45%) voting interest, its vote shall not be regarded as sufficient unless supported by the vote of two or more Working Interest Owners having a combined voting interest of at least six percent (6%). If the Unit Operator who is removed votes only to succeed itself or fails to vote, the successor Unit Operator shall be selected by the affirmative vote of at least seventy-five percent (75%) of the voting interest remaining. In

voting under this Section 8 each Working Interest Owner shall have a voting interest equal to its Secondary Phase Participation.

SECTION 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.

Costs and expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this agreement, and in case of any inconsistency or conflict between this agreement, and the Unit Operating Agreement, this Unit Agreement shall prevail. Copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Land Commissioner and with the Supervisor as required prior to approval of this agreement.

SECTION 10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto 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. Upon request acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to

any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

SECTION 11. PLAN OF OPERATIONS. It is recognized and agreed by the parties hereto that all of the land subject to this agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this agreement is to formulate and to put into effect a secondary recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Supervisor, the Land Commissioner and the Commission, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquified petroleum gases and any one or more other substances or combination of substances whether produced from the Unit Area or not, and that the location of input wells, the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. Subject to like approval the plan of operation may be revised as conditions may warrant.

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

SECTION 12. EASEMENTS OR USE OF SURFACE. The parties hereto, to the extent of their rights and interest, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may reasonably be necessary for unit operations, including the

free use of water from the Unit Area for unit operations, insofar as such rights are granted by the oil and gas leases.

Working Interest Owners shall pay the owner for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from unit operations.

SECTION 13. TRACT PARTICIPATION. In Exhibit "B" attached hereto, there are listed and numbered the various tracts within the Unit Area and set forth opposite each tract are figures which represent the percentage of participation allocated to each tract in the Unit Area during the Primary and Secondary Phases of Operations, respectively, as those terms are defined herein.

The percentage of participation of each tract during the Primary Phase of Operations shown on Exhibit "B" was determined in accordance with the following formula:

$$\frac{\text{Total Tract Remaining Primary Reserves Subsequent to Sept. 30, 1963}}{\text{Total Unit Area Remaining Primary Reserves Subsequent to Sept. 30, 1963}} \quad \times \quad 60\%$$

Plus (+)

$$\frac{\text{Total Tract Oil Production For The Six (6) Months Prior to Oct. 1, 1963}}{\text{Total Unit Area Oil Production For The Six (6) Months Prior to Oct. 1, 1963}} \quad \times \quad 40\%$$

Equals (=)

Tract Primary Phase Participation Percentage

The percentage of participation of each tract during the Secondary Phase of Operations shown on Exhibit "B" was determined in accordance with the following formula:

$$\frac{\text{Total Tract Ultimate Primary Recovery}}{\text{Total Unit Area Ult. Primary Recovery}} \quad \times \quad 100\%$$

Equals (=)

Tract Secondary Phase Participation Percentage

Ultimate primary recovery as used herein is the sum of the accumulated oil production through September, 1963 (2,098,539 barrels) as shown on the pertinent Operators' Monthly Reports, Form C-115, on file with the Commission and the Remaining Primary Reserves of Oil for all tracts initially defined in Exhibit "B" on October 1, 1963 (587,461 barrels), subject to the reduction provided for under Section 2 (r).

SECTION 14. TRACTS QUALIFIED FOR PARTICIPATION. On and after the effective date hereof the tracts within the Unit Area which shall be entitled to participation in the production of Unitized Substances therefrom shall be those tracts more particularly described in Exhibit "B" that corner or have a common boundary (tracts separated only by a public highway or a railroad right of way shall be considered to have a common boundary), and that otherwise qualify as follows:

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

(b) Each tract as to which Working Interest Owners owning not less than eighty five percent (85%) of the Working Interest have become parties to this agreement, regardless of the percentage of Royalty Interest therein that is committed hereto, and as to which the Working Interest Owners in said tract who have executed this agreement have agreed to indemnify and hold harmless all other parties hereto in a manner satisfactory to the Working Interest Owners qualified under Section 14 (a) against any and all claims and demands that may be made by the non-joining interest owners on account of the inclusion of such tract in the Unit Area and the operation of the Unit Area on the basis herein provided. In the event less than eighty five percent (85%) of the Working Interest Owners qualified under Section 14 (a) have approved the inclusion of such tract in the Unit Area, said tract shall not be considered qualified to be included in the Unit. For the purpose of this Section 14 (b), the voting interest of a Working Interest Owner shall be equal to the ratio that its Secondary Phase Participation attributable to tracts that qualify under Section 14 (a) bears to the total Secondary Phase Participation of all Working Interest Owners attributable to all tracts qualified under Section 14 (a). Upon the inclusion of such a tract in the Unit Area, the Primary or Secondary Phase Participation that would have been attributed to the nonsubscribing owners of the Working Interest in such tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such tract who have become parties to this agreement, in proportion to their respective Working Interests in the tract.

SECTION 15. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on Unitized Land for drilling, operating, camp, and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the Unit Area in accordance with the respective tract participation effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit "B".

The amount of Unitized Substances so allocated to each tract, and only that amount (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such tract), shall for all intents and purposes be deemed to have been produced from such tract.

The Unitized Substances allocated to each tract shall be distributed among, or accounted for to, the parties executing, consenting to or ratifying this agreement entitled to share in the production from such tract in the same manner, in the same proportions and upon the same conditions as they would have participated and shared in the production from such tract had this agreement not been entered into and with the same legal force and effect.

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

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

The Unitized Substances allocated to each tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell

or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on Unitized Land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 15 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unit Area currently, as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party and in order to avoid curtailing the operation of the Unit Area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto. Notwithstanding 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.

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

If, after the effective date of this agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any tract or tracts within the Unit Area

not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 32 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the Unit Area as provided for in Section 31 (Loss of Title), Exhibit "B" shall be revised by the Unit Operator and distributed to the Working Interest Owners, the Land Commissioner, and the Supervisor to show the new percentage participation of all the then effectively committed tracts; and the revised Exhibit "B", upon approval by the Land Commissioner and the Supervisor, shall govern all the allocation of production from and after the effective date thereof until a new revised Exhibit "B" is filed and approved as hereinabove provided.

SECTION 16. ROYALTY SETTLEMENT. The State of New Mexico, the United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances produced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interest not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained

shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

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

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

SECTION 17. RENTAL SETTLEMENT. Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations; provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty

in lieu thereof, due under their leases. Rental for lands of the State of New Mexico subject to this agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. Rental or minimum royalty for lands of the United States of America subject to this agreement shall be paid at the rates specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

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

SECTION 20. LEASES AND CONTRACTS CONFORMED AND EXTENDED.

The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Secretary and the Land Commissioner, respectively, shall, and by their approval hereof, or by the approval hereof by their duly authorized representatives,

do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement.

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

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part 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, producing or secondary recovery operations performed hereunder upon any tract of Unitized Lands shall be accepted and deemed to be performed upon and for the benefit of each and every tract of Unitized Land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on land therein embraced.

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

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

(e) Termination of this agreement shall not affect any lease which, pursuant to the terms thereof or any applicable laws, shall continue in force and effect thereafter.

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

(g) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to that portion committed and that portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease (whether within or without the Unit Area), (1) if, and for so long as oil or gas are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement; or (2) if, and for so long as some part of the

lands embraced in such lease committed to this agreement are allocated Unitized Substances; or (3) if, at the expiration of the secondary term the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein and for so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas said lease shall continue in full force and effect as to all the lands embraced therein so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Section 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 non-unitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

SECTION 21. MATHEMATICAL ERRORS. It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical errors which might exist in the pertinent exhibits to this agreement upon approval by the Land Commissioner and the Supervisor.

SECTION 22. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or an acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished

with the original or an acceptable photostatic or certified copy of the recorded instrument of transfer.

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

(a) The execution or ratification of this agreement and the Unit Operating Agreement by Working Interest Owners owning a combined Secondary Phase Participation of at least 85%, and the execution or ratification of the agreement by Royalty Owners owning a combined interest of at least 65% of the Royalty Interest, in said Unit Area; and

(b) The approval of this agreement by the Land Commissioner, the Secretary or his duly authorized representative, and the Commission; and

(c) The filing of at least one counterpart of this agreement for record in the office of the County Clerk of Lea County, New Mexico, by the Unit Operator; and provided, further, that if (a), (b) and (c) above are not accomplished on or before January 1, 1965, this agreement shall ipso facto terminate on said date (hereinafter called "termination date") and thereafter be of no further force or effect, unless prior thereto this agreement has been executed or ratified by Working Interest Owners owning a combined Secondary Phase Participation of at least 80%, and the Working Interest Owners owning a combined Secondary Phase Participation of at least 80% committed to this agreement have decided to extend said termination date for a period not to exceed six months (hereinafter called "extended termination date"). If said termination date is so extended and (a), (b) and (c) are not accomplished on or before said extended termination date, this agreement shall ipso facto terminate on said extended termination date and thereafter be of no further force or effect.

Unit Operator shall, within thirty (30) days after the effective date of this agreement, file for record in the office where a counterpart of this agreement is recorded, a certificate to the effect that this agreement has become effective according to its terms and stating further the effective date.

SECTION 24: TERM. The term of this agreement shall be for the time that Unitized Substances are produced in paying quantities and as long thereafter as Unit Operations are conducted without a cessation of more than one hundred eighty (180) consecutive days, unless sooner terminated by Working Interest Owners in the manner herein provided.

This agreement may be terminated by Working Interest Owners having a combined Secondary Phase Participation of at least eighty-five percent (85%) whenever such Working Interest Owners determine that Unit Operations are no longer profitable or feasible. Notice of termination shall be given to all parties and filed with the Land Commissioner, the Supervisor, the Commission and filed for record with the County Clerk of Lea County, New Mexico.

Upon termination of this agreement the further development and operation of the Unit Area as a unit shall be abandoned, Unit Operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts just as if this agreement had never been entered into.

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

SECTION 25. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, at his discretion, the rate of prospecting and development and, within the limits made or fixed by the Commission, to alter or modify the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose

thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided, further, that no such 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 Land Commissioner and as to any lands of the State of New Mexico or privately-owned land subject to this agreement 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 fifteen (15) days from notice, and thereafter subject to administrative appeal before becoming final.

SECTION 26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all of the provisions of Section 301 (1) to (7) inclusive, of Executive Order 10925, as amended (28 F.R. 6485), which are hereby incorporated by reference in this agreement.

SECTION 27. APPEARANCES. Unit Operator shall have the right to appear for or on behalf of any and all interests affected hereby before the Land Commissioner, the Department and the Commission, and to appeal from any order issued under the rules and regulations of the Land Commissioner, the Department or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Land Commissioner, the Department or the Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

SECTION 28. NOTICES. All notices, demands, objections or statements required hereunder to be given or rendered to the parties

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

SECTION 29. 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 Federal or State law or rule or regulation issued thereunder in any way affecting such party, or as a waiver by any such party or any right beyond his or its authority to waive.

SECTION 30. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue secondary recovery operations or to operate on or produce Unitized Substances from any of the land covered by this agreement shall be suspended while, but only so long as the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials, in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

SECTION 31. LOSS OF TITLE. In the event title to any tract of Unitized Land shall fail so that the tract is no longer qualified for participation in the production of Unitized Substances under Section 14

of this agreement, and the true owner cannot be induced to join this Unit Agreement, such tract shall be removed from the Unit Area effective as of the first day of the calendar month in which the failure of title is finally determined and there shall be such readjustment of future costs and benefits by revision of Exhibits "A" and "B" as may be required on account of the loss of such title. In the event of a dispute as to the title or right of any Royalty or Working Interest Owner the payment for (or deliver in kind of) Unitized Substances on account thereof may be withheld (or marketed and the proceeds impounded) without liability or interest until the dispute is finally settled; provided, that as to State or Federal land or leases, no payments of funds due the State of New Mexico or the United States of America shall be withheld but such funds shall be deposited as directed by the Land Commissioner or the Supervisor (as the case may be) to be held as unearned money pending final settlement of the title dispute and then applied as earned or returned in accordance with such final settlement.

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

SECTION 32. NONJOINDER AND SUBSEQUENT JOINDER. Joinder by any Royalty Owner at any time must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to the Unit Agreement by a Working Interest Owner at any time must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Unit Agreement.

After the effective date hereof, the commitment of any interest in any tract within the Unit Area shall be upon such terms as may be negotiated by Working Interest Owners and the owner of such interest and upon approval by the Land Commissioner and the Director.

If any of the tracts in Exhibit "B" fail to qualify for inclusion in the Unit Area on the effective date hereof Unit Operator shall recompute, using the original basis of computation, of the Tract Participation of each of the qualifying tracts and shall revise Exhibits "A" and "B" accordingly. The revised exhibits shall be effective as of the effective date hereof upon approval of the Land Commissioner and the Supervisor.

SECTION 33. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, and may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the land within the above described Unit Area.

SECTION 34. TAXES. Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the Unitized Land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No such taxes shall be charged to the United States or to the State of New Mexico, nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 35. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the Working Interest Owners, nor any of them, shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure, in whole or in part, to comply with any applicable provisions thereof to the extent that said Unit Operator or Working Interest Owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator, in the exercise of due diligence, to obtain concurrence of proper representatives of the United States and the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority which by any provisions of this agreement are vested in the Commission shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico, and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

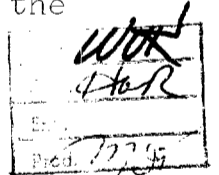
SECTION 36. NO PARTNERSHIP. The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

SECTION 37. PRODUCTION AS OF THE EFFECTIVE DATE. Unit Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area in order to ascertain the amount of merchantable

oil above the pipe line connection in such tanks as of 7:00 a.m. on the effective date hereof. All such oil which has then been legally produced shall be and remain the property of the Working Interest Owner and Royalty Owner entitled thereto, the same as if the Unit had not been formed, and such parties shall promptly remove said oil from the Unit Area. Any such oil not so removed shall be sold by Unit Operator for the account of such Working Interest Owner, subject to the payment of all Royalty to Royalty Owners under the terms hereof. The oil which is in excess of the prior allowables of the wells from which it was produced shall be deemed to be Unitized Substances produced after the effective date hereof.

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

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



GULF OIL CORPORATION

ATTEST:

[Signature]
Assistant Secretary

Date: February 17, 1964

By *[Signature]*
Attorney-in-Fact
P. O. Box 1938
Roswell, New Mexico

THE STATE OF NEW MEXICO §
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me this 17th
day of February, 1964, by W. B. HOPKINS,
Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania corporation on
behalf of said corporation.

Eva Marie Cooper
Notary Public

My Commission Expires:
My Commission Expires August 1, 1966

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND LEASE DATE	BASIC ROYALTY		LESSEE OF RECORD	OVERRIDING ROYALTY		WORKING INTEREST		PERCENT PARTICIPATION	
				PERCENTAGE			PERCENTAGE		OWNER AND PERCENTAGE		OF TRACT IN UNIT	
											PRIMARY PHASE	SECONDARY PHASE
10.	SE/4 NE/4, E/2 SE/4, SW/4 SE/4 Sec. 30-19S-35E	160	E-5885 1-10-52	1/8		Gulf Oil Corp.	None		Gulf Oil Corporation	100.00000	4.59010	4.65376
11.	N/2 Sec. 32-19S-35E	320	E-5886 1-10-52	1/8		Gulf Oil Corp.	None		Gulf Oil Corporation	100.00000	11.62928	13.03053
12.	N/2 SE/4 Sec. 33-19S-35E	80	E-5887 1-10-52	1/8		Gulf Oil Corp.	None		Gulf Oil Corporation	100.00000	1.99325	1.93596
13.	E/2 NE/4 Sec. 29 and SW/4 SW/4 Sec. 21-19S-35E	120	E-7418 9-15-53	1/8		Skelly Oil Co.	None		Skelly Oil Company	100.00000	0.96900	1.93596
14.	SW/4, W/2 SE/4, SE/4 SE/4 Sec. 28-19S-35E	280	E-8183 and E-8184 5-18-54	1/8		Cabot Corporation	None		Cabot Corporation	100.00000	13.83100	16.34401
15.	NW/4 Sec. 28-19S-35E	160	E-8182 5-18-54	1/8		Jake L. Hamon	10.7660		Jake L. Hamon	100.00000	1.90087	3.27625
16.	E/2 NW/4 Sec. 29-19S-35E	80	Patent Land 1-17-58	0.14296879		Cactus Drilling Co.	None		Cactus Drilling Co.	88.33181 J. E. Simmons 11.66819	1.84963	2.86107
										100.00000	0.24433	0.37794
TOTAL UNIT PARTICIPATION = 100.00000 100.00000												
FEDERAL LANDS		120.00		4.8387 %		of Unit Area						
STATE LANDS		2,280.00		91.9355 %		of Unit Area						
PATENT LANDS		80.00		3.2258 %		of Unit Area						
TOTAL		2,480.00		100.0000 %								

EXHIBIT "B" TO UNIT AGREEMENT
(REVISED AUGUST 5, 1964, EFFECTIVE AUGUST 1, 1964)

WEST PEARL QUEEN UNIT
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND LEASE DATE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1.	SW/4 SE/4 Sec. 20-19S-35E	40	LC-069704-A 7-1-51	U.S.A. - All	George Hunker, Jr.	Elizabeth Ann Elliott 1.3125% Ora R. Hall, Jr. 1.3125% George H. Hunker, Jr. & Margaret K. Hunker 2.6250% Thomas L. Pearson & Emily Elizabeth Pearson 1.0000%	B.T.A. Oil Producers All
2.	W/2 NE/4 Sec. 29-19S-35E	80	LC-070397 8-1-49	U.S.A. - All	H. A. Jacobs (Deceased)	El Paso National Bank, Independent Executor Estate of Homer A. Jacobs & Margaret S. Jacobs, Homer A. Jacobs, Jr., E. Philip S. Jacobs, Devises 0.2500% R. E. Smith 0.2500% The Superior Oil Co. 17.7500% Earl F. Vigarlo 0.2500%	Curtis R. Inman 37.500007% Kay Kimbell Estate 46.875007% W. E. Lyle, Jr. 15.625007%
* 36.65625% Production Payment to The First Natl. Bank of Fort Worth A/C Tarrant Foundation Inc.							
2 Federal Tracts - 120.00 Acres or 4.7619% of Unit Area.							
STATE LAND							
3.	E/2 SE/4; E/2 SW/4 Sec. 29-19S-35E	160	E-1587 11-10-47	State of New Mexico - All	Gulf Oil Corp.	Gulf Oil Corporation - 5.45875%	Cactus Drilling Co. - All
4.	W/2 SE/4; W/2 SW/4 Sec. 29-19S-35E	160	E-1587 11-10-47	State of New Mexico - All	Gulf Oil Corp.	None	Gulf Oil Corp. - All
5.	NE/4, N/2 SE/4, NE/4 SW/4, E/2 NW/4, Sec. 31-19S-35E	360	E-1638 12-10-47	State of New Mexico - All	Aztec Oil & Gas Co.	Aztec Oil & Gas Co. - 5.46875%	Cactus Drilling Co. 49.99999% Penrose and Zachary 3.33333% Brosco Corporation 46.58334% John B. Rich 0.08334%
6.	N/2 SW/4 Sec. 32-19S-35E	80	E-1922 6-10-48	State of New Mexico - All	Phillips Petroleum Co.	Phillips Petroleum Co. 8.20312%	Cactus Drilling Co. - All
7.	NW/4 SE/4 Sec. 32-19S-35E	40	E-1922 6-10-48	State of New Mexico - All	Phillips Petroleum Co.	None	Phillips Petroleum Co. - All

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND LEASE DATE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE		LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE		WORKING INTEREST AND PERCENTAGE	
8.	W/2 NW/4 Sec. 29-19S-35E	80	E-5840 12-10-51	State of New Mexico - All		Shell Oil Company	None		Shell Oil Company	- All
9.	N/2 Sec. 33-19S-35E	320	E-5841 12-10-51	State of New Mexico - All		Gulf Oil Corp.	None		Gulf Oil Corporation	- All
10.	SE/4 NE/4, E/2 SE/4, SW/4 SE/4 Sec. 30-19S-35E	160	E-5885 1-10-52	State of New Mexico - All		Gulf Oil Corp.	None		Gulf Oil Corporation	- All
11.	N/2 Sec. 32-19S-35E	320	E-5886 1-10-52	State of New Mexico - All		Gulf Oil Corp.	None		Gulf Oil Corporation	- All
12.	N/2 SE/4 Sec. 33-19S-35E	80	E-5887 1-10-52	State of New Mexico - All		Gulf Oil Corp.	None		Gulf Oil Corporation	- All
13.	E/2 NE/4 Sec. 29; SW/4 SW/4 Sec. 21-19S-35E	120	E-7418 9-15-53	State of New Mexico - All		Skelly Oil Co.	None		Skelly Oil Company	- All
14.	SW/4 Sec. 28-19S-35E	160	E-8183 5-18-54	State of New Mexico - All		Cabot Corporation	None		Cabot Corporation	- All
14A.	W/2 SE/4, SE/4 SE/4 ** Sec. 28-19S-35E	120	E-8184 5-18-54	State of New Mexico - All		Cabot Corporation	None		Cabot Corporation	- All
15.	NW/4 Sec. 28-19S-35E	160	E-8182 5-18-54	State of New Mexico - All		Jake L. Hamon	A. C. Elliott Don O. Chapell Jake L. Hamon	1.3672% 2.7344% 18.7988%	Cabot Corporation Gulf Oil Corporation	16.88729% 79.16256% 1.14030%
									Phillips Petroleum Company	0.42339%
									Shell Oil Company	2.38646%

13 State Tracts - 2,320.00 Acres or 92.0635% of Unit Area

PATENTED LAND

16.	E/2 NW/4 Sec. 29-19S-35E	80	Patent Land 1-17-58	Jerry L. Hooper, Jimmy J. Hooper, and Jeannine Hooper Byron	Cactus Drilling Co.	None			Cactus Drilling Company	88.33181%
				Bertha Leck Harris					J. E. Simmons	11.66819%
				J. Bert Leck						
				Mary Ann Leck Jenkins						
				W.P. McIntosh						
				Lester A. Parks et ux Clara, & Bobby Gene Parks et ux						
				Call						

1 Fee Tract - 80.00 Acres or 3.1746% of Unit Area

NOTE: * Oil Payment shown above in Tract 2 is a burden on the interest of the Kay Kimbell Estate and W. E. Lyle, Jr.
** State Leases E-8183 and E-8184 (Tracts No. 14 and 14A) have been consolidated by order of the Land Commissioner.

I. RECAPITULATION OF NUMBER OF ACRES:

Number of Acres		Percentage of Unit Area	
Federal Lands	120.00	4.7619%	
State Lands	2,320.00	92.0635%	
Patented Lands	80.00	3.1746%	
TOTAL	2,530.00	100.0000%	

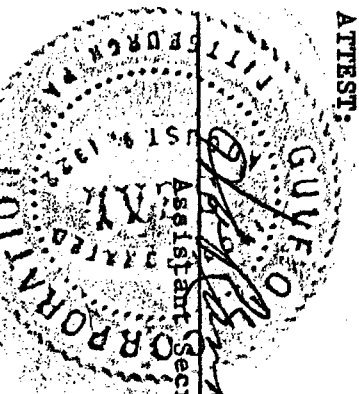
II. PRIMARY AND SECONDARY PHASE PARTICIPATION OF TRACTS IN UNIT AREA:

Tract No.	Working Interest Owner	Primary Phase	Secondary Phase
1.	B.T.A. Oil Producers	1.70730%	1.00521%
2.	Curtis R. Inman	0.51491%	1.10294%
	Kay Kimbell Estate	0.64365%	1.37868%
	W. E. Lyle, Jr.	0.21455%	0.45956%
3.	Cactus Drilling Company	6.54907%	9.04691%
4.	Gulf Oil Corporation	3.71957%	6.51526%
5.	Cactus Drilling Company	11.89443%	7.05509%
	Penrose and Zachary	0.79296%	0.47035%
	Brosco Corporation	11.08165%	6.57300%
	John B. Rich	0.01983%	0.01176%
6.	Cactus Drilling Company	3.59942%	2.86672%
7.	Phillips Petroleum Company	0.47881%	0.40953%
8.	Shell Oil Company	1.85460%	2.30827%
9.	Gulf Oil Corporation	19.92179%	16.38124%
10.	Gulf Oil Corporation	4.59010%	4.65376%
11.	Gulf Oil Corporation	11.62928%	13.03053%
12.	Skelly Oil Company	1.99325%	1.93596%
13.	Cabot Corporation	0.96900%	1.93596%
14.	Cabot Corporation	7.90343%	9.33943%
14A.	Cabot Corporation	5.92757%	7.00458%
15.	Cabot Corporation	0.32100%	0.55327%
	Gulf Oil Corporation	1.50478%	2.59356%
	Curtis R. Inman	0.02168%	0.03736%
	Phillips Petroleum Company	0.00805%	0.01387%
	Shell Oil Company	0.04536%	0.07819%
16.	Cactus Drilling Company	1.84963%	2.86107%
	J. E. Simmons	0.24433%	0.37794%
TOTAL		100.00000%	100.00000%

CERTIFICATION:

The undersigned does hereby certify that the foregoing EXHIBIT "B" revised August 5, 1964, effective August 1, 1964, is true and correct according to the knowledge and information available concerning the ownership and commitment status of the various tracts shown.

ATTEST:


Assistant Secretary

By W. B. Hopkins
Attorney in Fact

GULF OIL CORPORATION

Law	<u>W.B.</u>
Serv.	
Exp.	
Prod.	

STATE OF NEW MEXICO
COUNTY OF CHAVES
X
X
X

The foregoing certification was acknowledged before me this 5th day of August, 1964, by W. B. HOPKINS, Attorney in Fact of GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:
August 15, 1966

Loa Marie Cooper
Notary Public



EXHIBIT "C"

WEST PEARL QUEEN UNIT
LEA COUNTY, NEW MEXICO

SCHEDULE OF UNIT PARTICIPATION

(REVISED AUGUST 5, 1964, EFFECTIVE AUGUST 1, 1964)

	<u>PRIMARY PHASE PARTICIPATION</u>	<u>SECONDARY PHASE PARTICIPATION</u>
BROSECO CORPORATION	11.08165	6.57300
BTA OIL PRODUCERS	1.70730	1.00521
CABOT CORPORATION	14.15200	16.89728
CACTUS DRILLING COMPANY	23.89255	21.82979
GULF OIL CORPORATION	43.35877	45.11031
CURTIS R. INMAN	0.53659	1.14030
KAY KIMBELL ESTATE	0.64365	1.37868
W. E. LYLE, JR.	0.21455	0.45956
PHILLIPS PETROLEUM COMPANY	0.48686	0.42340
PENROSE AND ZACHARY	0.79296	0.47035
JOHN B. RICH	0.01983	0.01176
SHELL OIL COMPANY	1.89996	2.38646
J. E. SIMMONS	0.24433	0.37794
SKELLY OIL COMPANY	0.96900	1.93596
	<hr/>	<hr/>
TOTAL	100.00000	100.00000
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EXHIBIT "B" TO UNIT AGREEMENT
 WEST PEARL QUEEN UNIT
 LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND LEASE DATE		BASIC ROYALTY PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY PERCENTAGE		WORKING INTEREST OWNER AND PERCENTAGE	PERCENT PARTICIPATION OF TRACT IN UNIT	
										PRIMARY PHASE	SECONDARY PHASE
1.	SW/4 SE/4 Sec. 20-19S-35E	40	LC-069704-A	7-1-51	1/8	Thomas L. Pearson	6-1/4		B.T.A. Oil Producers 100.00000	1.70730	1.00521
2.	W/2 NE/4 Sec. 29-19S-35E	80	LC-070397	8-1-49	1/8	H. A. Jacobs	18-1/2		Curtis R. Inman 37.50000 Kay Kimbell 7.03125 W. E. Lyle, Jr. 2.34375 The First Natl. Bank of Fort Worth, A/C Tarrant Foundation, Inc. 53.12500 100.00000	0.51491	1.10294
										0.09655	0.20680
										0.03219	0.06894
										0.72946	1.56250
3.	E/2 SE/4; E/2 SW/4 Sec. 29-19S-35E	160	E-1587	11-10-47	1/8	Gulf Oil Corp.	1/16 of 7/8		Cactus Drilling Co. 100.00000	6.54907	9.04691
4.	W/2 SE/4; W/2 SW/4 Sec. 29-19S-35E	160	E-1587	11-10-47	1/8	Gulf Oil Corp.	-		Gulf Oil Corporation 100.00000	3.71957	6.51526
5.	NE/4, N/2 SE/4, NE/4 SW/4, E/2 NW/4 Sec. 31-19S-35E	320	E-1638	12-10-47	1/8	Aztec Oil & Gas Co.	0.0546875		Cactus Drilling Co. 49.99999 Penrose and Zachary 3.33333 Broseco Corp. 46.58334 John B. Rich 0.08334 100.00000	11.89443	7.05509
										0.79296	0.47035
										11.08165	6.57300
										0.01983	0.01176
6.	N/2 SW/4 Sec. 32-19S-35E	80	E-1922	6-10-48	1/8	Phillips Petroleum Company	3/32 of 7/8		Cactus Drilling Co. 100.00000	3.59942	2.86672
7.	NW/4 SE/4 Sec. 32-19S-35E	40	E-1922	6-10-48	1/8	Phillips Petroleum Company	None		Phillips Petroleum Co. 100.00000	0.47881	0.40953
8.	W/2 NW/4 Sec. 29-19S-35E	80	E-5840	12-10-51	1/8	Shell Oil Company	None		Shell Oil Company 100.00000	1.85460	2.30827
9.	N/2 Sec. 33-19S-35E	320	E-5841	12-10-51	1/8	Gulf Oil Corp.	None		Gulf Oil Corporation 100.00000	19.92179	16.38124

DATA FOR
PROPOSED WEST PEARL QUEEN UNIT

OIL CONSERVATION COMMISSION HEARING
CASE NUMBER 3066

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I. GENERAL

Operator Gulf Oil Corporation Date June 10, 1964

Project West Pearl Queen Unit Waterflood

Number of Wells 63 Unit and Project Area 2,520 Acres

Location Township 19 South, Range 35 East, Lea County, New Mexico,
approximately 20 miles southwest of Hobbs.

Pool Pearl Queen Reservoir Queen

Other Waterflood Projects in Pool East Pearl Queen Unit Project,
operated by Shell Oil Company.

II. RESERVOIR INFORMATION, PROJECT AREA

A. Geology

1. Reservoir Depth Approximately 4,900 feet
2. Productive Zones Series of sandstone stringers within a 200-
foot gross interval of the Queen formation. (Exhibits No. 4 and
6)
3. Maximum Net Pay Per Zone 8 to 14 feet
4. Stratigraphy Gray, fine-grained, dolomitic and anhydritic
sandstone rocks rhythmically interbedded with gray to tan, dense
anhydritic and shaly dolomite rocks.
5. Structure Northeast-southwest trending monoclinal nose plunging
to the southwest at 50 feet per mile. (Exhibit No. 5)
6. Reservoir Limits Oil-water contact defines down-dip productive
limit and porosity and permeability deterioration defines up-dip
productive limit of each productive zone.

B. Rock and Fluid Properties

1. Average Porosity 16.7% Range 10-22.8%
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2. Average Permeability 22.8 md. Range 1-244 md.
3. Original Reservoir Pressure 1776 psi
4. Bubble Point Pressure 1400 psi
5. Reservoir Temperature 100° F.
6. Formation Volume Factor 1.176 @ original conditions
7. Oil Gravity 35° API

III. OPERATIONS

A. Primary (Exhibit No. 2)

1. Date of First Completion January 1, 1958
2. Total Number Wells Drilled 63, including 4 dry holes in
the Queen formation.
3. Cumulative Production, 4-1-64 2,198,858 barrels
4. Average Daily Oil Production Per Well, March, 1964 9 barrels
5. Drive Mechanism Solution-gas, or depletion type
6. State of Depletion Late. Reservoir is approximately 80%
depleted of primary oil reserves.
7. Estimated Oil Recovery Through Primary Operations 2,686,000
barrels, or 11.8% of original oil-in-place.

B. Waterflood

1. Pattern 80-acre five-spot (Exhibit No. 1)
2. Number of Injection Wells 30
3. Estimated Initial Injection Rate 500 barrels per day per well
4. Estimated Injection Pressures Initially 1500 to 2000 psi
increasing to a maximum of 2500 psi during life of flood.

5. Plan of Injection The uppermost pay, Zone I, will be isolated from the lower zones through use of packers. Water will then be dually injected in all but one injection well either through two strings of coated tubing (Exhibits 8 and 9) or simultaneously down tubing and the tubing-casing annulus (Exhibits 10 and 11).
6. Source of Injection Water Shallow Ogallala wells located in Section 3-19S-36E, approximately 6 miles east of the project area. Water will be shared with East Pearl Queen Unit.
7. Type of Water Fresh. Produced formation water will be mixed with Ogallala water and injected into reservoir during latter stages of project.
8. Treatment of Water None is initially anticipated if injection is down dual strings of coated tubing; however, if injection is down uncoated tubing and the tubing-casing annulus, the Ogallala water will be treated to reduce oxygen content to 0.20 ppm. When recycled water is used additional corrosion treatment of the water will be initiated if necessary (See Exhibits 12 and 13).

IV. ANTICIPATED RESULTS OF WATERFLOOD PROJECT

- A. Secondary Recovery, Per Cent of Primary 150%
- B. Additional Oil Recovery 4,029,000 barrels
- C. Increase in Life of Unit Wells 6 years

V. SUMMARY AND RECOMMENDATIONS

- A. The Pearl Queen Pool produces by solution-gas-drive and as a result it is estimated that only 11.8% of the original oil-in-place beneath the West Pearl Queen Unit will be recovered through primary operations. Large amounts of oil will remain unrecovered unless a secondary recovery project is installed to increase recovery.
- B. This portion of the Pearl Queen Pool is 80% depleted and the average daily oil production per well is only 9 barrels.
- C. Engineering and geological studies indicate the Queen reservoir under the project area can be successfully waterflooded, thus increasing the life and ultimate recovery per well in the West Pearl Queen Unit.
- D. Therefore, Gulf, in association with the other operators, concludes that unitization of the 63 wells and 2,520 acres outlined in Exhibit No. 1 for the purpose of waterflooding the Queen formation is in the best interest of conservation and prevention of waste.
- E. Gulf, as West Pearl Queen Unit Operator, respectfully requests that the Oil Conservation Commission approve the proposed waterflood project and grant a Unit oil allowable for the 59 producing wells in the waterflood area as provided in Rule 701 (E), Subparagraph 3 of the Commission Rules and Regulations.