#### CERTIFICATE

The undersigned, Vilas P. Sheldon, states that he is unit operator of the Old Loco Unit Agreement, said agreement being placed in the Eddy County Oil and Gas records at 9:45 a.m. August 25, 1965, in Book 159 commencing at page 117, and the said Vilas P. Sheldon further states that the Unit Agreement has been executed or ratified by all working interest owners and by all royalty owners and that a Certificate of Approval was executed by the Commissioner of Public Lands of the State of New Mexicocon March 16, 1966.

By terms of the Unit Agreement in Section 23 thereof, said Unit shall become and will become effective as of 7:00 a.m. April 1, 1966.

Vilas P. Sheldon

STATE OF NEW MEXICO )
COUNTY OF EDDY )

The foregoing instrument was acknowledged before me this 22nd day of March, 1966, by Vilas P. Sheldon.

My commission expires:

8-8-68

Notary Public, Eddy County, New Mexico

#### CERTIFICATE OF APPROVAL

#### COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

# OLD LOCO UNIT EDDY 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 March 1. 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, and 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 <u>l6th</u> day of <u>March</u>, 19 66.

COMMISSIONER OF PUBLIC LANDS of the State of New Mexico

# DEFORE THE OIL COMMERCION OF THE STATE OF MEN MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF NEW MEXICO FOR THE FURFLER OF CONFILERING:

> CASS Wo. 3231 Order Mo. R-2903

APPLICATION OF VILAS P. SHELDOM FOR APPROVAL OF THE OIL LOCG OFIT AGRESMENT, MET COUNTY, NEW MEXICO.

#### ORDER OF THE COMMISSION

#### BY THE CUMPUSSION:

This cause came on for hearing at 9 o'clock a.m. on April 7, 1765, at Santa Pe, New Marico, before Examiner Slvin A. Uts.

NOW, on this \_\_\_\_\_ day of May, 1965, the Commission, a quorum being present, having considered the testimony, the recommendations of the Examiner, and being fully advased in the premises,

#### FINDS

- (1) That due public rotice having been given as required by law, the Commission has justimistion of this cause and the embject matter thereof.
- (2) That the applicant, Vilas P. Sheldon scake approval of the Old Loco Unit Agreement covering 720 acres, more or loss, of State lands described as follows:

BLOY COUNTY, NEW MEXICO TOTHERTP 17 SOUTH, RANGE 29 FAST, NAVA Section 31: 5/2 83/4 Section 32: All

(3) That approval of the proposed unit syssement should provote the prevention of waste and the protection of correlative rights within the unit area.

#2 **%**\*\*\*

CASE No. 3231 Order No. 2-2903

#### IT IS THEREFORE ORDERED:

(1) That the Old Lese Unit Agreement is hereby approved.

- (2) That the plan contained in said unit agreement for the development and operation of the unit area is borreby approved to principle as a proper concervation manage, provided, borrown that agreement, this approval shall not be considered as traiving or reliasoisting, in any manner, any right, duty, or obligation which is now, or may horeafter be, vested in the Commission to support of and control operations for the exploration and development of any lands committed to the mait and production of oil or gen therefore.
- (3) What the unit operator shall file with the Companion on executed extends of checked counterpart of the suit ajectors within 10 days after the effective date thereoff that in the expect of subsequent joineds by any party or expension of executedian of the unit area, the unit operator shall file with the Counterion within 30 days thereafter counterparts of the unit agreement reflecting the subseription of those interests having joined on ratified.
- (4) That this order about become effective upon the approval of sold wait agreement by the Commissioner of Fublic Lands for The State of Mer Comission of shall terminate ipse inche the teach the teach agreement; and that the last unit agreement; and that the last unit agreement; and that the printing of small commission immediately in writing of small termination.
- (5) That jurisdiction of this cause is retained for the

POTE at Sante Po, New Merico, on the day and poor herein-

FUNDE OF HEM MEXICO

ONL CONSTRUMINATION CONSTRUMENT

SACE M. CAMPBELL, Chargen

GENERAL B. HATE, Mande

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A. L. PORTER, Jr., Mythos & Socrotony

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### UNIT ACREMENT

### FOR THE DEVELOPMENT AND OPERATION

of the

OLD LOCO UNIT AREA

COUNTY OF EDDY

STATE OF NEW MEXICO

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### FOR THE DEVELOPMENT AND OPERATION

OF THE

#### GLD LOGO UNIT AREA

#### COUNTY OF KODY

#### STATE OF NEW MEXICO

THIS ACREMENT entered into as of the first day of March 1964, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

#### WITHESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Marcico is authorized by law (Volume 2, Chapter 7, Article 11, New Marcico Statutes, 1953
Annotated) to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162, Laws of 1951; Chap. 7, Art. 11, Sec. 41, N. M. Stats. 1953 Annet.) to smend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part of all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Volume 9, Part 2, Chapter 65, Article 3, New Mexico Statutes, 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

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

WHEREAS, it is the purpose of the parties hereto to enable institution and consummation of secondary recovery operations, to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the Old Loco Unit 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 "Unit Area" and the "Unitized Formation" lying thereunder (as those terms are defined hereinafter) and agree severally among themselves as follows:

- 1. EMARLING ACT AND RECULATIONS. The bil 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 of New Mexico are hereby accepted and made a part of this Agreement.
- 2. DEFINITIONS. For the purpose of this agreement, the following terms and expressions as used herein shall mean:
- (a) "Commission" means the Oil Conservation commission of the State of New Mexico.
- (b) "Commissioner" means the Chamissioner of Public Lands of the State of New Mexico.
- (c) "Royalty Interest" or "Royalty" means an interest other than a Working Interest in or right to receive a portion of the Unitised Substances or the proceeds thereof and includes the royalty interest reserved by the lesser by an oil and gas lease and any overriding rayalty interest, oil payment interest, net profits contract, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.
  - (d) "Royalty Owner" means the owner of a Royalty interest.
- (e) "Tract" means each parcel of land described as such and given a Tract number in Exhibit B.
- (f) "Tract Participation" means the percentage of Unitized Substances allocated to a Tract under this agreement as shown in Educated
- (g) "Unit Area" means the land shown on maints A, and described by Tracts in Exhibit B, containing 700 acres, all lands berein constituted to this agreement shall constitute lands referred to as unitized land or land subject to this agreement.

  (h) "Unit Operating Agreement" means any agreement or agreements, whether one
- (h) "Unit Operating Agreement" means any agreement or agreements, whether one or more, entered into either separately of collectively by and between the Unit Operator and the Working Interest Owners, as provided in Section 9, Account of Provisions and UNIT OPERATING ACRESSMENT, and shall be spyled "Unit Operating Agreement for the Development and Operation of the Old Loco Unit Afea, County of Eddy, State of New Mexico.
- (i) "Unit Participation" means the sum of all gract Participations or partions thereof which a party is entitled to receive. See Exhibits C-1 and C-2.
- (j) "Unitized Formation" means the Grayburg and Lovington Formations, same being that heretofore established underground reservoir encountered in the drilling by Miller and Smith of its Texas Gulf State #1 well between the depthsof 2350 and 2850 feet, which said well is located in the SW 1/4 of the ME 1/4 of Section 32, Township 17 South, Range 29 Mast, Eddy County, New Mexico.
- (k) "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.
- (1) "Voting Interest" means 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.
- (m) "working Interest Owner" means any party hereto coming 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 from the Unitized Formation and the Operation thereof hereunder. The owner of oil and gas rights which are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eights (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

3. EXHIBITS. Attached hereto as Exhibit A is a map showing to the extent known to Unit Operator, the Unit Area and the boundaries and identity of Tracts and leases in said Unit Area. Attached hereto as Exhibit B is a schedule showing to the extent known to Unit Operator the acreage comprising each Tract and the ownership of each interest owner in each Tract. 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 being owned by such party. Attached hereto as Exhibit C is a schedule showing in Part I thereof the Tract Participation of each Tract in the Unit Area and in Part II thereof the Unit Participation of each Working Interest Owner. Said schedule shall become effective at 7:00 s.m. on the effective date of this agreement.

It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical or clerical errors which may exist in the pertinent exhibits to this agreement; provided, however, that correction of any error other than correction of a mathematical or clerical error shall be made by Unit Operator only after first having obtained approval of Working Interest Owners and the Commissioner.

Exhibits A, B, and C shall be revised by Unit Operator whenever changes render such revision necessary, and at least two copies of such revision shall be filed with the Commissioner.

4. EXPANSION OF UNIT AREA. The above described Unit Area may, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, whenever such expansion is necessary or advisable to conform with the purposes of this agreement. Tract Participations resulting from such expansion shall be on a negotiated basis and, after agreement between the affected parties has been reached, such expansion shall be effected in the following manner:

<sup>(</sup>a) Unit Operator, with concurrence of at least 75 per cent of the them
Voting Interests and after preliminary concurrence, the Commissioner and the Commissioner,
shall prepare a notice of preposed expansion describing the contemplated changes the the
boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof,
preferably the first day of a month subsequent to the date of notice.

- (b) Said notice shall be delivered to the Commissioner and the Commission, and copies thereof mailed to the last known address of each Working Interest Owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.
- (c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Commissioner and the Commission evidence of mailing of the notice of expansion and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number for approval of such expansion and with appropriate joindars.
- (d) After due consideration of all pertinent information, the expansion shall, upon approval by the Commissioner and the Commission, become effective as of the date prescribed in the notice thereof.

In any approved expansion of the Unit Area, the revised Tract Participations of those Tracts which were committed prior to each such expansion shall remain in the same ratio one to another.

- 5. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid and liquefiable hydrocarbons in the lands committed to this agreement are, as to the Grayburg and Lovington Formations, unitized under the terms of this agreement (and are herein called Unitized Substances) and said lands shall constitute lands referred to herein as "unitized land" or "land subject to this agreement."
- 6. UNIT OPERATOR. VILAS P. SHELDON is hereby designated as the Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties of Unit Operator for the development and production of Unitized Substances as herein provided. Whenever reference is made herein to the "Unit Operator," such reference means the Unit Operator acting in that capacity and not as an owner of interest in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such interest is owned by it.
- 7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice of intention to resign has been served by Unit Operator on all Working Interest Owners and the Commissioner and the Commission, and until all wells then drilled hereunder are placed in satisfactory condition for suspension or abandonment, whichever is required by the Commission as to State lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by affirmative vote of at least 75% of the Voting Interests. Such removal shall be effective upon notice thereof to the Commissioner.

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

terminate its right, title or interest as the owner of a Working Interest or other interests in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the Unit operations owned by the Working Interest Owners to the new duly qualified successor Unit Operator, or to the owner thereof if no such new Unit Operator is elected, to be used for the purpose of conducting Unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

- 8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, the Working Interest Owners shall, by affirmative vote of at least 75 per cent of the Voting Interests, select a successor Unit Operator; provided, however, that should any Working Interest Owner own a Voting Interest of more than 25 per cent, the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by 80 per cent or more of the Voting Interests of the remaining Working Interest Owners and provided, further, that the Unit Operator shall not vote to succeed itself and its Voting Interest shall not be counted in a vote concerning its removal as the Unit Operator. Such selection shall not become effective until (a) a Unit Operator, and (b) the selection shall have been approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner may, at his election, declare this Unit Agreement terminated.
- 9. ACCOUNTING PROVISIONS AND UNIT OFERATING AGREEMENT. All costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be apportioned among, borne and paid by the Working Interest Owners, all in accordance with this agreement and the Unit Operating Agreement. The 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 they may agree upon. However, the Unit Operating Agreement shall not be deemed either to modify the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement; in case of any inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement, this agreement shall prevail. One true copy of any Unit Operating Agreement shall be filed with the Commissioner.

- 10. RIGHTS AND OBLIGATIONS OF UNIT OFERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto (including surface rights) which are necessary or convenient for the prospecting for, producing, storing, allocating, and distributing the Unitized Substances, are hereby granted and delegated to and shall be exercised by the Unit Operator as herein provided. Upon request therefor, acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall consititute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land, lease, Royalty Interest, operating agreement or communitization 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.
- Interest Owner has heretofore placed and used on its fract or Tracts committed to this agreement, various well and lease equipment and other property, equipment and facilities. It is also recognized that additional equipment and facilities may hereafter be placed and used upon the Unit Area as now or hereafter constituted. Therefore, for all purposes of this agreement and and all such equipment shall be considered to be personal property and not fixtures attached to realty. Accordingly, said well and lease equipment and personal property is hereby severed from the mineral estates affected by this agreement, and it is agreed that any and all such equipment and personal property shall be and remain personal property for all purposes.
- by the parties hereto that the object and purpose of this agreement is to formulate and to put into effect a secondary recovery project in order to effect the optimum 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 Commission, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, or any other substance or a combination of any of said substances, whether produced from the Unitized Formation or not, and that the location of input wells and the rates of imjection therein and the rate of production shall be governed by standards of good geologic and petrolsum engineering practices and conservation methods. This agreement is and shall be subject to the conservation laws of the State of New Maxico, to the valid rules, regulation and orders of the Commissioner and the Commission and to all other applicable federal, state and municipal laws, rules, regulations and orders. The parties hereto, subject to prior rights, if any, grant to Unit Operator the use of brine or water or both from any formation in and under the Unit Area for injection into the Unitized Formation. After commencement of secondary operations, Unit Operator shall furnish the Commissioner monthly injection and production reports for each well in the Unit Area. The Working Interest Owners and the Commissioner shall be furnished periodic reports on the progress of the plan of operation and any revisions or changes thereto necessary to meet changed conditions or to protect the interests of all parties to this agreement; provided, however, that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners, the Commissioner and the Commission.

which each Tract shall be entitled if all Tracts within the Unit Are are committed as of the effective date of this agreement (the qualifications necessary for inclusion of a Tract being set forth in Section 14 hereof). If less them all Tracts within the Unit Area are committed as of the effective date of this agreement, Unit Operator, with approval of the Working Interest Owners, as soon as practicable after the effective date of this agreement, shall file with the Commissioner and the Commission schedules of committed Tracts as of said effective date, which said schedules shall be designated "Revised Exhibit C-1 and considered for all purposes as a part of this agreement. Such revised Exhibit C-1 shall set forth apposite each such committed Tract the revised Tract Participation therefor (which shall be calculated by using the same Tract factors and formula which were used to arrive at the Tract Participation of each Tract as set out in Exhibit C-1 attached hereto, but applying the same only to the committed Tracts). Such revised Exhibit C-1 unless disapproved by the Commissioner

and the Commission within 30 days after filing, shall supersede, effective as af the effective date hereof, the Tract Participations set forth in Exhibit C-1 attached herete until a further revision or revisions thereof is approved by the Commissioner and the Commission. The Tract Participations shown on Exhibit C-1 attached herete, or as may be shown on the revised Exhibit C-1 as above previded, shall govern the allocation of Unitized Substances on and after the effective date of this Unit Agreement as set forth in Section 3 hereof, and until the allocation schedule is revised pursuant to this agreement and the revised Tract Participations are approved by the Commissioner and the Commission.

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- LA. TRACTS QUALIFIED FOR PARTICIPATION. From the effective date hereof, the Tracts which shall be entitled to participation shall be those Tracts which are described in Exhibit B and which, at any time, are qualified as follows:
  - (a) Each Bract as to which working Interest Quants owing 100% of the Working Interest therein have became parties herete and as to which Royalty Owners owning 75% or more of the Royalty Interest therein have become parties herete.
  - (b) Each Tract as to which working Interest tweers owning 160% of the Working Interest therein have become parties herets and as to which Royalty Gwners owning less than 75% of the Mayalty Interest therein have become parties hereto and, further, as to which:
    - (1) All Working Interest Coulers in any such Tract have joined in a request for the qualification of such Truct, and
    - (ii) 80% of the combined voting interests of Working Interest Comers in all Tracts meeting the requirements of paragraph (a) hereof here voted in fever of qualifying with Tracts

For the purpose of this paragraph (b), a working Enterest Owner's "voting interest" shall be equal to the redio (expressed in per cent) which its aggregate Unit Perticipation in all Emerce qualifying under paragraph (a) bears to the total Unit Perticipation, as shown on Exhibit C-2 of all Working Interest Comers in all Emerce qualifying under paragraph (a).

- (c) Each Tract as to which Working Interest Guners suring less them 100% of the Working Interest therein have become parties hereto, regardless of the percentage of Royalty Interest therein which is mountained hereto and, further, as to which:
  - (1) The Working Interest Owner operating any such Treet and all of the other Working Interest Owners in such Treet who have become parties herete have joined in a request for qualification of such Treet and have executed and delivered an indemnity agreement indemnifying and agreeing to hald heraless the other Working Interest Owners, their successors and assigns, against all claims and demands which may be made by the owners of Working Interests in such Treet who are not parties herete and which grise out of the qualification of such Treet; and
  - (11) 80% of the combined voting interest of Working Interest Owners in all Bracks meeting the requirements of paragraphs (a) and (b) have voted in favor of the qualification of such Brack and acceptance of the indomnity agreement.

For the purpose of this paragraph (c), a Working Interest Owner's "voting interest" shall be equal to the ratio (expressed in per cent) which its eggregate that Perticipation in all Tracts qualifying under paragraphs (a) and (b) bears to the total Unit Perticipation, as shown on Exhibit C-2, of all Working Interest Owners in all Bracks qualifying under paragraphs

- (a) and (b). Upon the qualification of such a Tract, the Unit Participation which would have been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements, in proportion to their respective Working Interests in the Tract.
- 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) shall be apportioned among and allocated to the committed Tracts in accordance with the respective Tract Participations effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit C-1. The amount of Unitized Substances so allocated to each committed Tract, and only that amount (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such Tract), shall, for all intents, uses and purposes, be deemed to have been produced from such Tract.

mong, 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, or in the proceeds thereof, had this agreement not been entered into, and with the same legal force and effect. It is hereby agreed that production of Unitized Substances from any such committed Tract shall be allocated as provided herein regardless of whether oil or gas is being produced from any particular Tract committed hereto. If the Working Interests or the Royalty Interests in any Tract are divided with respect to separate parcels or portions of such Tract and owned severally by different persons, the Tract Participation of such Tract shall, in the absence of a recordable instrument among all owners fixing the division of ownership, be divided among such percels or portions in proportion to the number of surface acres in each.

16. BALANCING OF PRODUCTION. Unit Operator shall make a proper and timely gauge of all lease and other tanks located on each committed Tract in order to ascertain the amount of merchantable oil in such tanks above the pipe line connections, as of 7:00 a.m. on the effective date hereof. All Unitized Substances which are a part of the prior allowable of the well or wells from which the same were produced shall be and remain the property of the Working Interest Owners entitled therete as if the Unit had not been formed and such Working Interest Owners shall promptly remove. same. Any such Unitized Substances not so removed may be sold by the Unit Operator

for the account of such Working Interest Owners, subject to the payment of all royalty to Royalty Owners, weight charterins and provisions of the applicable lease or leases and other contracts. All such Unitized Substances which are in excess of the prior allowable of the well or walks from which the same were produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof. If, as of the effective date hereof, any Tract is over-produced with respect to the allowable of the well or wells on that Tract and the assumt of such over-production has been sold or otherwise disposed of, such ever-production shall be regarded and included as a part of the Unitized Substances produced after the effective date hereof and the assumt thereof charged to such Tract as having been delivered to the persons entitled to Unitized Substances allocated to such Tract.

under existing contracts, are entitled to take in kind a share of the Unitized Substances produced from any countited Tract, shall hereafter be entitled to take in kind their share of the Unitized Substances allocated to such Tract, and Unit Operator shall make deliveries of such Boyalty share taken in kind in conformity with the applicable contracts, laws and regulations. Suttlement for Boyalty Interests not taken in kind shall be made by Working Interest Guners 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 lessess of any land from their respective loase obligations for the payment of any regulation due under their leases except that shid reyalties shall be computed in accordance with the terms of this agreement.

If gas obtained from lands not subject to this agreement is introduced into
the Unitized Formation for use in pressure maintenance, stimulation of preduction,
or increasing ultimate recovery, which shall be in conformity with a plan first
approved by the Commissioner and the Commission, a like amount of gas, less appropriate
deductions for less from any cause, may be withdrawn from the formation into which the
gas was introduced, royalty free as to dry gas, but not as to the products extracted
therefrom; provided that such withdrawal shall be pursuant to such conditions and
formulae as may be prescribed or approved by the Commissioner; provided further, that
such right of withdrawal shall terminate on the termination of this agreement. If
liquefied petroleum gases obtained from lands or fermations not subject to this
agreement be injected into the Unitized Permation for the purpose of increasing
ultimate necessary, which shall be in conference with a plan first approved by the
Commissioner, part or all of such liquefied petroleum gases may be withdrawn requility

free pursuant to such conditions and formulae as may be prescribed or approved by the Commissioner.

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

- 18. RENTAL SETTIMENT. Rentals on State of New Maxico lands subject to this agreement shall be paid at the rate specified in the respective leases, or may be reduced or suspended under order of the Commissioner pursuant to applicable laws and regulations.
- 19. COMMINATION. Operations bereunder and production of Unitized Substances shall be conducted so as to provide for the most economical and efficient recovery of such substances to prevent waste as defined by State less or regulations.
- 20. DRATHAGE. Unit Operator shall take apprepriate and adequate measures to prevent drainage of Unitized Substances from the committed Tracts by wells on land not subject to this agreement, or, with consent of the Commissioner and pursuant to applicable regulations, pay a fair and reasonable compensatory royalty as determined by the Commissioner.
- 21. LEASES AND CONTRACTS CONFIGURED AND EXTENSES. The terms, conditions and provisions of all leases, subleases, and eller contracts relating to exploration, drilling, development, or operation for ail, gas, gasesus substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefished hydrocarbons in the under lands committed to this agreement are hereby expressly modified and smended to the extent necessary to make the same conform to the previsions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Commissioner as to State leases shall by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and rayalty requirements of State leases counitted herebs and the regulations in respect thereto to conform said requirements to the previsions of this agreement, and without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:
  - (a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately event Tract committed to this agreement, regardless of whether there is any development of any particular part of or Tract of unitised land, notwithsteading anything to the centrary in any lease, operating agreement, or other contract by and between the parties herete, or their respective predecessors in interest, or any of them.
  - (b) prilling and producing operations performed hereunder upon any Tract of unitized land will be accepted and deeped to be performed upon and for the benefit of each and every Tract of unitized land, and no lease

shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

- (c) Suspension of drilling or producing operations on all unitised lands pursuant to direction or consent of the Commissioner shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every fract of unitized land.
- (d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefieble hydrocarbons in and under lands, other than those of the United States, in lands committed to this agreement, which by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement, as to the land committed so long as such lease remains subject hereto.
- (e) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such lease shall apply separately as to such segregated pertions commencing as of the effective date hereof. Motwithstanding 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 lands desmitted hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if Unitied Substances are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lease or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein, any such lease shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of Unitized Substances, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as Unitized Substances are produced in paying quantities from any portion of said lands.
- 22. COMENANTS NOW WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties herete 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 criginal, photostatic or certified copy of the instrument of transfer; and no assignment or transfer of any Royalty Interest shall be binding upon the Working Interest Owner responsible therefor until the first day in the calendar month after said Working Interest Owner is furnished with the original, photostatic or certified copy of the instrument of transfer.
- 23. EFFECTIVE DATE AND TERM. This agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 e-look a.m. of the first day of the calendar month next following the approval by the Commissioner.

There must be an execution or ratification of this agreement and the Unit Operating Agreement by Working Interest Owners Owning a combined Unit Participation of at least 80 percent, and the execution or ratification of the agreement by Royalty Owners owning a combined interest of at least 65 percent of the Royalty Interest, in said Unit Area.

in the office of the County Clerk of Midy County, New Mexico, by the Unit Operator.

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 become effective accombing to its terms and stating further the effective date.

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

This agreement may be terminated with the approval of the Land Commissioner and the Working Interest Owners owning 75 percent Unit Participation whenever such Working Interest Owners determine that Unit sperations are so longer profitable, feasible or in the interest of conservation. Notice of any such termination shall be given by Unit Operator to all parties hereto.

Upon termination of this agreement, the further development and operations 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, Rayalty Owners hereby grant Working Interest Owners a period of six months after termination of this agreement in which to salvage, sell, distribute of disherwise dispose of the personal property and facilities used in commection with that exerctions.

24. AFFRANCES. Unit Operator shall, after hotice to other parties affected, have the right to appear for or on behalf of any and all interests affected hereby before the Commission and to appeal from orders issued under the regulations of said Commission or to apply for relief from any of said regulations or in any proceedings relative to operations before the Commission, or 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.

- 25. MOTICES. All notices, demands, objections or statements required hereunder to be given or rendered to the parties herete shall be deemed fully given if made in writing and personally delivered to the party or parties at their respective addresses set forth in connection with the signatures herete or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.
- 26. NO WAIVER OF CERTAIN RECEIFS. Nothing in this agreement contained shall be construed as a waiver by and party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State of New Mexico, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.
- Unit Operator to commence or continue drilling or to operate on or to produce Unitized Substances from any of the lands subject to this agreement shall be suspended while, but only so long as, the Unit Operator, despite the emercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the gods.
- 28. LOSS OF TIME. If any Tract of unitized land course to have sufficient working Interest or Royalty Interest committed to this agreement to meet the conditions of Section 14 because of failure 66 title to any party hereto, such fract shall be regarded as not committed hereto as af 7:00 &.m. on the first day of the calendar month in which such failure of title is finally determined; provided, however, that no such Tract shall be so regarded if same can be requalified under said Section 14 within ninety (90) days after the date on which such title failure was finally determined. If any such Tract cannot be so requalified, that Operator shall recompute the Tract Participation of each Tract of unitized land remaining subject to this agreement so that such Tract Participations shall remain in the same ratio one to another. Thereafter, Unit Operator shall revise Exhibits C-1 and C-2 conformably with such recomputation. Each such revised exhibit shall be effective at 7:00 a.m. on the first day of the calendar month in which such failure of title is finally determined.

If title to a Working Interest fails, the rights and obligations of Working

Interest Owners by reason of such failure shall be goverhed by the Unit Operating Agreement. If title to a Royalty Interest fails, but the Tract to which it relates remains committed to this agreement, the wiselty Owner whose title failed shall not be entitled to participate hereunder interest.

In the event of a dispute as to the title to any Working or Royalty Interest, or other interest subject hereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State land or leases, no payment of funds due the State of New Maxico shall be withheld, such funds of the State shall be deposited as directed by the Commissioner, all 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 title hereunder.

29. NONJOINDER AND SUBSEQUENT JOINDER. Any oil or gas interest within the Unit Area not committed hereto prior to the effective date of this agreement may thereafter be committed, upon compliance with the applicable provisions of this Section 31 and of Section 14 (TRACTS QUALIFIED FOR PARTICIPATION) by the owner or owners thereof subscribing or consenting to this agreement and, if such uncommitted interest is a working interest, by the owner of such interest also subscribing to the Unit Operating Agreement.

Such right of joinder subsequent to the effective date hereof shall be subject to such requirements or approvals and shall be upon such terms and conditions as may be agreed to by at least 65 per cent of the then Voting Interests of the Working Interest Gwners, and approval by the Commissioner, with appropriate revisions of Exhibits C-1 and C-2, effective as of 7:00 a.m. on the first day of the calendar month next following such agreement by the Working Interest Owners.

After final approval of this agreement, joindar by a non-working interest owner must be consented to in writing by the Working Interest Owners committed hereto and responsible for the payment of any benefits which may accrue hereunder in behalf of such non-working interest.

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

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

In order to avoid title failures which might incidentally cause the title to a working Interest or Royalty Interest to fail, the owners of (1) the surface rights to each committed Tract, (2) severed mineral or revalty interest in said Tracts and improvements located on said Tracts not utilized for Unit Operations shall individually be responsible for the rendition and assessment, for ed valorem tax purposes, of all such property, and for the payment of such tames, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner or Owners. If any ad valorem taxes are not paid by such owner responsible therefor when due. Unit Operator may, at any time prior to tax sale, pay the same, redeem such property and discharge such tax liens as may arise through nonpayment. In the event Unit Operator makes any such payment or redeems any such property from tax sale, Unit Operator shall be reimbursed therefor by the Working Interest Owners in propertion to their respective Unit Participations then in effect, and Unit Operator shall withhold from any proceeds derived from the sale of Unitized Substances otherwise due to said delinquent taxpayer or taxpayers an amount sufficient to defray the costs of such payment or redemption, such withholding to be distributed among the Working Interest Owners in proportion to their respective contributions toward such payment or redemption. Such withholding shall be without prejudice to any other remedy, sither at law or in equity, which may be available for exercise by the Unit Operator or by the Working Interest Owners.

32. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the Working
Interest Owners or any of them shall be subject to any forfeiture, termination, or
expiration of any rights hereunder or under any leases or contracts subject hereto,
or to any penalty or liability on account of delay or failure in whole or in part to
comply with any applicable provisions thereof to the extent that the said Unit Operator,
Working Interest Owners, or any of them are hindered, delayed or prevented from complying
therewith by reason of the failure of the Unit Operator to obtain, in the exercise of
due diligence, the concurrence of proper representatives of the State of New Mexico in

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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 mathority vested in the Commission in and by any provisions of this contract are vested in the Commission and shall be confissed 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 presided by the laws of the State of New Mexico.

33. NO PARTMERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, express or implied, or any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

34. BORDER AGREEMENTS. Subject to the approval of the Commissioner, the Unit Operator, with concurrence of 75 per cent of the than Voting Interests of the Working Interest Owners, may enter into a border-protection agreement or agreements with the working interest owners of lands adjacent to the committed Tracts with respect to the operations in the border area for the maximum ultimate recover, conservation purposes and proper protection of the parties and interest.

IN WITHESS WHIRESP, the parties hereto have caused this agreement to be executed as of the date first above written and have set expessite their respective names the date of execution and the address of each of the respective executing parties.

Date:

Setty Das Sheldon, vire of Vilas P. Sheldon 801 West Jemas, Artesia, New Mexico

OTHER DESIGNATION OF CHARGES

A. D. Collins and

Aminy E. Mellier, wire of R. D. Collier Artesia, New Mexico

Date:

	Mary L. Branch
	Mary d. Smith wife of M. W. Smith
oate;	Kathleen Miller, Battlesto xentresx  Entitleen Miller, Battlesto xentresx  Entitleen Miller, Battlesto xentresx  Albuquerque, New Mexico
STATE OF NEW MEXICO )	
COUNTY OF EACH	, <b>, , , , , , , , , , , , , , , , , , </b>
On this / et day of many vilas P. Sheldon and Betty Sue Sheldon, his in and who executed the foregoing instruments are as their free act and deed.	196 before me personally appeared is wife, to me knownto be the persons described ent, and acknowledged that they executed the
My commission expires:	Nother Public Quelerty
STATE OF NEW MEXICO )	
COUNTY OF EDDY )	
On this day of many E. Collier, his will in and who executed the foregoing instruments as their free act and deed.	196 before me personally appeared life, to me known to be the persons described ent, and acknowledged that they executed the
My commission expires:	Notary Public Daughesty
STATE OF NEW MEXICO )	
COUNTY OF HERNALILO )	
on this 4th day of 7 has	1955 before me personally appeared
they executed the same as their free act	
My commission expires: June 1,1965	Notary Public
STATE OF NEW MEXICO )	
COUNTY OF BERNALILO )	7
instrument, and acknowledged that she exe	
My Commission expires: June 1, 1965	Notary Public

Date:

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ged before me this 7 1/4 day of March, 1965
Series Saugherty
Harold Errory, Individually; and for Barold Berse DBA Kersey and Company, acting to Trustee under a Trustee Agreement dated 5-10-49 providing for the operation of the BE/4 BM/4 Marking 32, Township I Bouth, Range 29 Bast, for and in bound of Harold Bersey, George M. Cowell, W. L. Shiner, Bethlehem Steel Company for the account of S. L. Tallmadge, P. J. Vidal, Thelma Methvin, Margaret Holcomb, Guy Shepherd, Boujemin D. Luchini, J. R. Batler, 1822 Placement Methylands G. D. Macy.
Mary Collen Kersey
The land Mothers Mothers
Margaret Holionl
ged before me this 5 day of April or Hareld Enroy DEA Enroy and Company / acting 5-10 49 providing for the operation of the mage 29 East, for and im behalf of Enrole Enroy, teel Company for the account of C. I. Talimage, mb, Guy Emepherd, Bejnamin D. Luckimi, J. R.
Hotary Public
Motory Fithlic
ged before me this 1st day of April

STATE OF NEW MEXICO ) COUNTY OF EDDY

The foregoing instrument was acknowledged by Heil B. Watson and Ruth A: Watson, his wife

My commission expires: 8-9-68

STATE OF NEW MEXICO)

COUNTY OF EDDY

The foregoing instrument was acknowledged 1965 by Harold Kersey; -Individually; and for H as Trustee under a Trustee Agreement dated 5-1 SE/4 SW/4 Section 32, Township 17 South, Range George M. Cowell, W. L. Shaner, Bethlehem Stee. P. J. Vidal, Thelma Methvin, Margaret Holcomb, Butler, Bl Paso Basional Bank and Gard Homes

My commission expires: 16/19-/66

STATE OF NEW MEXICO)

COUNTY OF OTERO

The foregoing instrument was acknowledged 1965 by Thelma Methvin.

My commission expires: 10/22/16

STATE OF NEW MEXICO)

COUNTY OF OTERO

The foregoing instrument was acknowledged 1965 by Margaret Helcomb. Luight a Ohlinger

My commission expires: /o/22/66

#### NON-WORKING INTEREST OWNERS JOINDER IN UNIT AGRESMENT OLD LOCO UNIT, KDUY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Old Loco Unit, Eddy County, New Mexico", providing for the development and operation of 720 acres, more or less, in Township 17 South, Range 29 East, M.M.P.M. Eddy County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement which was executed by Vilas P. Sheldon as the Unit Operator to provide for conducting secondary recovery operations: and

WHEREAS, said Unit Agreement provides for counterpart execution and by other instrument agreeing to be bound by the provisions thereof. and

WHEREAS, the undersigned Mon-Working Interest Owner whose interests are defined in said instrument and exhibits thereto, desires to ratify and consent to said Unit 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 Mon-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.

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#### NOW-WORKING INTEREST OWNERS JOINDER IN UNIT AGREEMENT OLD LOCO UNIT, EINT COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Old Loco Unit, Eddy County, New Mexico", providing for the development and operation of 720 acres, more or less, in Township 17 South, Sunge 29 East, N.M.P.M., Eddy County, New Mexico, as to the "Unitized Permation" as said term is defined in said Unit Agreement which was executed by Yilas P. Sheldon as the Unit Operator to provide for conducting secondary recovery operations; and

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

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

HOW THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Non-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.

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# HON-MORKING INTERREST OWNERS JOINDAYS IN UNIT ACCRESSENT OLD LOCO UNIT, EDLY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled that Agreement, Old Loce Unit, Eddy County, New Manice, providing for the development and operation of 720 scree, more or less, in Tourship 17 South, Range 29 East, B.M.P.M., Eddy County, New Mexico, as to the Unitive Fernation as said term is defined in said Unit Agreement which was executed by Viles P. Sheldon as the Unit Operator to provide for conducting secondary recovery operations; and

MERRAS, said that Agreement provides for rounterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

WEERAS, said Unit Agreement provides for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

MERICAS, the Undersigned Non-Working Interest Owner whose interests are defined in said instrument and exhibite thereto, desires to ratify and concent to said Unit Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

MOS THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all who become parties to said instrument, the undersigned Non-Yorking 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.

EXECUTED this	l3th day of	
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mitgd. Henrygraggillaren inn, Hall ferhall værr en sitt for hels direktionel entre till samhaksiske en	Tanamanii - waaraar aa waadan iyo aan iyo aan	P. J. Videl
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ATE OF New mexico	>	
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LEVY OF Moninley	•	
The foregoing ins	trusent was acknowl	ladged before me this Cay of
	, 1964, by	P. J. Vidal and Lucille Vidal
y commission expires:		Ben) Milian.
My Commission expires	August 1, 19	

### MOM-WORKING INTERNET CHIERE JOINDAR IN UNIT ADDRESSER OLD LOCO UNIT, MAY OFFITT, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Old Loce Unit, Eddy County, New Mexico", providing for the development and operation of 720 acres, more or less, in Township 17 South, Range 29 East, S.M.F.M., Bidy County, New Mexico, as to the "Unitized Formstion" as said term is defined in said Unit Agreement which was executed by Vilas P. Shalden as the Unit Operator to provide for conducting secondary recovery sparetions; and

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

in said instrument and exhibits thereto, desires to ratify and consent to said Unit 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 Non-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.

EXECUTED this // day of	tetuces, 1964.
ATTEST:	Othersel
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a corpo	ration, on behalf of said corporation.
My commission expires:	
	Rotary Public
STATE OF New Mexico	
COUNTY OF Eddy	
•	wledged before me this lith day
The foregoing instrument was acknowd February , 1964 by	O. H. Randel and Clarice A. Randel
**	
	0+001
My commission expires:	Notary Public
august 12, 1964	
• · · · · · · · · · · · · · · · · · · ·	
STATE OF New Mexico )	
STATE OF New Mexico )  COUNTY OF Eddy )	

March ,1965 by J.N. and Margaret Hightower.

#### NON-WORKING INTERNOT CHARGE JOINGER IN UNIT ARRESTED GLD LOCK UNIT, BROY COUNTY, NEW MEXICO

1964

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Old Loce Unit, Eddy County, New Maxico, providing for the development and operation of 720 seres, more or loce, in Township 17 South, Range 29 East, N.M.F.M., Eddy County, New Maxico, as to the Unitised Permation as said term is defined in said Unit Agreement which was executed by Vilas F. Sheldon as the Unit Operator to provide for emphasing secondary recovery sperations; and

WHEREAS, and Unit agreement provides for compterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

VERREAS, the undersigned Non-Verting Interest Owner whose interests are defined in said instrument and exhibits thereto, desires to ratify and exment to said Unit Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW THISTORE, in consideration of the premises, and of the metual edvantages to be secured by all who become parties to said instrument, the undersigned Nun-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.

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		Din ty Covell	*
ATTEST		George M. Cowell	129400
		C. C. C. C.	
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COUNTY OF			
My commission expires;	1964, by	eretion, on behalf of said corporation.	
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STATE OF			
COUNTY OF	j		
The foregoing inst	trument was echi 1964 by	George M. Cowell and Irene Cowell	lay
Control of the contro	The second secon		
ey commission expires:		Sotary Public	
GARY CO	SHAMN S		

MARIN CENTY

## NON-WORKING INTEREST OWNERS JOINDER IN UNIT AGREEMENT OLD LOCO UNIT, MDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Old Loco Unit, Eddy County, New Mexico", previding for the development and operation of 720 acres, more or less, in Township 17 South, Range 29 East, N.M.P.M. Eddy County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement which was executed by Vilas P. Sheldon as the Unit Operator to provide for conducting secondary recovery operations; and

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

WHEREAS, the undersigned Mon-Working Interest Owner whose interests are defined in said instrument and exhibits thereto, desires to ratify and consent to said Unit 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 Mon-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.

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STATE OF NEW MEX	ico )		
COUNTY OF Chac	ee j		
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Clys M Morten

# MONE-WORKING INTERREST OWNERS JOURNAL AND MORE OF LOCO UNIT, ROST CHARTY, NEW MEXICO

HERRAS, the undersigned has received a counterpart of an instrument satisfied that agreement, Old Loce Unit, Eddy County, New Mexice, providing for the development and operation of 720 acres, more or less, in Tournbip 17 South, Range &9 East, M.M.P.M., Eddy County, New Mexico, as to the Unitized Permution as each term is defined in said Unit Agreement which was emetuted by Vilae P. Sheldon as the Unit Operator to provide for conducting secondary recovery operations; and

INSTREAS, said Unit Agreement provides for counterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

MERRAS, the undersigned Non-working Interest Owner whose interests are defined in said instrument and exhibits thereto, desires to retify and consent to said Unit Agreement by the execution of this instrument, agreeing to be bound by the previouse thereof.

NOW THEREFORE, in consideration of the premises, and of the mutual adventages to be secured by all who become parties to said instrument, the undersigned Son-working interest Owner does by those presents agree to be bound by and does expressly ratify and consent to all of said borns and provisions of the aforesaid Unit Agreement.

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		Donald Brown
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A. S. T. C. F.

# NON-WORKING INTEREST OWNERS JOINDER IN UNIT AGREEMENT OLD LOCO UNIT, EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Old Loco Unit, Eddy County, New Mexico", providing for the development and operation of 720 acres, more or less, in Township 17 South, Range 29 East, M.M.P.M., Eddy County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement which was executed by Vilas P. Sheldon as the Unit Operator to provide for conducting secondary recovery operations; and

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

WHEREAS, the undersigned Non-Working Interest Owner whose interests are defined in said instrument and exhibits thereto, desires to ratify and consent to said Urit 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 Non-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.

EXECUTED this 5th 6	lay of	November	. 1964 ر	
		HUMBLE OIL	REFINING COMPANY	<u> </u>
attest:	By	C,44.	Carock	in 1
	•	AGENT AN	ATTORNEY-IN-FACT	•
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STATE OF Tuyand )				
COUNTY OF Fridland				
The foregoing instrument was 1964, by AGENT AND ATTORNEY IN FACT COT	acknowledg	ed before me t	his 5th	_day of
AGENT AND ATTORNEY IN FACT	I Huml	La Rilet Rel	wine Company	1
a <u>Silanan</u> corr	poration, 6	n behalf of te	id corporation.	
My commission expires: June 1, 1965		Eva	lena Edwar	do
		Worsth Lapite	TO ANY INDIANA	MOTARY PUDIS
STATE OF			MIDLAND COUNT	TY, TEXAS
COUNTY OF				
The foregoing instrument was		ed before me t	his	day of
	**************************************			<u></u>
My commission expires:				
A commensator evittes!		Potery Bublic		**************************************

## NON-WORKING INTEREST CHARRES JOINDER IN UNIT AGREGMENT CLD LOCE WHIT, EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Old Loco Unit, Eddy County, New Mexico", providing for the development and operation of 720 acres, more or less, in Township 17 South, Renge 29 East, M.M.P.M., Eddy County, New Mexico, as to the "Unitized Fermation" as said term is defined in said Unit Agreement which was executed by Vilas P. Shelden as the Unit Operator to provide for conducting secondary recovery operations; and

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

WHEREAS, the undersigned Non-Working Interest Owner whose interests are defined in said instrument and exhibits thereto, desires to ratify and consent to said Unit 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 maidinstrument, the undersigned Non-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 afaresaid Unit Agreement.

By Rear Warden  Wice-President  WITE OF OKLAHOMA  Intry of OKLAHOMA  The foregoing instrument was acknowledged before as this 25 day  March. 1965  March. 1965	moreculed this 2	5 day of	March 1965	
The foregoing instrument was acknowledged before so this 25 day of March, 1965	ASSIT.	-Secretary	00 00	rlne
The foregoing instrument was acknowledged before no this 25 day of March, 1965 #### by Deputy Fr.		) <b>Š</b>		
Vice-President of Kenr-McGee Oil Industries, inc.	The foregoing ins		corne R. Fares	es. Inc.
	MIE OF	)	ROURY PUBLIC	<b>€</b> {
Commission Expires: October 14,1966 Court Fibria Safer	UNITY OF	5		
ATE OF )	The foregoing inst		edged before me this	day of

My commission expires:



Rotary Public

#### NON-WORKING INTEREST OWNERS JOINDER IN UNIT AGREEMENT OLD LOCO UNIT, EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Old Loco Unit, Eddy County, New Mexico", providing for the development and operation of 720 acres, more or less, in Township 17 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, as to the "Unitized Formation" as said term is defined in said Unit Agreement which was executed by Vilas P. Sheldon as the Unit Operator to provide for conducting secondary recovery operations; and

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

WHEREAS, the undersigned Non-Working Interest Owner whose interests are defined in said instrument and exhibits thereto, desires to ratify and consent to said Unit 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 Non-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.

EXI	CUIED this	27	_ day of	March	, 1964.
ATTEST:		7/	TEX By	AS GULT MINERALS COMPANY	
fr	Secretary	fug !	,	President '	p,
					o outer orași de Augustia de area de a
STATE OF	TEXAS	)			
COUNTY OF	HARRIS	j			-
The	foregoing in	strument was	acknowledge	d before me this 27th	day of
				Reed, President	
			-	exas Gulf Minerals Company	-
a De	elaware		•	tion, on behalf of said co	
My commissi June 1, 19	on expires:			Notary Public in and re County, Texas.	
STATE OF		)		MARY H. SOUTH'S Notary Public in and for Harris My Commission Expires Ju	County, Texas
COUNTY OF		;		My Commission Expires 30	me 1, 1503
The	foregoing in	strument was	acknowledge	d before me this	day of
			<del>*************************************</del>		
My commissi	on expires:			Mark and Milate	

#### NON-WORKING INTEREST OWNERS JOINDER IN UNIT AGREEMENT OLD LOCO UNIT, EDDY COUNTY, NEW HEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Old Loco Unit, Eddy County, New Mexico, providing for the development and operation of 720 acres, more or less, in Township 17 South, Range 23 East, N.M.F.M., Eddy County, New Maxico, as to the "Unitized Formation" as said term is defined in said Unit Agreement which was executed by Vilas F. Shelden as the Unit Operator to provide for conducting secondary recovery operations;

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

WHEREAS, the undersigned Non-Working Interest Owner is the successor to the interests set out in said Unit Agreement of Texas Gulf Minerals Company, and in such capacity desires to ratify and consent to said Unit Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NCW, THEREFORE, in consideration of the premises, and of the mutual adventages to be secured by all who become parties to said instrument, the undersigned Non-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.

October EXECUTED this 27 day of

PAN AMERICAN PETROLEUM CORPORATION

STATE OF TEXAS COUNTY OF TARBANT

The foregoing instrument was a	scknowledged before we this 27 day of
Cether, 19	265, by
Actorneys in-Fact of PAN AMERICAN PE	ETROLEUM CORPORATION, a le lucres
Corporation, on behalf of said corp	oorstion.
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	NOTARY PUBLIC
NOTE ASSESSED BARRON DEPOSITORS	in and for TARRAYT County, THAS

JABATA LLL YOUNG

# NON-WORKING INTEREST OWNERS TOINDER IN UNIT AGRESMENT OLD LOGO UNIT, MUDY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Old Loco Unit, Eddy County, New Maxice", providing for the development and operation of 720 acres, more or less, in Township 17 South, Range 29 East, N.M.P.M. Eddy County, New Maxico, as to the "Unitized Formation" as said term is defined in said Unit Agreement which was executed by Vilas P. Sheldon as the Unit Operator to provide for conducting secondary recovery operations; and

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

WHEREAS, the undersigned Mon-Working Interest Owner whose interests are defined in said instrument and exhibits thereto, desires to ratify and consent to said Unit 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 Non-Werking 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 aftresaid Unit Agreement.

EXECUTED this	15th	day of	Sprie , 1965.	•
Arissi:	SECRETARY	ng, nggana paggana paggana	By ANGENE WHACT	SORM APPROVE  TO SK  ATTORNEY
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STATE OF	) ;	2		
The foregoing inc	, 1965 by	TOO AT ACT ACT DE	d	ay of
STATE OF Jeffee COUNTY OF Fa			Notary Public	
		was acknowled	iged before me this 15th	day of
· Del	ORNEY IN FACT		ration, on behalf of said co	rporation.
My commission e	expires:		Hotary Millic	trung

# MON-VORKING INCOMING COMMENT STRAIGHT AND THE MAKE CONTRACT OF THE PROPERTY AND THE PROPERT

MERICAS, the undersigned has realized a someterpart of an instrument entitled "Wars Agreement, Gld Loos Unit, Skiny County, New Moules"; providing for the devilopment and operation of 780 acres, more or less, in Township 17 Mouth, Sampe 29 hast, S.M.P.M. Skiny County, New Moxico, as to the "Unitied Furnishm" as unid term is defined in each Unit Agreement which was sessented by Vilas P. Manides as the Unit Optister to provide for conduction accountry recovery specialisms; and

termine, and this Agreement provides for sounterpart execution and by other instrument agreeing to be bound by the provisions thereof; and

MERCONS, the undersigned Non-Working Interest Count these interests are defined in said instrument and exhibits thereto, desires to retily and unnear to said that Agreement by the esseution of this instrument, agreeing to be bound by the presisions thereof.

DO THERESON, in consideration of the pressee, and of the manual developes to be secured by all who become persons to said instrument, the undersigned Bes-Northing Interest Quara does by those presents agree to be bound by and does expressly retify and consent to all of each terms and provisions of the aforesaid Unit Agreement.

EXECUTED this 3/of day of Organist Milk Agreement.

INNANCO CIL COMPANY

STATE OF TEXAS

COMMENT AND ATTORNEY-IN-FACE

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OF TEXAS OF TEXAS AGREE AND ATTORNEY-IN-FACE

OF TENNECO CIL COMPANY

# WORKING INTEREST OWNERS JOINDAN IN UNIX ASSESSMENT AND UNIX CREATING AGRESMENT

# III III, IIII WHEEL, MA MERICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Old Loco Unit, Eddy County, New Mexico", providing for the development and operating of 720 acres, more or less, in Township 17 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, as to the "Unitized Formation" as said term is defined in agid Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, Old Loce Unit, Eddy County, New Mexico", both of which were executed by Vilas P. Sheldon as the Unit Operator and as a Working Interest Owner, to provide for conducting recovery operations; and

MERRAS, 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.

MOW, 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 agmeent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

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STATE OF	Arizona	)				
COUNTY OF	Mohave	<b>,</b>				
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	ne 24, 1966			C.	toland	
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# OLD LOCO UNIT, DODY COUNTY, IDEN MEXICO

Whereas, the undersigned has received a counterpart of an instrument entitled "unit Agreement, Old Loco Unit, Eddy County, New Mixico", providing for the development and operation of 720 acres, more or less, in Township 17 South, Range 29 Past, N.M.P.M., Eddy County, New Maxico, as to the "Unitized Countries" as eald term is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, old Loco Unit, Eddy County, New Maxico", both of which were extended by wiles P. Sheldon as the Unit Operator and as a Working Indepent Owner, to provide for conducting recovery operations; and

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

WHINDIAS, the undersigned Working Interest Owner whose interests are defined in this instruments and evaluate thereto, desires to reflig and consent to each Unit Agreement by the extention of this instrument, agreeing to be bound by the provisions thereof.

HOW, DIMINITIE, in consideration of the premises, and of the material advantages to be recured by all the become parties to said instrument, the undersigned harbing interest functions by these presents agree to be bound by and does expressly ratify and concerns to all of said terms and provisions of the effected unit agreement and units of the effected and are considered.

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# Working extensity owners Journal In unit agreement and unit offeration agreement Old locd unit, bedt county, new arkies

WHEREAS, the undersigned has received a counterpart of as instrument sutitled Onth Auroment, Old Loco Unit, addy County, New Mexico', providing for the development and operation of 720 scree, more or less, is Township 17 Speth, Reage 29 East, N.H.F.H., Eddy County, New Mexico, as to the Unities Formation as said term is defined in said Unit Agreement, and a counterpart of an instrument cotatled "Unit Operating Agreement, Old Loco Unit, Midy County, New Mexico, both of which were concuted by Tiles F. Sheldon as the Unit Operator and as a working Interest Owner, to provide for conducting 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 embits 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 Currer does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the afteresaid Dait Agreement and Unit Operating Agreement.

executed this	The day of	Max	1966
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My commission expires:		;	
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# HUNCAU DEFENSE OFFICE JODIES OLD LOCS UNIT, REGI COUNTY, HER MAXICO

MINUAE, the undersigned has received a counterpart of an instrument entitled unit agreement, old Loca Unit, while County, Her Mexico", providing for the development and operation of 720 acres, more or hose, in Throughly 17 south, Reago 29 Marty Male Maria Male County, Nov Mexico, as to the "Multical Countiles" as outd town in Critical in the Said Unit Agreement, and a counterpart of an instrument entitled "Unit Operation Agreement, old Loca Sait, Maly County, Nov Mexico", both of which were created by Wilhes P. Maldon as the Unit Operator and me a Merking Instruct Owner, to provide for conducting recovery operations; and

counterpart execution and by other instrument exceeding to be bound by the provinces thereof, and

which and the understand working Interest Green whose interests and colline is thereby, destrok to Futlify and consent to cold built agreement and Bait Operating Agreement by the acception of this improvement, executing to be bound by the provisions thereof.

NOW, TRANSPORD, in condideration of the premiers, and of the meteral advantages to be secured by all who become position to said instrument, the undersigned working Interest owner does by these processes agree to be bound by and does expressly really and consent to all of said terms and provisions of the efferenced whit agreement and that operating agreement.

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# EXAMINED INTERPOLY OFFICE TO SERVE ACRONISES OLD LACE UNIT, RISE COUNTY, NEW MEXICO

Unit arranged, the undersigned has received a prestorpart of an instrument extitles that arranged, hid loop but, heavy county, has maked, providing for the development and operation of 720 cores, more or loss, in Tourship 17 200th, Prage 29 East, No.8.P.M., Fidey County, her review, as to the Unitied Formation as said bore is defined be said Unit Arranged, and a counterpart of an instrument embabled. Doub Operating Agreement, and Loco Unit, Hidry County, New Mexico, both of which were executed by filles to more induction as the Unit Operator and as a sorking Interest Owner, to provide for conducting recovery operations; and

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metrical, the undersigned working interest Owner whose inserests are defined in said instruments and exhibits thereto, desires to retify and consent to said init agreement by the execution of this idstrument, screening to be owned by the provisions thereof.

SOW, THISTORE, in consideration of the premises, and of the sutual advantages to be secured by all who become parties to said instrument, the suderstance 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 that A remain and that therefore the constant surrement.

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He commission expires:

# HORKING INTERREST OFFICE SOLVERS ACRESORET AND UNIX OFFICE ACRESORET. OLD LOCO MITT, REAL COMPT, REV MIXECO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, fild Loco Unit, Midy County, Nov Musice", providing for the development and operation of 720 acres, more or less, in Younship 17 south, Hange 29 Mast, M.M.F.M., Midy County, Nov Maxico, as to the "Unitized Permetion" as said turn is defined in said Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, fild here Unit, Midy County, New Mexico", both of which were executed by Vilas F. Sheldon as the Unit Operator and as a Murking Interest Owner, to provide for conducting recovery operations; and

INTERNAL, said that Agreement and that Operating Agreement each provide for counterpart emousion and by other instrument agreeing to be bound by the provisions thereof; and

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

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

Jeff M. Hickox  Jeff M. Hickox  Lele H. Hickox
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edged before me this 8th day of
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and Lela H. Hickox
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notary Public
day of March, cauhape.

My commission expires:

8-8-68 Notar

# WORKING DIMMERREST OFFICERS TOTALDER IN UNIT AGREEMENT AND UNIT OPTRATION AGREEMENT OLD LOCO UNIT, MODY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument autitled "Unit Agreement, Old Loco Unit, Eddy Courty, New Mexico", providing for the development and operation of 720 acres, more or less, in Nowaship 17 South, Range 29 East, H.M.P.M., Eddy 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, Old Loco Unit, Eddy County, New Mexico", both of which were executed by Vilas P. Sheldon as the Unit Operator and as a Horking Interest Officer, to provide for conducting recovery operations; and

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

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

MOW. THEREFORE, in consideration of the premises, and of the mutual advanteges

to be secured by all who become perties 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 30 × h day of March, 1965.
Charles Mr. I Lecker
Margie At Hickory
H. M. Marlow Callant
STATE OF Rey Mey/20)
course Chaves
The foregoing instrument was acknowledged before me this 30 kk day of Micks and of Alexander Micks and Alexander
margie Il Wicke
Notary Philic
STABLE OF New Mexico )
COUNTY OF Eddy )
The foregoing instrument was acknowledged before me this 19th day of April , 1965, by H. M. Marlow and Ada Marlew
A Na Bassas Maria
8-8-68 Sound Public Surgherty

# WORKING INTEREST OWNERS JOINDER IN UNIT AGREEMENT AND UNIT OPERATING AGREEMENT OLD LOCO UNIT, EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument antitled "Unit Agreement, Old Loco Unit, Eddy County, New Maxico", providing for the development and operation of 720 acres, more or less, in Township 17 South, Range 29 East, N.M.P.N., Eddy County, New Maxico, as to the "Unitized Formation" as said term is defined in said Unit Agreement, and a counterpart of an instrument antitled "Unit Operating Agreement, Old Loco Unit, Eddy County, New Maxico", both of which were executed by Vilas P. Sheldon as the Unit Operator and as a Working Interest Owner, to provide for conducting 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.

MONO 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 // day of March 1965.

OLEN F. FEATHERSTONE II TRUST

By: Tohades W. Joeles Charles W. Hicks, Co-Trustee

By 8

Rervey E. Roelofs, Co-Trustee

STATE OF NEW MEXICO )

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this party of March, 1965, by Charles W. Hicks, Co-Trustee for Olen F. Feathersone II Trust, acting in said capacity.

My Commission Expires

2000

Clysm Dostan Notory Public

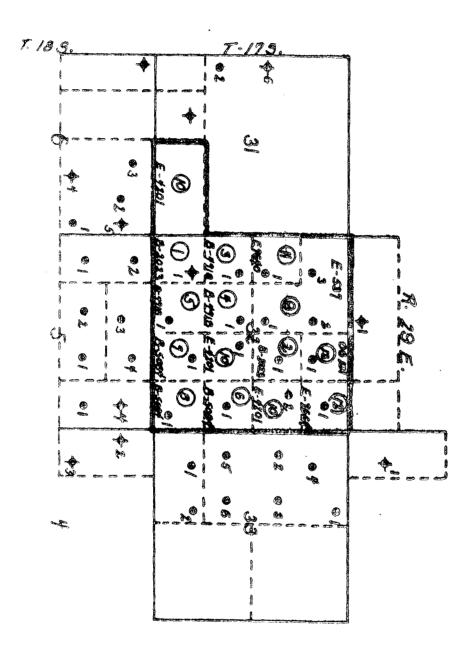
STATE OF COLORADO )

COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this 3nd day of 1965, by Harvey E. Roelofs, Co-Trustee for Olen F. Featherstone II Trust, acting in said capacity,

My Commission Expires:

Simon Olling History



OLD LOCO UNIT, EDDY CO.
2'=1mik 720 Acres 107, State Land
Jan. 1, 1964

# EXHIBIT B TO UNIT AGRESHENT OLD LOCK UNIT, KINT COUNTY, NEW MEXICO Revised April 1, 1966

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<sup>!!:.</sup> OMER is 1/8th when production is above 20 BOFD
OMER is 1/8th when production is above 25 BOFD
Collier 9/16th interest subject to 0il Payment (Valley Steel Co.) payable out of 1/8th of W. I. oil
Cowell OMER 1/16 when production is 10 BOFD or over, 5% when production is 5 BOFD and up to 10 BOFD, and 1/32 when production is less than
5 BOFD; OMER on gas 1/16th
OMER to Vilas P. Sheldon entirely out of Morraey 50% Working Interest portion; (However, the Sheldon OMER is 1/24th of total Tract 10)

# SCHEDULE C OLD LOCO UNIT, EDDY COUNTY, NEW MEXICO

Revised April 1, 1966

# PART I

# TRACT PARTICIPATION

Tract No.	Percentage
1	2.39
2	10.80
3	2.55
4	4.57
5 6	12.97
<b>6</b> ·	11.38
<b>7</b> 8	14.39
8	7.85
9	11.20
10	12.00
11	2.39
12	4.09
13	3.42
	100.00

# PART II

# WORKING INTEREST OWNER PARTICIPATION

Owner	Percentage
Harold Kersey - Successor to Miller & Smith and Vilas P. Sheldon R. D. Collier Neil B. Watson John P. Cauhape, Jr. Jeff M. Hickox H. M. Marlow Durham Drilling Co., Inc R. L. Burrow Daleveo Oils Kincaid and Watson Charles Hicks Harold Kersey Olen F. Featherstone II Thelma Methvin Margaret Holcomb Roland McLean Harold Kersey - Trustee for Tract #5 W. L. Shaner Bethlehem Steel Co. (Account of C. L. Tallmadge) 10.47% P. J. Vidal Guy Shepherd Benjamin D. Luchini 2.28%	
J. R. Butler  El Paso Mational Bank  1.145	
George M. Cowell Harold Kersey 30.30% Thelma Methvin 7.58% Margaret Holcomb 7.58%	

100.000000

# Oil Com usin Emmission

# UNIT OPERATING AGREEMENT OLD LOCO UNIT EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the the day of forward and between the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof:

#### WITNESSETH:

WHEREAS, the parties hereto as Working Interest Owners have executed, as of the date hereof, an agreement entitled, Unit Agreement, Old Loco Unit, Eddy County, New Mexico, herein referred to as Unit Agreement, which, among other things, provides for a separate agreement to be entered into by Working Interest Owners to provide for the development and operation of the Unit Area as therein defined:

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, it is agreed as follows:

#### ARTICLE 1

#### CONFIRMATION OF UNIT AGREEMENT

and by reference made a part of this agreement. The Unit Agreement is hereby confirmed are adopted for all purposes of this agreement. If there is any conflict between the Unit Agreement and this agreement, the Unit Agreement shall govern.

# ARTICLE 2

#### EXHIBITS

- 2.1 Exhibits. The following exhibits are incorporated herein by reference:
  - 2.1.1 Exhibits A and B of the Unit Agreement.
- 2.1.2 Exhibit C, attached hereto, which is a schedule showing the total Unit Participation of each Working Interest Gwner. Exhibit C, or a revision thereof, shall not be conclusive as to the information therein, except it may be used as showing the Unit Participations of the Working Interest Gwners for purposes of this agreement until shown to be in error or is revised as herein authorized.
- 2.1.3 Exhibit D, attached hereto, which is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this agreement and Exhibit D, this agreement shall govern.
- 2.1.4 Exhibit E, attached hereto, which contains insurance provisions applicable to Unit Operations.
- 2.2 Revision of Exhibits. Whenever Exhibits A and B are revised, Exhibit C shall be revised accordingly and be effective as of the same date. Unit Operator shall also revise Exhibit C from time to time as required to conform to changes in ownership of which Unit Operator has been notified as provided in the Unit Agreement.

## ARTICLE 3

# SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS

- 3.1 Gverall Supervision. Working Interest Owners shall exercise overall supervision and control of all matters pertaining to Unit Operations pursuant to this agreement and the Unit Agreement. In the exercise of such authority, each working Interest Owner shall act solely in its own behalf in the capacity of an individual owner and not on behalf of the owners as an entirety.
- 3.2 Specific Authorities and Duties. The matters with respect to which the working Interest Owners shall decide and take action shall include, but not be limited to, the following:
  - 3.2.1 Method of Operation. The method of operation, including any type of pressure maintenance, secondary recovery, or other recovery program to be employed.

3.2.2 Drilling of	Wells. The drilling of any well whether for pro-
duction of Unitized S	BEFORE EXAMINER UIZ whether for pro-
other purposes.	DEFORE EXAMINER UIZ
	OIL CONSERVATION COMMISSION

CASE NO.

3.2.3 Well Recompletions and Change of Status. The recompletion, abandonment, or change of status of any well, or the use of any well for injection or other purposes. 3.2.4 Expenditures. The making of any single expenditure in excess of Five Hundred Dollars (\$500.00)); provided that, approval by Working Interest Owners of the drilling, reworking, deepening, or plugging back of any well shall include approval of all necessary expenditures required. therefor, and for completing, testing, and equipping the same, including necessary flow lines, separators, and lease tankage. 3.2.5 Disposition of Unit Equipment. The selling or otherwise disposing of any major item of surplus Unit Equipment, if the current list price of new equipment similar thereto is Twenty-five Hundred Dollars (\$2,500.00) or more. 3.2.6 Appearance Before a Court or Regulatory Agency. The designating of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; provided that, such designation shall not prevent any Working Interest Gamer from appearing in person or from designation another representative in its own behalf. 3.2.7 Audits. The suditing of the accounts of Unit Operator partaining to Unit Operations hereunder; provided that, the audits shall (a) not be conducted more than once each year except upon the resignation or removal of Unit Operator, (b) be made at the expense of all Working Interest Owners other than the Working Interest Owner designated as Unit Operator, and (c) be made upon not less than thirty (30) days' written notice to Unit Operator. 3.2.8 Inventories. The taking of periodic inventories under the terms of Exhibit D. 3.2.9 Technical Services. The authorizing of charges to the joint account for services by consultants or Unit Operator's technical personnel not covered by the overhead charges provided by Exhibit D. 3.2.10 Assignments to Committees. The appointment of committees to study any provlems in connection with Unit operations. 3.2.11 The removal of Unit Operator and the selection of a successor. 3.2.12 The enlargement of the Unit Area. 3.2.13 The adjustment and readjustment of investments. 3.2.14 The termination of the Unit Agreement. ARTICLE 4 MANNER OF EXERCISING SUPERVISION 4.1 Designation of Representatives. Each Working Interest Owner shall in writing inform Unit Operator of the names and addresses of its employee representative and alternate who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed from time to time by written notice to Unit Operator. 4.2 Meetings. All meetings of Working Interest Owners shall be called by Unit Operator upon its own motion or at the request of two (2) or more Working Interest Owners having a total Unit Participation of not less than ten percent (10%). No meeting shall be called on less than fourteen (14) days' advance written notice, with agenda for the meeting attached. Working Interest Owners who attend the meeting shall not be prevented from amending items included in the agenda or from deciding the amended item or other items presented at the meeting. The representative of Unit Operator shall be chairman of each meeting. -24.3 <u>Voting Procedure</u>. Working Interest Owners shall decide all matters coming before them as follows:

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- 4.3.1 Voting Interest. Each Working Interest Owner shall have a voting interest equal to its Participation.
- 4.3.2 vote Required. Except as may otherwise be provided herein or in the Unit Agreement, Working Interest Owners shall act upon and determine all matters coming before them by the affirmative vote of three or more Working Interest Owners having a total of sixty percent (60) or more of the total viting interest in the unit; provided that if any one working Interest Owner has a voting interest of more than forty percent (40%), its negative vote or failure to vote shall not defeat the matter being voted on if such matter is supported by a majority of the voting interest unless such Working Interest Owner is supported by the vote of one or more other working Interest Owners having a total voting interest of at least five percent (5%), and such resulting vote shall be binding on all parties.
- 4.3.3 Vote at Meeting by Nonattending Working Interest Owner. Any Working Interest Owner who is not represented at a meeting may vote either by written proxy or by letter or telegram addressed to the representative of the Unit Operator, provided such letter or telegram is received prior to the submission of such item to vote. If the vote is by letter or telegram such vote shall not be counted with respect to any item on the agenda which has been materially changed at the meeting.
- 4.3.4 Poll Votes. Working Interest Owners may vote on and decide, by letter or telegram, any matter submitted in writing to Working Interest Owners, if no meeting is requested, as provided in Section 4.2, within seven (7) days after the proposal is sent to Working Interest Owners. Unit Operator will give prompt notice of the results of the voting to all Working Interest Owners.

#### ARTICLE 5

## INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

- 5.1 Reservation of Rights. Working Interest Owners severally reserve to themselves all their rights, except as otherwise provided in this agreement and the Unit Agreement.
- 5.2 Specific Rights. Each Working Interest Owner shall have, among others, the following specific rights:
- 5.2.1 Access to Unit Area. Access to the Unit Area at all reasonable times to inspect Unit Operations, all wells, and the records and data pertaining thereto.
  - 5.2.2 Reports. The right to receive from Unit Operator, upon written request, copies of all reports to any governmental agency, reports of crude oil runs and stocks, inventory reports, and all other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by Unit Operator to all Working Interest Owners shall be charged to the Working Interest Owner who requests the information.

#### ARTICLE 6

## UNIT OPERATOR

- 6.1 Initial Unit Operator. Vilas P. Sheldon is hereby designated as Unit Operator.
- 6.2 Resignation. Unit Operator may resign at any time. A Unit Operator that resigns shall not be released from its obligations hereunder for a period of three (3) months after the resignation unless a successor Unit Operator has taken over Unit Operations prior to the expiration of such period.
- 6.3 Selection of Successor. Upon the resignation of a Unit Operator, a successor Unit Operator shall be selected by Working Interest Owners.

#### ARTICLE 7

#### AUTHORITIES AND DUTIES OF UNIT OPERATOR

- 7.1 Exclusive Right to Operate Unit. Subject to the provisions of this agreement and to instructions from Working Interest Owners, Unit Operator shall have the exclusive right and be obligated to conduct Unit Operations.
- 7.2 Workmanlike Conduct. Unit Operator shall cenduct Unit Operations in a good and workmanlike manner as would a purdent operator under the same or similar circumstances. Unit Operator shall freely consult with Working Interest Owners and keep them informed of all matters which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall not be liable to Working Interest Owners for damages, unless such damages result from its gress negligence of willful misconduct.
- 7.3 Liens and Encumbrances. Unit Operator shall endeavor to keep the lands and leases in the Unit Area free from all liens and encumbrances occassioned by Unit Operations, except the lien of Unit Operator granted hereunder.
- 7.4 Employees. The number of employees used by Unit Operator in conducting Unit Operations, their selection, hours of labor, and compensation shall be determined by Unit Operator. Such employees shall be the employees of Unit Operator.
- 7.5 Records. Unit operator shall keep correct books, accounts, and records of Unit Operations.
- 7.6 Reports to Working Interest Owners. Unit Operator shall furnish to Working Interest Owners periodic reports of Unit Operations.
- 7.7 Reports to Governmental Authorities. Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.
- 7.8 Engineering and Geological Information. Unit Operator shall furnish to a Working Interest Owner, upon written request, a copy of the log and other engineering and geological data pertaining to wells drilled for Unit Operations; Provided, however, that Unit Operator may when reasonable charge the cost of gathering and furnishing such data to the Working Interest Owner requesting such information if such is in addition to that normally supplied.
- 7.9 Expenditures. Unit Operator is authorized to make single expenditures not in excess of Five Hundredd Bollers (\$500.000) without prior approval of Working Interest Owners; however, initially Unit Operator is hereby authorized to proceed with installation and expenditure as set forth on the "Initial Cost Estimate and Authorization" signed simultaneously with this Unit Operating Agreement. If an emergency occurs, Unit Operator may immediately make or incur such expenditures as in its opinion are required to deal with the emergency. Unit Operator shall report to Working Interest Owners, as promptly as possible, the nature of the emergency and the action taken.
- 7.10 Wells Drilled by Unit Operator. All wells drilled by Unit Operator shall be at the usual rates prevailing in the area. Unit Operator may employ its own tools and equipment, but the charge therefor shall not exceed the prevailing rate in the area, and the work shall be performed by Unit Operator under the same terms and conditions as are usual in the area in contracts of independent contractors doing work of a similar nature.

### ARTICLE 8

#### TAXES

- 8.1 Ad Valorem Taxes. Unit Operator, beginning the first of the next calendar year after the effective date hereof, shall make and file all necessary ad valorem tax renditions and returns with the proper taxing authorities covering all personal property of each working Interest Owner used or held by Unit Operator in Unit Operations. Unit Operator shall settle assessments arising therefrom. All such ad valorem taxes shall be paid by Unit Operator and charged to the joint account in the same manner as other costs and expenses of Unit Operations.
- 8.2 Other Taxes. Each Working Interest Owner shall pay or cause to be paid all production, severance, gathering, and other taxes imposed upon or in respect to the production or handling of its share of Unitized Substances.

#### ARTICLE 9

#### INSURANCE

9.1 Insurance. Unit Operator with respect to Unit Operations, shall carry such insurance as set forth in Exhibit E.

#### ARTICLE 10

### ADJUSTMENT OF INVESTMENTS

- 10.1 Personal Property Taken Over. Upon the effective date hereof, Working Interest Owners shall deliver to Unit Operator the following:
  - 10.1.1 Wells and Casing. All wells completed in the Unitized Formation, together with the casing therein.
  - 10.1.2 Well and Lease Equipment. The tubing in each such well, the wellhead connections thereon, and all other lease and operating equipment that is used solely in the operation of such wells.
  - 10.1.3 Records. A copy of all production and well records that pertain to such wells.
- 10.2 Inventory and Evaluation of Personal Property. Working Interest Owners shall inventory and evaluate, under the supervision of Unit Operator and at Unit Expense, all personal property so taken over. Such inventory shall be limited, however, to those items of equipment normally considered controllable by operators of oil and gas properties as indicated in the "Materials Classification Manual", dated 1960, prepared by the Petroleum Accountants Society of Oklahoma, subject to any exceptions for specific items as agreed to by Working Interest Owners. Moncontrollable items, although excluded from the inventory, shall nevertheless be taken over by Unit Operator as provided in Section 10.1 hereof. The personal property listed on the inventories shall be evaluated on the price basis described in Exhibit D except that no value shall be given to the casing in any well.
- 10.3 Investment Adjustment. Each Working Interest Owner shall be credited with the value of its interest in all personal property taken over under Section 10.1.2, and shall be charged with an amount equal to that obtained by multiplying the total value of all personal property taken over under Section 10.1.2 by such Working Interest Owner's Secondary Phase Participation as shown in Exhibit C. If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be an item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above.
- 10.4 Ownership of Personal Property and Facilities. Each Working Interest Owner, individually, shall by virtue hereof own an undivided interest, equal to its Participation, in all personal property and facilities taken over or otherwise acquired by Unit Operator pursuant to this agreement.

### ARTICLE 11

### UNIT EXPENSE

- pay and discharge all costs and expenses inclured in the development and operation of the Unit Area pursuant to this agreement and the Unit Agreement. Working Interest Owners shall reimburse Unit Operator for all capital expenditures, costs of development of the Unit Area and purchases of Outside Substances, installation costs, development costs of water supply, water wells, injection wells, water stations and subsequent workovers, repair or remedial work undertaken with respect to unit owned wells, whether water or oil producing, or water injection wells, and all such reimbursement shall be made in proportion to the respective Participation of the parties hereto. Working Interest Owners shall reimburse Unit Operator for all operating expenses including administrative overhead in proportion to their respective participations. All charges, credits, invoicing and accounting shall be in accordance with Exhibit D hereof.
- Il.2 Advance Billings. Unit Operator shall have the right to require Working Interest Owners to advance their respective shares of estimated Unit Expense by submitting to Working Interest Owners, on or before the 15th day of any month, an itemized estimate thereof for the succeeding month, with a request for payment in advance. Within fifteen (15) days thereafter, each Working Interest Owner shall pay to Unit Operator its share of such estimate. Adjustments between estimated and actual Unit

Expense shall be made by Unit Operator at the close of each calendar month, and the accounts of Working Interest Owners shall be adjusted accordingly.

- 11.3 Lien of Unit Operator. Each Working Interest Owner grants to Unit Operator a lien upon its Oil and Gas Rights in each Tract, its share of Unitized Substances when produced, and its interest in all Unit Equipment, as security for payment of its share of Unit Expense, together with the interest thereon at the rate of six percent (6%) per annum. Unit Operator shall have the right to bring suit to enforce collection of such indebteamess with or without seeking foreclosure of the lien. In addition, upon default by any Working Interest Owner in the payment of its share of Unit Expense, Unit Operator shall have the right to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed by such Working Interest Owner, plus interest as aforesaid, has been paid. Each purchaser shall be entitled to rely upon Unit Operator's written statement concerning the amount of any default.
- share of Unit Expense within sixty (60) days after rendition of a statement therefor by Unit Operator, each Working Interest Owner agrees, upon request by Unit Operator, to pay its proportionate part of the unpaid share of Unit Expense of the defaulting Working Interest Owner. The Working Interest Owners that pay the share of Unit Expense of a defaulting Working Interest Owner shall be reimbursed by the Unit Operator for the amount so paid, plus any interest collected thereon, upon receipt by Unit Operator of any past due amount collected from the defaulting Working Interest Owner. Any Working Interest Owner so paying a defaulting Working Interest Owner's share of Unit Expenses shall be subregated to the lien and rights herein granted Unit Operator.

#### ARTICLE 12

#### NON-UNITIZED FORMATIONS

12.1 Right to Operate. Any Working Interest Owner that now has or hereafter acquires the right to drill for and produce oil, gas, or other minerals, from other than the Unitized Formation, shall have the right to do so notwithstanding this agreement or the Unit Agreement. In exercising the right, however, the Working Interest Owner shall exercise reasonable precaution to prevent unreasonable interference with Unit Operations. We Working Interest Owner shall produce Unitized Substances through any well drilled or operated by it. If any Working Interest Owner drills any well into or through the Unitized Formation, the Unitized Formation shall be protected in a manner satisfactory to Working Interest Owners so that the production of Unitized Substances will not adversely be affected.

#### ARTICLE 13

#### TITLES

- l3.1 Warranty and Indemnity. Each Working Interest Owner represents and warrants that it is the owner of the respective Working Interests set forth for each Tract opposite its name in Exhibit B, and hereby agreem to indemnify and hold harmless the other Working Interest Owners from any loss due to failure, in whole or in part, of its title to any such interest, except failure of title arising out of Unit Operations: provided that, such indemnity shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this agreement is concerned, as of the first day of the calendar month in which such failure is finally determined, and there shall be no retroactive adjustment of Unit Expense, or retroactive allocation of Unitized Substances or the proceeds therefrom, as a result of title failure.
- 13.2 Failure Because of Unit Operations. The failure of title to any Working Interest in any Tract by reason of Unit Operations, including non-production from such Tract, shall not change the Unit Participation of the Working Interest Owner whose title failed in relation to the Unit Participations of the other Working Interest Owners at the time of the title failure.

#### ARTICLE 14

#### LIABILITY

14.1 Individual Liability. The duties, obligations, and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing herein

contained shall ever be construed as creating a partnership of any kind, joint venture, association or trust among Working Interest Owners.

#### ARTICLE 15

#### INTERNAL REVENUE PROVISION

Line Internal Revenue Provision. Each working Interest Owner hereby elects that it and the operations covered by this agreement be excluded from the application of Subchapter K of Chapter 1 of Sub-Title A of the Internal Revenue Code of 195%, or such portion thereof as the Secretary of the Treausy of the United States or his delegate shall permit by election to be excluded therefrom. Unit Operator is hereby authorized and directed to execute on behalf of each Working Interest Owner such additional or further evidence of the election as may be required by regulations issued under said Subchapter K. Should the regulations require each party to execute such further evidence, each Working Interest Owner agrees to execute or join in the execution thereof. The election hereby made and the other provisions of this paragraph shall apply in like manner to applicable state laws, regulations, and rulings now in effect or hereafter enacted that have an effect similar to the federal provisions referred to herein.

#### ARTICLE 16

#### ABANDONMENT OF WELLS

ló.1 Rights of Former Owners. It working Interest Owners decide to abandon permanently any well within the Unit Area prior to termination of the Unit Agreement, Unit Operator shall give written notice thereof to the Working Interest Owners of the Tract on which the well is located, and they shall have the option for a period of ninety (90) days after the sending of such notice to notify Unit Operator in writing of their election to take over and own the well. Within ten (10) days after the Working Interest Owners of the Tract have notified Unit Operator of their election to take over the well, they shall pay Unit Operator, for credit to the joint account, the amount estimated by Working Interest Owners to be the net salvage value of the equipment in and on the well except the casing therein if contributed by such Working Interest Owners under Section 10.1.1. The Working Interest Owners of the Tract, by taking over the well, agree to seal off effectively and protect the Unitized Formation, and upon abandonment to plug the well in compliance with applicable laws and regulations.

16.2 Plugging. If the Working Interest Owners of a Tract do not elect to take over a well located thereon which is proposed for abandonment, Unit Operator shall plug and abandon the well in compliance with applicable laws and regulations.

### ARTICLE 17

#### EFFECTIVE DATE AND TERM

- 17.1 Effective Date. This agreement shall become effective on the date and at the time that the Unit Agreement becomes effective.
- 17.2 Term. This agreement shall continue in effect so long as the Unit Agreement remains in effect, and thereafter until (a) all unit wells have been abandoned and plugged or turned over to Working Interest Owners in accordance with Article 16.(b) all Unit Equipment and real property acquired for the joint account have been disposed of by Unit Operator in accordance with instructions of Working Interest Owners, and (c) there has been a final accounting.
- 17.3 Termination. Upon termination of the Unit Agreement, the following will occur:
  - 17.3.1 Oil and Gas Rights. Oil and Gas Rights in and to each separate Tract shall no longer be affected by this agreement, and thereafter the parties shall be governed by the terms and provisions of the leases, contracts, and other instruments affecting the separate Tracts.
  - 17.3.2 Right to Operate. Working Interest Owners of any Tract that desire to take over and continue to operate wells located thereon may do so by paying Unit Operator, for credit to the joint account, the net salvage value of the casing and equipment in and on the wells taken over, (except the casing contributed by such Working Interest Owners under

Section 10.1.1 hereof) as estimated by Working Interest Owners, and by agreeing to plug properly each well at such time as it is abandoned.

17.3.3 Salvaging Wells. Unit Operator shall salvage as much of the casing and equipment in or on wells not taken over by Working Interest Owners of separate Tracts as can economically and reasonably be salvaged, and shall cause the wells to be plugged and abandoned properly.

17.3.4 Cost of Salvaging. Working Interest Owners shall share the cost of salvaging, liquidation or other distribution of assets and properties used in Unit Operation in proportion to their respective Secondary Phase Participations.

#### ARTICLE 18

#### EXECUTION

18.1 Original Counterpart, or Other Instrument. A party may become a party to this agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof. The signing of any such instrument shall have the same effect as if all the parties had signed the same instrument.

#### ARTICLE 19

### SUCCESSORS AND ASSIGNS

19.1 Successors and Assigns. The provisions hereof shall be covenants running with the lands, leases, and interests covered hereby, and shall be binding upon and inure to the benefit of the respective heirs, devisees, legal representatives, successors, and assigns of the parties hereto.

#### ARTICLE 20

#### BORDER LINE AGREEMENTS

20.1 Border Line Agreements. Unit Operator is expressly authorized to nagotiate and execute cooperative agreements covering injection wells and rates of injection in wells situated near the unit boundary lines, provided, however that Unit Operator has received approval of the Working Interest Owners.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the dates opposite their respective signatures.

Vilas P. Sheldon

Delly Ste

STATE OF NEW MEXICO )

COUNTY OF EDDY

of Juliany, 1964, by Vilas P. Sheldon and Betty Sue Sheldon, his wife.

My commission expires:

August 8, 1964

Notary Public

	Ro. ann.
COURTY OF EDDY )	Jammy & Colliste
The foregoing instrument was acknowledged by R. D. Collier and Jimmy B. Collier, his wif	
Mr comminator expires: 8-8-64	notary Public
	Bell B. Watson  Buth a. Walnum  Ruth A. Watson
TRAFE OF REW MEXICO )	
COURTAIN OF REDUK )	
The foregoing instrument was acknowledged by Roil B. Heteon, his wife for commission expires: I-V-67	Source of this 9th day of March, 1965,  Rotary Public
	M. W. Smith, individually; and as Executor of the Estate of F. D. Miller
	Saith, wire of M. W. Smith
	Rathleen Miller
STATE OF WER SERVICE)	
The foresing instrument was acknowledge	d before me this
1707, by M. W. Smales, individually; and as a Smales, wife of	xecutor of the Estate of P. D. Miller; and by M. W. Smith.
My commission expires;	Notary Public
STATE OF WES MEXICO )	• • •
COUNTY OF BESCALLIE	
The foregoing instrument was acknowledged 1965, by Mathlesa Miller.	ed before me this day of
My commission expires;	Hotory Public

and for Harold Kersey DRA Kersey and Company, acting as Trustee under a Trustee Agreement dated 5-10-49 providing for the operation of the SE/4 SW/4 Section 32, Township 17 South, Range 29 East, for and in behalf of Marold Kersey, George M. Cowell, W. L. Shamer, Bethlehem Steel Company for the account of C. L. Tallmadge, P. J. Vidal, Thelma Methvin, Margaret Holcomb, Guy Shepherd, Benjamin D. Luchini, J. R. Butler,

and El Paso Mational Bank
marifolden Horsey
the first
Thelma Methvin
Margaret Holcomb
STATE OF KEW MEXICO )
COUNTY OF EDDY )
Before me personally appeared Harold Kersey; Individually, and for Harold Kersey DBA Kersey and Company, acting as Prustee under a Trustee Agreement dated 5-10-49 providing for the operation of the SE/4 SW/4 Section 32, Township 17 South, Range 29 East, for and in behalf of Harold Kersey, George M. Cowell, W. L. Shaner, Bethlehem Steel Company for the account of C. L. Tallmadge, P. J. Vidal, Thelma Mathvin, Margaret Helcomb, Guy Shapherd, Benjamin D. Luchimi, J. R. Butler, and El Paso Mational Bank; and Mary Ellen Marsey who executed the foregoing instrument this
ma commission expires: 11/13/66 ligal Lineira
STATE OF HEV MEXICO )
COUNTRY OF CTERO )
The foregoing instrument was acknowledged before me this day of HPRIL 1965 by Thelms Methwin.
notary Public Wotary Public
COUNTY OF OVERO )
The foregoing instrument was acknowledged before me this 19 day of April 1965 by Margaret Holcomb.
$\infty$ completely $10/22/44$

My commission expires: 10/22/41

# WIRELESS INTEREST OWNERS JOINTONE THE UNITS AFRESHENT AND UNITS OPERATING AGRESMENT OLD LOCO UNIT, NEDY COUNTY, HEW MEXICO

"Most Agreement, Old Loco Unit, Midy County, New Maxico", providing for the development and operation of 720 scree, more or less, in Township 17 South, Range 29 has?, N.M.F.M., Midy County, New Maxico, as to the "Unitized Formation" as said term is defined in maid Mait Agreement, and a counterpart of an instrument entitled "Unit Operating Agreement, Old Loco Unit, Midy County, New Maxico", both of which were executed by Vilas P. Sheldon as the Unit Operator and as a Morking Interest Owner, to provide for conducting recovery operations; and

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

WHERAS, 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.

MOM, THEREFORE, in consideration of the premises, and of the mutual advantages to be secured by all the become parties to said instrument, the undersigned working intertact Guner 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 Dait Operating Agreement.

BURNETSO !		oth	gay	of	March	
ATTER:						
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<sup>ক্ষাপ্</sup> ৰ ক্ষান্ত্ৰ লোক <del>পাৰ প্ৰায়েল ক্ষায়েল ক্ষান্ত ক্ষা</del> ৰ ক্ষান্ত কৰিব কাৰ্য্য কৰিব ক্ষান্ত কৰিব কৰা ক্ষান্ত		•			Jeff M.	o basikani ban makani kunisani manani majahir mencuni musi menembanan menemban Hickox
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March					b <b>efore me t</b> Lela H. Hick	CONTRACTOR OF THE PROPERTY OF
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8 <b>-8-68</b>					<b>550</b>	cer's Legiste .
STATE OF NEW MEX	ico)					
COUNTY OF EDDY	)					
The foregoing in 1965, by John P.	strument Cauhape	`was ackn , Jr. and	owled his	ged befo	ore me this Loria H. Caul	day of March,

My comission expires:

8 8 68

# WORKING INTERNET OWNERS JOINDER IN UNIX AGRESMENT AND UNIT CRERATING AGRESMENT OLD LOCG UNIT, EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled unit Agreement, Old Loco Unit, Eddy County, New Mexico", providing for the development and operation of 720 acres, more or less, in Township 17 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, as to the "Unitized Formation" as said term is defined in agid Unit Agreement, and a counterpart of an instrument entitled "Unit Operating Greement, Old Loco Unit, Eddy County, New Mexico", both of which were executed by clas P. Sheldon as the Unit Operator and as a Working Interest Owner, to provide for conducting recovery operations; and

WERREAS, 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.

MOW, THEREFORK, 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 ownsent to all of said terms and provisions of the aforesaid Unit Agreement and Init Operating Agreement.

XX	CUIND THIS_	30th	day of	March	1965.	
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Ма	ırch	, 1965	, by Rola	nd McLean and Fra	nces M. McLean	-
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r commissi	on expires:			104	20 h	
Jur	ne 24, 1966			Botary Publi	a company	

# SCHEDULE C OLD LOCO UNIT, EDDY COUNTY, NEW MEXICO

March 15, 1965

# PART I

# TRACT PARTICIPATION

Fract 80.	Percentage
1.	2.39
2	10.80
	2.33
\$ 4	4.57
	12.97
ģ 6	11.38
<del>-</del>	14.39
် <u>မ</u>	7.85
9	11.20
10	12.00
11	2.39
12	4.09
13	
	100.00

# PART II

# WORKING INTEREST OWNER PARTICIPATION

ONIGI.	Percentage
Vilas P. Saldon	₹ <b>.195</b> 9 <b>0</b> 0
R. D. Collier	30 <b>,617500</b>
Miller and Smith	35 <b>.850000</b>
Neil B. Watson	.700000
John P. Cauhape, Jr.	2 <b>80</b> 0000
Jeff M. Hickox	.149375
H. M. Marlov	.446125
Kincaid & Watson & Associates	3.420000
Charles Hicks	.981250
Harold Kersey	4.251560
Olen F. Featherstone II	.981250
Thelms Methvin	- 327345
Margaret Holomb	•327345
Roland McLean	.981250
Barold Kersey - Trustee for Tract 👸	12.970000
The same of the sa	11.99%
	LO. h75
P. J. Vidal	9.06
Guy Shepherd	2.2%
Benjamin D. Luchini	2.28%
J. R. Butler	1.14%
El Paso Sational Bank	1.14%
And the state of t	16.18%
	30. 30 <b>5</b>
Thelma Methyin	7.584
Margaret Holcoeb	7.58\$

106.000000

#### EXHIBIT E

Attached to and made a part of Unit Operating Agreement covering Old Loco Unit, Eddy County, New Mexico

# INSURANCE

In the development and operation of the subject properties, Operator shall carry the following insurance:

- (A) Workmen's Compensation Insurance in accordance with the Laws of the State of New Mexico, and Employer's Liability Insurance in a minimum amount of \$100,000.00.
- (B) Comprehensive General Public Liability Insurance: In minimum amounts of \$150,000.00 for injuries to each person and \$300,000.00 for each accident with the exception of the first \$5,000.00 of loss, which is self-insured by the parties hereto, and \$200,000.00 in the aggregate.
- (C) Automobile Liability Insurance in minimum amounts of \$150,000.00 for each person and \$300,000.00 for each accident, and Property Damage in the minimum amount of \$100,000.00 for each accident.

Each of Operator's aforesaid policies are written to automatically include all non-operators, under properties operated by Operator, as additional insured, whether or not such Non-Operators are specifically named.

The self-insured property damage loss incident to each accident shall be charged to the joint account.

No other insurance shall be carried by the Operator for the benefit of the joint account.

PASO-T-1955-2

# EXHIBIT " D"

Attached to and made a part of OLD LOCO UTT OPERATIES AGRESTATED

# ACCOUNTING PROCEDURE

(UNIT AND JOINT LEASE OPERATIONS)

#### I. GENERAL PROVISIONS

#### 1 Definitions

"hoint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is at-

"Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the subject area for the joint account of the parties hereto.

"Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties,

#### . Statements and Billings

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

- A. Statement in detail of all charges and credits to the joint account.
- B. Statement of all charges and credits to the joint account, summarized by appropriate classifications indicative of the nature thereof.
- C. Statements as follows:
  - (1) Detailed statement of material ordinarily considered controllable by operators of oil and gas properties;
  - (2) Statement of ordinary charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and
  - (3) Detailed statement of any other charges and credits.

#### 3. Payments by Non-Operator

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

#### 1. Adjustments

Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. Subject to the exception react in Paragraph 5 of this section I, all statements rendered to Non-Operator by Operator during any calendar year shall conclusively be presumed to be time and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period. Non-Operator tikes written exception thereto and makes claim on Operator for adjustment. Failure on the part of Non-Operator to make claims on Operator to adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making of claims for idiustment thereon. The provisions of this paragraph shall not prevent adjustments resulting from physical inventory of property as provided for in Section VI, Inventories, hereof.

#### 5 Andits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year, provabil, however, that Non-Operator must take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within said twenty-four (24) month period. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

#### II. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

#### 1. Rentals and Royalties

Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when not paid directly to royalty owners by the purchaser of the on, gas, casinghead gas, or other products.

#### 2. Labor

- A. Salaries and wages of Operator's employees directly engaged on the joint property in the development, maintenance, and operation thereof, including salaries or wages paid to geologists and other employees who are temporarily assigned to and directly employed on a drilling well.
- B. Operator's cost of holiday, vacation, sickness and disability benefits, and other customary allowances applicable to the salaries and wages charge-abic under Subparagraph 2 A and Paragraph 11 of this Section II. Costs under this Subparagraph 2 B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable under Subparagraph 2 A and Paragraph 11 of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Costs of expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages as provided under Subparagraphs 2 A, 2 B, and Paragraph 11 of this Section II.

# 3. Employee Benefits

Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost, provided that the total of such charges shall not exceed ten per cent of 10(e) of Operator's labor costs as provided in Subparagraphs A and B of Paragraph 2 of this Section II and in Paragraph 11 of this Section II.

#### 4. Material

Material, equipment, and supplies purchased or furnished by Operator for use of the joint property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the joint property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.

#### 5. Transportation

Transportation of employees, equipment, material, and supplies necessary for the development, maintenance, and operation of the joint property subject to the following limitations:

A. If material is moved to the joint property from vendor's or from the Operator's warehouse or other properties, no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where such material is available, except by special agreement with Non-Operator.

B. If surplus material is moved to Operator's warehouse or other storage point, no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator. No charge shall be made to the joint account for moving material to other properties belonging to Operator, except by special agreement with Non-Operator.

#### 6. Service

- A. Outside Services:
  - The cost of contract services and utilities procured from outside sources.
- B. Use of Operator's Equipment and Facilities: Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 5 of Section III entitled "Operator's Exclusively Owned Facilities."

#### 7. Damages and Losses to Joint Property and Equipment

All costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after report of the same has been received by Operator.

#### 8. Litigation Expense

All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attornays' fees and expenses as hereinafter provided, together with all judgments obtained against the parties or any of them on account of the joint operations under this agreement, and actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.

- A. It a majority of the interests bereunder shall so agree, actions or claims affecting the joint interests bereunder may be handled by the legal scitt of one or more of the parties hereto; and a charge commensurate with cost of providing and furnishing such services rendered may be made against the joint account; but no such charge shall be made until approved by the legal departments of or attorneys for the respective
- P. Dees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.

#### 9. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.

- A Premiums paid for insurance required to be carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.
- B. It no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages judgments, and any other expenses, including legal services, shall be charged to the joint account.

#### · 14. District and Camp Expense (Field Supervision and Camp Expense)

A pro-tata portion of the salaries and expenses of Operator's production superintendent and other employees serving the joint property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of aintaining and operating a production office known as Operator's . three located at or near . (or a comparable office if location changed), and excessary suboffices (if any), maintained for the convenience of the above-described office; and all necessary camps, including housing facilities for employees if required, used in the conduct of the operations on the joint property and other properties operated in the same locality. The expense of les any revenue from these facilities should be inclusive of depreciation or a fair monthly rental in lieu of depreciation on the investment. Such of arous shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

11. In lieu of the provisions contained in paragraphs 11 and 12 of Section II, a fixed charge of \$400.00 per month will be charged to cover Administrative Overhead, District Expense and all such items, it being stipulated that the salary of operator's production superintendent when actually engaged on the unit property will be allocated on a realistic basis and charged to the unit operation under provisions of Paragraph 2 of Section II.

### 12 Administrative Overhead

the true half have the right to assess against the joint property covered hereby the following management and administrative overhead shriges such meal be in lieu of all expenses of all offices of the Operator not covered by Section II, Paragraph 11, above, including salaries and of personnel major ed to soon offices, except that salaries of geologists and other employees of Operator who are temporarily assigned to and directly serve gior the joint property will be charged as provided in Section II, Paragraph 2, above. Salaries and expenses of other technical employees as offices with be considered as covered by overhead charges in this paragraph unless charges for such parties and expenses are agreed open between Operator and Sop-Operator as a direct charge to the joint property.

# WELL BASIS (Rate Per Well Per Month)

PRODUCING WELL RAT (Use Completion Depth) DRILLING WELL Well Depth First Five

- A. Overhead charges for drilling wells shall begin on the date each well is spudded and terminate when it is sun production or is plugged, as the case may be, except that no charge shall be made during the suspension of drilling operations for fifteen (13) or more consecutive days.
  - In connection work overhead charges, the status of wells shall be as follows:
  - (1) Injugation wells for recovery operations, such as for repressure or water flood, shall be included in the overhead schedule this same as produced
  - The oil wells.

    [2] Water supply wells utilized for water flooding operations shall be included in the overhead schedule the same as producing oil wells.
  - seed eshedule the same as producing oil wells.

- thutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.
- Wells being plugged back, drilled deeper, or converted to a source or input well shall be included in the overhead chedule the same as drilling wells.
- (6) Temporarily shut-down wells (other than by governmental regulatory body) which are not produced or worked upon for a period of a full calendar month shall not be included in the overhead schedule; however, wells shut in by governmental regulatory body shall be included in the overhead schedule only in the event the allowable production is transferred to other wells on the same property. In the event of a unit allowable, all wells capable of producing will be counted in determining the overhead charge.

  (7) Wells completed in dual or multiple horizons shall be considered as two wells in the producing overhead schedule.
- (8) Lease salt water disposal wells shall not be included in the overhead schedule unless such wells are used in a secondary recovery program on the joint property.
- The above overhead schedule for producing wells shall be applied to the total number of wells operated under the Operating Agreement to which this accounting procedure is areached, irrespective of individual leases.
- It is specifically undergood that the above overhead rates apply only to drilling and producing operations and are not intended to cover the construction or operation of additional facilities such as, but not limited to, gasoline plants, compressor plants, repressuring periects, salt water disposal facilities, and similar installations. If at any time any or all of these become necessary to the operation, a separate agreement will be
- The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

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#### 14. Other Expenditures

Any expenditure, other than expenditures which are covered and dealt with by the foregoing provisions of this Section II, incurred by the Operator for the necessary and proper development, maintenance, and operation of the joint property.

#### III. BASIS OF CHARGES TO JOINT ACCOUNT

#### 1. Purchases

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

### 2. Material Furnished by Operator

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

- A. New Material (Condition "A")
  - (1) New material transferred from Operator's warehouse or other properties shall be priced f.o.b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, pumping units, sucker rods, engines, and other major equipment. Tubular goods, two-inch (2") and over, shall be priced on carload basis effective at date of transfer and f.o.b. railway receiving point nearest the joint account operation, regardless of quantity transferred.
  - (2) Other material shall be priced on basis of a reputable supply company's preferential price list effective at date of transfer and f.o.b. the store or railway receiving point nearest the joint account operation where such material is available.
  - (3) Cash discount shall not be allowed.
- B. Used Material (Condition "B" and "C")
  - (1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at seventy-five per cent (75%) of new price.
  - (2) Material which cannot be classified as Condition "B" but which,
    - (a) After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or
    - (b) Is serviceable for original function but substantially not suitable for reconditioning,
    - shall be classed as Condition "C" and priced at fifty per cent (10%) of new price.
  - (3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.
  - (4) Tanks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

Whenever materials and equipment are not readily obtainable at the customary supply point and at prices specified in Paragraphs 1 and 2 of this Section III because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the joint account for the required materials on the basis of the Operator's direct cost and expense incurred in procuring such materials, in making it suitable for use, and in moving it to the location, provided, however, that notice in writing is furnished to Non-Operator of the proposed charge prior to billing the Non-Operator for the material and/or equipment acquired pursuant to this provision, whereupon Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from the Operator, to furnish in kind, or in tonnage as the parties may agree, at the location, nearest railway receiving point, or Operator's storage point within a comparable distance, all or part of his share of material and/or equipment suitable for use and acceptable to the Operator. Transportation costs on any such material furnished by Non-Operator, at any point other than at the location, shall be borne by such Non-Operator. If, pursuant to the provisions of this paragraph, any Non-Operator furnishes material and/or equipment in kind, the Operator shall make appropriate credits therefor to the account of said Non-Operator.

#### 4. Warranty of Material Furnished by Operator

Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guaranty; and in case of defective material, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

# 5. Operator's Exclusively Owned Facilities

The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:

A. Water, fuel, power, compressor and other auxiliary services at rates commensurate with cost of providing and furnishing such service to the joint account but not exceeding rates currently prevailing in the field where the joint property is located.

- B Automotise equipment at rates commensurate with cost of ownership and operation. Such rates should generally be in line with the schodule of rites adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against joint account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be bised on use in actual service on, or in connection with, the joint account operations. Uruck and cractor rates may include wages and expenses of driver.
- C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property, provided that such charges shall not exceed those currently prevailing in the field where the joint property is located. Pulling units shall be charged at hourly rates commonsurate with the cost of ownership and operation, which shall include repairs and maintenance, operating supplies, insurance, depreciation, and taxes. Pulling unit rates may include wages and expenses of the operator.
- D. A fair rate shall be charged for laboratory services performed by Operator for the benefit of the joint account, such as gas, water, core, and any other analyses and tests, provided such charges shall not exceed those currently prevailing if performed by outside service laboratories.
- 1 Wherever requested, Operator shall inform Non-Operator in advance of the rates it proposes to charge.
- I. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

#### IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL

The Operator shall be under no obligation to purchase interest of Non-Operator in surplus new or secondhand material. The disposition of major mems of surplus material, such as detricks, tanks, engines, pumping units, and tubular goods, shall be subject to mutual determination by the parties becreto; provided Operator shall have the right to dispose of normal accumulations of junk and scrap material either by transfer or sele from the joint property.

#### 1. Material Purchased by the Operator or Non-Operator

Material purchased by either the Operator or Non-Operator shall be credited by the Operator to the joint account for the month in which the material is removed by the purchaser.

#### 2. Division in Kind

Discion of material in kind, it made between Operator and Non-Operator, shall be in proportion to their respective interests in such material. Each party will thereupon be charged individually with the value of the material received or receivable by each party, and corresponding credits will be made by the Operator to the joint account. Such credits shall appear in the monthly statement of operations.

#### 3. Sales to Outsiders

Sales to outsiders of material from the joint property shall be credited by Operator to the joint account at the net amount collected by Operator from vendee. Any claims by vendee for defective material or otherwise shall be charged back to the joint account if and when paid by Operator.

#### V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operator or divided in kind, unless otherwise agreed, shall be valued on the following basis:

#### New Price Defined

New price as used in the following paragraphs shall have the same meaning and application as that used above in Section III, "Basis of Crurce to Joint Account."

#### 2. New Material

New material "Condition (A"), being new material produced for the joint account but never used thereon, at one hundred per cent (100%), of our rem new price (plus sales tax if any).

#### 3. Good Used Material

Good used material (Condition "b"), being used material in sound and serviceable condition, suitable for reuse without reconditioning

A. At severy five per cent (75%) of current new price if material was charged to joint account as new, or

B. At sisty tive per cent (65%) of current new price if material was originally charged to the joint property as secondband at seventy tive per cent (75%) of new price.

#### 4. Other Used Material

Used material (Condition "C"), at fifty per cent (10%) of current new price, being used material which:

A. After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or

B. Is serviceable for original function but substantially not suitable for reconditioning.

#### 5. Bad-Order Material

Miterial and equipment (Condition "D"), which is no longer usable for its original purpose without excessive repair cost but is further usable for some other purpose, shall be priced on a basis comparable with that of items normally used for that purpose.

#### 6. Junk

Junk (Condition "L"), being obsolete and scrap material, at prevailing prices.

#### 7. Temporarily Used Material

When the use of material is temporary and its service to the joint account does not justify the reduction in price as provided in Paragraph 3 B, above, such material shall be priced on a basis that will leave a net charge to the joint account consistent with the value of the service rendered

#### VI. INVENTORIES

### 1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the joint account material, which shall include all such material as is ordinarily considered controllable by operators of oil and gas properties.

Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operator may be represented when any inventory is taken.

Failure of Non-Operator to be represented at an inventory shall bind Non-Operator to accept the inventory taken by Operator, who shall in that event furnish Non-Operator with a copy thereof.

### 2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with charges to the joint account shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Non-Operator.

Inventory adjustments shall be made by Operator with the joint account for overages and shortages, but Operator shall be held account the to Non-Operator only for shortages due to lack of reasonable diligence.

#### 3. Special Inventories

Special inventories may be taken, at the expense of the purchaser, whenever there is any sale or change of interest in the joint property. If the 1-like the duty of the party selling is notify all other parties hereto as quickly as possible after the transfer of interest takes place. In such cases with the seller and the purchaser shall be represented and shall be governed by the inventory so taken.

Oil Conservation

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OF THE

OLD LOCK UNIT AREA

COUNTY OF EDDY

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# NDEX

Enabling Act and Regulations Definition Exhibits Expansion of Ubit Area Unitized Land and Unitized Substances Unit Operator Resignation or Removal of Unit (perator Successor Unit Operator Accounting Provisions and Unit Operating Agreement Rights and Obligations of Unit Operator Equipment and Facilities not Pixtures Attached to Realty Plan of further Development and Charation Participation Tracts qualified for Participation Allocation of Unitized Substances Balancing, of Production Royalty Settlement Rental Settlement Conservation Drainage Leases and Opntracts Conformed and Extended Covenants Run With Land Effective Date and Term Appearances Notices No Walver of Certain Rights Unavoidable Delay Loss of Title Nonjoinder and Subsequent Joinder Counterparts Paxes Conflict of Supervision No Partnership

# BEFORE EXAMINER UTZ CIL CONSERVATION COMMISSION EXHIT NO. 3 CAGE 3237-3232

Border Agreements

#### UNIT ACREEMENT

### FOR THE DEVELOPMENT AND OPERATION

OF THE

#### OLD LOCO UNIT AREA

#### COUNTRY OF EXDDY

#### STATE OF NEW MEXICO

persons attendent entered into as of the first day of March 1964, by and between the parties subscribing, ratifying, or consenting hereto, and herein persons to as the "parties hereto,"

# WITNESSETH:

WERHAS, the parties hereto are the owners of working, royalty, or other will and gar interests in the Unit Area subject to this agreement; and

Willias, the Commissioner of Public Lands of the State of New Mexico is authorized by law (Volume 2, Chapter 7, Article 11, New Mexico Statutes, 1953 annotated) to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162, Laws of 1951; Chap. 7, Art. 11, Sec. 41, N. M. Stats. 1955 Annot.) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lesse embracing State lands so that the length of the term of said lesse may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by Law (Volume 9, Part 2, Chapter 65, Article 3, New Mexico Statutes, 1993 Annotated) to approve this agreement and the conservation provisions hereof; and

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

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

NOW, THEREFORE, in consideration of the premises and the promises berein contained, the parties hereto commit to this agreement their respective interests in the "Unit Area" and the "Unitized Formation" lying thereunder (as those terms are defined hereinafter) and agree severally among themselves as follows:

- 1. EMABLING ACT AND RECULATIONS. 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 of New Mexico are hereby accepted and made a part of this Agreement.
- 2. DEFINITIONS. For the purpose of this agreement, the following terms and expressions as used herein shall mean:
- (a) "Commission" means the Oil Conservation Commission of the State of New Mexico.
- (b) "Commissioner" means the Commissioner of Public Lands of the State of New Mexico.
- (c) "Royalty Interest" or "Royalty" means 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 profits contract, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.
  - (d) "Royalty Owner" means the owner of a Royalty Interest.
- (e) "Tract" means each parcel of land described as such and given a Tract number in Exhibit B.
- (f) "Tract Participation" means the percentage of Unitized Substances allocated to a Tract under this agreement as shown in Exhibit A.
- (g) " Unit Area" means the land shown on Exhibit A, and described by Tracts in Exhibit B, containing 780 acres, all lands herein committed to this agreement shall constitute lands referred to as unitized land or land subject to this agreement.
- (h) "Unit Operating Agreement" means any agreement or agreements, whether one or more, entered into either separately or collectively by and between the Unit Operator and the Working Interest Owners, as provided in Section 9, ACCOUNTING PROVISIONS AND UNIT OFFRATING AGREEMENT, and shall be styled "Unit Operating Agreement for the Development and Operation of the Old Loco Unit Area, County of Eddy, State of New Yexico.
- (i) "Unit Participation" means the sum of all Tract Participations or portions thereof which a party is entitled to receive. See Exhibits C-1 and 0-2-
- (j) "Unitized Formation" means the Grayburg and Lovington Formations, same being that heretofore established underground reservoir encountered in the drilling by Miller and Smith of its Texas Gulf State #1 Well between the depthsof 2350 and 2850 feet, which said well is located in the SW 1/4 of the NE 1/4 of Section 32, Township 17 South, Range 29 East, Eddy County, New Mexico.
- (k) "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.
- (1) "Voting Interest" means 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.
- (a) "Working Interest Owner" means any party hereto owning a Working Interest, its luding a carried working interest owner, holding an interest in Unitized Substances by wirtue 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 from the Unitized Formation and the operation thereof hereunder. The owner of oil and gas rights which are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eights (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

known to Unit Operator, the Unit Area and the boundaries and identity of Tracts and leases in said Unit Area. Attached hereto as Exhibit B is a schedule showing to the extent known to Unit Operator the acreage comprising each Tract and the ownership of each interest owner in each Tract. 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 being owned by such party. Attached hereto as Exhibit C is a schedule showing in Part I thereof the Tract Participation of each Tract in the Unit Area and in Part II thereof the Unit Participation of each Working Interest Owner. Said schedule shall become effective at 7:00 a.m. on the effective date of this agreement.

It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical or clerical errors which may exist in the pertinent exhibits to this agreement; provided, however, that correction of any error other than correction of a mathematical or clerical error shall be made by Unit Operator only after first having obtained approval of Working Interest Owners and the Commissioner.

Exhibits A, B, and C shall be revised by Unit Operator whenever changes render such revision necessary, and at least two copies of such revision shall be filed with the Commissioner.

- practicable, be expanded to include therein any additional tract or tracts research as reasonably necessary or advisable for the purposes of this agreement, whenever such expansion is necessary or advisable to conform with the purposes of this agreement.

  Tract Participations resulting from such expansion shall be on a negotiation of is and, after agreement between the affected parties has been reached, Judic Okyans, a shall be effected in the following manner:
- (a) Unit Operator, with concurrence of at least 75 per each a what had a Voting Interests and after preliminary concurrence, the Commission and the operator had a least that a shall prepare a notice of proposed expansion describing the contemplator had a least to be boundaries of the Unit Area, the realons therefor, and the proposed effective as a Verte preferably the first day of a month subsequent to the date of lots.

(b) gaid notice shall be delivered to the Commissioner and the Commission, and opposite thereof satisfies to the last known address of each Working Interest Octas. Lie ee, and lessor whose interests are affected, Livising that 30 days will be allowed for submission to the Unit Operator of any objections.

- (c) Upon expiration of the 30-day period provided in the preceding from (b) nearest, Unit Operator small file with the Commissioner and the Coumission evidence of smillion of the notice of supancion and a copy of any objection thereto which have been filed with the Unit Operator, together with an application in sufficient susper for approval of sign expansion and with appropriate joinders.
- (a) After me consideration of all pertinent information, the expension chall, upon approval by the Commissioner and the Commission, become affective as of the date prescribed in the netice thereof.

In any approved expansion of the Unit Area, the revised Pract Participations of those Treats side, were committee prior to each such expansion slaul resais to the same ratio one to another.

- UNITIZED LAND AND INITIZED SUBSTANCES. All oil, gas, gaseous a ustaloes, subject to the gas, gaseous a ustaloes, subject to the agreement was, as to the Grayling and Lovington Formations, unitized under the terms of this agreement (and are herein called Unitized Substances) and said lands shall constitute under the terms of the constitute under the terms of the constitute under the ferein called Unitized Substances) and said lands shall constitute under the ferein as "unitided land" or "land subject to this agreement."
- 5. UNIT OPERATOR. VILAS P. SPELDON is hereby designated as the Unit Operator and by signature hereto as Unit Operator agrees and conscats to accept the civil of Unit Operator for the development and production of Unition. Substances as never provided. Whenever reference is made herein to the "Unit Operator," one preference is fade herein to the "Unit Operator," one preference is fade herein to the "Unit Operator," one preference is fade herein to the "Unit Operator," one preference is fade herein to the "Unit Operator," one is an owner of the Unit Operator as the owner of a gordang interest common of the product of the Unit Operator as the owner of a gordang interest common of the product of the Unit Operator as the owner of a gordang interest common of the product of the Unit Operator as the owner of a gordang interest common of the product of the Operator as the owner of a gordang interest common of the product of the Operator as the owner of a gordang interest common of the Operator as the owner of a gordang interest common of the Operator as the owner of a gordang interest common of the Operator as the owner of a gordang interest common of the Operator as the owner of a gordang interest common of the Operator as the owner of a gordang interest common of the Operator as the owner of a gordang interest common of the Operator as the owner of a gordang interest common of the Operator as the owner of a gordang interest common of the Operator as th
- PRESIDENTION OF REMOVAL OF UNIT OPERATOR. Unit Operator shall have the such the section and the section and the such resignation shall not become effective at an accordance Unit Operator from the duties and obligations of Unit Operator and restricted that Operator's rights as such for a period of 6 months often a through that attended to resign has been served by Unit Operator on all Working Interest Owners and the Commission, and until all wells then drilled here under see these in vatisfactory condition for suspension or abandonment, we shave the case selected and approved and shall have taken over and assumed the duties and collications of Unit Operator prior to the expiration of said portion.

The resignation of Unit Operator shall not release Unit Operator from an ideality or refault by it bereamder occurring prior to the effective date of the resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations bereunder, be subject to removal by affirmative vote of at least 75% of the Voting Interests. Such removal shall be affective upon notice thereof to the Commissioner.

Operator is selected and approved, as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of Unit Operator and shall, not later than 30 days before such resignation or removal becomes effective, appoint a common agent to represent Them in any action to be taken bereunder.

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

- 8. SUCCESSOR UNIT OFFRATER. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as bereinshove provided, the Working Interest Owners shall, by affirmative wote of at least 75 per cent of the Working Interests, select a successor Unit Operator; provided, however, that should any Working Interest Owner own a Voting Interest of more than 25 per cent, the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by 80 per cent or more of the Voting Interests of the remaining Working Interest Owners and provided, further, that the Unit Operator shall not vote to succeed itself and its Voting Interest shall not be counted in a vote concerning its removal as the Unit Operator. Such selection shall not become effective until (a) a Unit Operator, and (b) the selection shall have been approved by the Commissioner. If no successor Unit Operator is selected and qualified as berein provided, the Operator may, at his election, declare this Unit Agreement terminated.
- 9- ACCOUNTING PROVISIONS AND UNIT OFFRATING AGREEMENT. All costs and expenses incurred by Unit Operator in conducting Unit operations bereunder shall be apportioned among, borne and paid by the Working Interest Owners, all in accordance with this agreement and the Unit Operating Agreement. The Unit Operating Agreement 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 they may agree upon. However, the Unit Operating Agreement shall not be deemed either to modify the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement; in case of any inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement, this agreement shall prevail. One true copy of any Unit Operating Agreement shall be filed with the Commissioner.

- provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto (including surface rights) which are necessary or convenient for the prospecting for, producing, storing, allocating, and distributing the Unitized Substances, are hereby granted and delegated to and shall be exercised by the Unit Operator as herein provided. Upon request therefor, acceptable evidence of title to said rights shall be deposited with said Unit Operator and, tagether 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, lease, Royalty Interest, operating agreement or communitization 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.
- Interest Owner has heretofore placed and used on its fract or Tracts committed to this agreement, various well and lease equipment and other property, equipment and facilities. It is also recognized that additional equipment and facilities may hereafter be placed and used upon the Unit Area as now or hereafter constituted. Therefore, for all purposes of this agreement and all such equipment shall be considered to be personal property and not fixtures attached to realty. Accordingly, said well and lease equipment and personal property is hereby severed from the mineral estates affected by this agreement, and it is agreed that any and all such equipment and personal property shall be and remain personal property for all purposes.
- by the parties hereto that the object and purpose of this agreement is to formulate and to put into effect a secondary recovery project in order to effect the optimum recovery

of Unitaries substances, prevent esste and conscive natural resources. The publics rarels wires that the Unit Operator may, ambject to the consent and appreval of a the of operation by the Working Interest Owners, the Commissioner and the Commission break into the Unitized Pormation, through any well or wells complete becroin, to the, water, sir, gas, oil, liquefied petroloum gas, or any other substance or a connection of any of said substances, whether produced from the Unit see Formation or note and that the location of input wells and the rates of impaction exercin and the sate of proximation shall be governed by standards of good geologic and petroleus explanation practices and conservation methods. This agreement is and shall be wallert to the conservation raws of the State of Mew Mexico, to the wall rules, repliabion and to all other conductioner and the Commission and to all other applicable fideral, state and municipal laws, rules, regulations and orders. The parkies burnto, escuent to prior rights, if any, grant to Unit Operator the use of bring of water or with from any formetion to and under the Unit area for injection into the Unitized Juliation. After commencement of secondary operations, Unit Operator shall furnish The Commissioner applicay injection and production reports for each well in the Duit Acts. The working Interest Owners and the Commissioner shall be furn; set pertocat separts on the progress of the plan of operation and any revisions or therees thereto treastilly so meet changed conditions or to grotect the interests of all parties to this appreciation provided, bowever, that any major neviaions of the place of operation Considering a beside deviation from the initial plan of operation small and lifety to one constain and approval of the Working Interest Owners, the Comalesio as and the MANGELSTAY.

PARTICIPATION. Exhibit C-1 shows the percentages of participation to continue and limit shall be established if all Tracts within the Unit Arm are committed on of the effective established as if this expressent (the qualifications necessary for industrance of the interest below set forth in Section 14 hereof). If less than all Tract, within the last breaker committed is of the effective date of this agreement, that impressor, the impressor, the effective date of this agreement, that impressor, the effective of the effective date of this agreement, that interest the effective date, as econ as practicipate at the effective of the formation and the formation on schedules of the effective date, which said schedules of the effective of this consistent Theorem as of said effective date, which said schedules of the effective of this effective to be invested the effective of this effective to be invested that the effective each to a restrict the effective and formals which were used to surface the their total participation therefor (which shall be effect to any participation of each tract to be effective as the property of the each tract to the participation.

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and the Commission within 30 days after filing, shall supersede, effective as of the effective date hereof, the Tract Participations set forth in Exhibit C-1 attached hereto until a further revision or revisions thereof is approved by the Commissioner and the Commission. The Tract Participations shown on Exhibit C-1 attached hereto, or as may be shown on the revised Exhibit C-1 as above provided, shall govern the allocation of Unitized Substances on and after the effective date of this Unit Agreement as set forth in Section 3 hereof, and until the allocation schedule is revised pursuant to this agreement and the revised Tract Participations are approved by the Commissioner and the Commission.

 $A^{n}$ 

- the Tracts which shall be entitled to participation shall be those Tracts which are described in Exhibit B and which, at any time, are qualified as follows:
  - (a) Each Tract as to which Working Interest Owners owing 100% of the Working Interest therein have become parties hereto and as to which Royalty Owners owning 75% or more of the Royalty Interest therein have become parties hereto.
  - (b) Each Tract as to which working Interest Owners owning 100% of the Working Interest therein have become parties hereto and as to which Royalty Owners owning less than 75% of the Royalty Interest therein have become parties hereto and, further, as to which:
    - (i) All Working Interest Owners in any such Tract have joined in a request for the qualification of such Tract, and
    - (ii) 80% of the combined voting interests of Working Interest Owners in all Tracts meeting the requirements of paragraph (a) hereof have voted in favor of qualifying state Tract.

For the purpose of this paragraph (b), a working Interest Owner's "voting interest" shall be equal to the ratio (expressed in per cent) which its aggregate Unit Participation in all Tracts qualifying under paragraph (a) bears to the total Unit Participation, as shown on Exhibit G-2 of all Working Interest Owners in all Tracts qualifying under paragraph (a).

- (c) Each Tract as to which Working Interest Owners owning less than 100% of the Working Interest therein have become parties hereto, regardless of the percentage of Royalty Interest therein which is mommitted hereto and, further, as to which:
  - (1) The Working Interest Owner operating any such Tract and all of the other Working Interest Owners in such Tract who have become parties hereto have joined in a request for qualification of such Tract and have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners, their successors and assigns, against all claims and demands which may be made by the owners of Working Interests in such Tract who are not parties hereto and which arise out of the qualification of such Tract; and
  - (ii) 80% of the combined voting interest of Working Interest Owners in all Tracts meeting the requirements of paragraphs (a) and (b) have voted in favor of the qualification of such Tract and acceptance of the indemnity agreement.

For the purpose of this paragraph (c), a Working Interest Cwner's "voting interest" shall be equal to the ratio (expressed in per cent) which its aggregate Unit Participation in all Tracts qualifying under paragraphs (a) and (b) bears to the total Unit Participation, as shown on Exhibit C-2, of all Working Interest Owners in all Tracts qualifying under paragraphs

(a) rad (b). Open the qualification of such a Tract, the (wil Particle above which such a sold have been attributed to the monsubscribing owners of the working totalest in such fract, had they become parties to this agreement man the unit operating Agreement, shall be attributed to the Working Interest Duners in such Tract who have become parties to such agreements, in proportion to their respective Working Interests in the first.

and saves (1930, save and except and part of such Unitized Substances would be conformity with good operation, practices an unitized land for drilling, operation, was and other production or development purposes and for pressure matchinence) while the apportant among and allocated to the committed fracts in woundance with the mineral pract participations effective hereunder during the recipative principal constitution. The amount of Unitized Substances so allocated to says committed fracts in which that amount of Unitized Substances so allocated to says committed from the participation of an the substances from the well or wells; if any, is a finite, shall, for all intents, uses and purposes, be deemed to a see keep transport or any and the size of seasons.

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ALACTRIC OF PRODUCTION. Unit Operator shall make a propriated species is all loss and other manus limated on each lossified Tract in cover to a real life section of a such tanks above the page life connections, and the contents of terrosantacies of a such tanks above the page life connections, and the contents of the cell or vells from which the came were produced and the content to proceed of the cell or vells from which the came were produced as the life of the proceeds of the bounding Interest Conners catabled thereto as the life is not seen formed and also working Interest Owners shall promptly remove also in the life Substance and so removed may be sold by the (life Operator

The term of such pricing laterest Owners, subject to the payeast of all terms of the applicable lease or expenses and provisions of the applicable lease or expenses and provisions of the applicable lease or expenses an object contracts. All such Unitized Substances which are in excess o expense allowands of the well or wells from which the same were produced shall be readed and treated the same as unitized Substances produced after the effective label are by all, as of the effective date hereof, any Tract to ever-produced with the product of the well or wells on that Tract and the appear of such the upper and included as a part of the Unitized Substances produced after the effective case hereof and the smount thereof charged to such great at beging been and the smount thereof charged to such great at beging been are treated to the expense of the componential to Unitized Substances allocated to such Tract.

ROYALIT INTERMENT. The State of New Mexico and all Royalty Gware who, it is a realisticate, are entitled to take in kind a share of the Smithined are denoted produced from any committed fract, shall hereafter be emulted by a take in the state of the Unitized Substances allocated to such fract, and this.

The state until make deliveries of outh Royalty share taken in kind to conforming it is a sense combracts, laws and regulations. Settlement for Royalty There we will be made by Working Interest Owners responsible therefor takes are account to be and obtained the preceding calendar month, provided however, and nother to be are contained shall operate to relieve the lessees of any land from their respective asset contained shall operate to relieve the lessees of any land from a size of realistic reasons of the payment of any royalties due coher their countries that said royalties shall be computed in accordance with the terms of

The additioned from lands not subject to this agreement is controduced two like addition of graduation. The addition of graduation, we accessive for use in pressure maintenance, stimulation of graduation, we accessive distinct recovery, which shall be in conformity with a place first appropriate established by the Commissioner and the Commission. A like amount of gas, less appropriate established for any cause, may be withdrawn from the formation into which the solvent actions and actions and actions and actions, provided that such withdrawal shall be pursuant to such commissions and actions as may be prescribed or approved by the Commissioner; provided further, the commission of this agreement. If a count perceived gases obtained from lands or formations not subject to this agreement. The count resource, which shall be in conformance with a plan first approved by the

The pursuant to such conditions and formulae as may be prescribed or approved by the Communications:

Royalty due on account of tate lands shall be computed and paid on the sach of all Unitiped Substances allocated to such lands.

. . .

- This agreement shall be paid at the rate specified in the respective leaves, or may be rejurned at suspended under order of the Commissioner pursuant to applicable laws and regulations.
- Lie CONSERVATION. Operations hereunder and production of Unitized Substances blank be conducted so as to provide for the most economical and efficient recovery of such habitances to prevent waste as defined by State laws or regulations.
- NOT TRAINAGE. Unit Operator shall take appropriate and adequate measures to prevent inclinage of Unitized Substances from the committed Tracts by wells on land not subject to this agreement, or, with consent of the Commissioner and pursuant to operate testians, pay a fair and reasonable compensatory royalty as determined the Commissioner.
- HEASTS AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and passisted and contracts relating to explanation, drilled velociment, or operation for oil, gas, gaseous substances, submine contained in the provision of the under lands committed to this agreement are bereby expressly to discussions on the under lands committed to this agreement are bereby expressly to discuss and amended to the extent necessary to make the same conform to the provisions agreed, but otherwise to remain in full force and effect; and the parties hereto increase observe that the Commissioner as to State leases shall by his approval hereof, or by the approval hereof by his only authorized representative, does narshy establish, alter, onesce or revoke the drilling, producing, rental, minimum royalty and royalty of state leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and without limiting the leaserality of the foregoing, all leases, subleases, and contracts are particularly subliked 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 park or separately evened Tract committed to this agreement, regardless of whether there is any development of any particular part of or Tract of maitined land, notwithstanding anything to the contrary in any lease, operating agreement, or other contract by and between the parties hereto or their sespective producessors in interest, or any of them.
  - (b) Drilling and producing operations performed becauser upon any fract of unitized land will be accepted and deemed to be performed upon and for the benefit of each and every fract of unitized land, and no lease

positive areas discoverable by reason of failure to drill or restress will assembly assembly assembly assembly assembly.

. .

- (c) suspension of dritting or producing operations of the diffuse of the pursuant to direction or consent of the Commissioner of the descent control there such suspension pursuant to such direction or to tent us of the age over fract of the lized lands
- (i) yet lease, success, or contract relating to the experture.

  Initial , revelopment or operation for oil, gas, gaseous such that help to be a contract of the experiment of the experiment of the experiment of the experiment of the under the experiment of the expe
- (v) A. I was cape of the State of New Moxim s in the part regard with the to such segregaled fortions come at it H \* 04 the estimation of the new off with the second of the provident of the second of the se on the tronscript only a portagn of the leads committed which will est a natural section of the term provides we also be or all rest ensences a such labor, if Unitized Substances for election of the contract to the contract of the minimized to such tease committed to this arrespect explanation of the resolving worm of such lease; or if, at his equipated of o in accountain terms, the leasee or the Unit Operator is treated to ed. . .o.d of the delibble or resording aperations on some pure of the lands eases ed correla, my such cease and remain in full force and offer an ion, a the are being diligently prosecuted, and if they it this to be , searching of Univized Supergudes, build lease chall continue of the force of effect the effect of the lands embraced therein, so compare eafter in full form Four Lago Dibatences are produced in paying quantities from the orthonist Sec. 3 - 138 Garage
- CONTROLS HOW WITH LAND. The coverants berein shell as a desired of the same accessor to the land with respect to the interests of the selection accessor in interest until this excement terminates, and has great, and the great is a subject bereto and the new transfer and the control upon the ensure the of all privileges and collections because the other successor in interest. He same also not at the other to control the collection of the subject where one all he binding upon that Opensian result and the control that of the collection may be also asked the first day of the collection month after and asked, interest Owner is furnished with the original, photostrial in certified as if the apatroneant of transfer.
- EFECTIVE DATE AND CHEM. State agreement shall accome timing upon each of the control of radio entrol each of the date of execution or radio entrol of the control of the factor of the control of the con

There must be an execution or ratification of this agreement and the Unit Operating Agreement by Working Interest Owners owning a combined but Participation of the least (A) percent, and the execution or ratification of the agreement of movement of waters owning a combined interest of at least 65 percent of the Boyalty interest. In said Unit Area.

There must be filed at least one counterpart of this agreement for record at the office of the County Clerk of Eddy County, New Mexico, by the Unit Operators.

Enit Operator shall, within tourty (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 become effective according to all terms and stating further the effective date.

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

This agreement may be terminated with the approval of the Land Commissioner and the working Interest Owners owning 75 percent Unit Participation shemever such working Interest Owners determine that Unit operations are no longer profitable, Teasible or in the interest of conservation. Notice of any such termination shall be given by Unit Operator to all parties bareto.

Upon termination of this agreement, the further development and operation of the Unit Area as a Unit shall be abandoned, Unit operations shall cases, and thereafter the parties hereto shall be governed by the terms and provinces of the issues and contracts affecting the separate tracts just as if this agreement had haven been entered into.

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

Parts the right to appear for or on behalf of any and all interests affected hereby to fore the Commission and to appeal from orders issued under the regulations of said Commission or to apply for relief from any of said regulations or in any proceedings are notice to operations before the Commission, or other legally constituted authority;

provided, bowever, that any other interested party shall also have the right at also are its own expense to be heard in any such proceeding.

- 25. NOTICES. All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.
- 26. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by and party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any less of the State of New Mexico, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to valve.
- imit Operator to commence or continue drilling or to operate on or to produce imitized Substances from any of the lands subject to this agreement shall be suspended while, but only so long as, the Unit Operator, despite the exercise of das care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters berein enumerated or not.
- 28. LOSS OF TITLE. If any Tract of unitized land cases to have sufficient working Interest or Royalty Interest committed to this agreement to meet the conditions of Section 14 because of failure as title to any party hereto, such Tract shall be regarded as not committed hereto as of 7:00 a.m. on the first day of the calendar month in which such failure of title is finally determined; provided, however, that no such Tract shall be so regarded if same can be requalified under said Section 14 within ninety (90) days after the date on which such title failure was finally determined. If any such Tract cannot be so requalified, Unit Operator shall recompute the Tract Participation of each Tract of unitized land remaining subject to this agreement so that such Tract Participations shall remain in the same ratio one to another. Thereafter, Unit Operator shall revise Exhibits C-1 and C-2 conformably with such recomputation. Each such revised exhibit shall be effective at 7:00 a.m. on the first day of the calendar month in which such failure of title is finally determined.

If title to a Working Interest fails, the rights and obligations of Working

research to a life table to a Poyalty Interest Pails, but the Tract to would it relates result to research to related to reside the state of the control of the state of the s

To our every of a mispade as to the title to any working or live by Tauterry, or other inverses subject perturb or delivery on account these as lay be set under the set of the site account, because of provided, if or the set of the site account of provided, if or to be state level or leastly account of the State of the State set of the State set of the State of the S

and a procedure, we could, in meldered from ever responsibility for any defact a continuacy filture commander.

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The right of joined subsequent to the effective date because a sill be as part to be a requirements or approvals and shall be upon such there is a order of the live vetting interest of the same as a subsequent of the same representation of the same vetting interest of the same and interest of the same of the first day of the onlesses and the same day of the same day of the contents.

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The operation of one of water media to be executed by all parties, or a may be capified or an advantage of the entitles and the executed by all parties, or a may be capified and the entitles and effect at it is and parties and entitles and effect at it is and parties. The entitles of whether or not it is a record by an entitle entitles and the entitles are all the entitles are all the entitles and the entitles are all the en

Account and the account of the Royalty Owners all valid taxes on or measured by the Institute Substances in and under or that may be produced, gathered and anid from the land subject to this agreement after the effective date of this agreement, or upon the proceeds or not proceeds derived therefrom. The Working Interest Owners in each first may thange the proper proportion of said taxes to the Royalty Owners having interests in each of the unitized substances of cerivative products, or not proceeds thereof, from the allocated snake of each Royalty Owner to secure reimbursement for the taxes so paid. No such taxes shall be harged to the State of New Mexico or to any lessor who has a constract with the lesser which requires the lesser to pay such taxes.

in order to a mid title failures which might incidentally cause the title to a working Interest or Royalty Interest to fail, the owners of (1) the surface rights to each committed Tract, (2) severed mineral or royalty interest in said Tracts and improvements located on said Tracts not utilized for Unit Operations shall individually be responsible for the rendition and assessment, for ad valorem tax purposes, of all such property, and for the payment of such taxes, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner or Owners. if any ad valorem taxes are not paid by such owner responsible therefor when due, That Operator may, at any time prior to tax sale, pay the same, rederm such property and discharge such tax liens as may arise through nonpayment. In the event Unit Operator makes any such payment or redeems any such property from tax sale, Unit Operator shall he reimbursed therefor by the Working Interest Owners in proportion to their respective Unit Participations then in effect, and Unit Operator shall withhold from any proceeds derived from the sale of Unitized Substances otherwise due to said delinquent taxpayer or taxpayers an amount sufficient to defray the costs of such payment or redemption, such withholding to be distributed among the Working Interest Owners in proportion to their respective contributions toward such payment or redemption. Such withholding small be without prejudice to any other remedy, either at law or in equity, which may be available for exercise by the Unit Operator or by the Working Interest Owners.

32. COMPLICE OF SUPERVISION. Neither the Unit Operator nor the Working
Interest Owners or any of them shall be subject to any forfeiture, termination, or
expiration of any rights hereunder or under any leases or contracts subject hereto,
or to any penalty or liability on account of delay or failure in whole or in part to
comply with any applicable provisions thereof to the extent that the said Unit Operator,
captaing Interest Owners, or any of them are hindered, delayed or prevented from complying
evith by reason of the failure of the Unit Operator to obtain, in the exercise of

And Algence, the concurrence of proper representatives of the State of New Mexico in

The plant any matters or things concerning which it is required herein that such considerable be obtained. The parties hereto, including the Commission, agree that she powers and anthority vested in the Commission in and by any provisions of this constract are vested in the Commission and shall be exercised by it passesses to tre provisions of the laws of the State of New Mexico and subject, in any rand, to appeal or sudicial review as may now or hereafter be provided by the laws of the State of New Mexico.

bersto is that of independent contractors and nothing in this agreement contained, empress or implied, or any operations conducted hereunder, shall create on be deemed to have created a partnership or association between the parties hereto or any of turn-

The Condendation surposes and proper protection of the parties and interests.

IN WITHERS WHERPOF, the parties hereto have caused this agreement to be executed as of the date first above written and have set opposite their respective tames the date of execution and the address of each of the respective execution.

jost tar j

UNIT CPERATOR AND WORKING INTEREST OWNER

files Po Spelden, and

Betty Sue Sheldon, wife of Thiss P. San Lon Sol West Toxas, Artesia, New Mexico

OTHER DEFENEST OWNERS

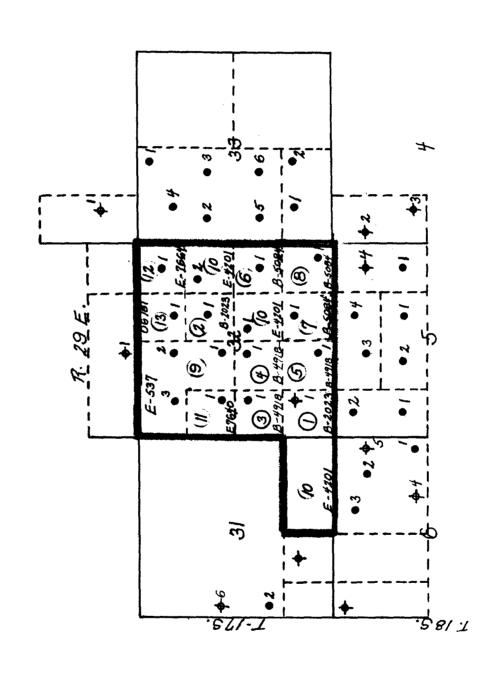
R. D. Collier, and

Nicov E. Milier, wife of the Artesia. New Mexico

EXHIBIT "A"

OLD LOCO UNIT, EDDY CO.

2"=/mile 720 Acres 1007 State Land
Revised Dec. 1, 1964



CLD LOCK UNITY, EDGY CONSETY, MEN MEXICO

		ription	Acres	Seriel Lease I	Serial No. and Lause Date	Desic Repuis	Basic Repulty Liberies of Record	Overriding inpolicy	AT .	Norking Interest Coner	Commer	Morking Inter- Percent Perticip- of Prect in U
~	<b>*/36</b>	BA/A BA/A 32-37-25	3	B-2025	B-2025 7-10-35	1/80	Sussess Off &	Press Oals	1/16	Tiles P. Sheldon R. D. Collier	<b>\$</b> \$	2.39
લા	M/N M/N	\$ 22-17-89	2	8-9053	B-2023 7-10-33	1/8th	Sinclair oil & Gas	Terms Sulf	1/16	Miller & Smith	1001	10.80
m	/MS 4/ME	m/ m/ 2-11-29	9	8-4218	8-4918 9:10-35	1/845	Geo K Cowell	Oco M Conell 1/16 Miller & Smith 1/32	31/1 x	R D Chilier	1006	2.55
<b>4</b>		62-17-25	9	8-1918	9-10-35	1/8th	Miller & Smith Comtractors, Inc	O H Bandel P J Videl	2/16	Miller & Smith	100%	¥.57
<b>w</b>	*/NE */NE	80-11-90 1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-	<b>9</b>	8.49.8	8-4918 9-10-35	1/8th	G D Macy and C. L. Thilmadge			Herold Beres Coo M Couell W L Shener Bethleben Steel Co P J Videl Thelen Sothrin Margaret Bolcomb Gay Shepherd Day Shepherd	6413 orrani	12.97
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<b>©</b>		1 30 II - 29	<b>9</b>	<b>4</b>	10-10-35	1/84k	Olen F Pretheratone	O F Perther stone	9/128	Marcia Bress Moland McLean Margaret Molcomb O L Peatherstonell Chorles Hicks	ZZ TTZZ	<b>8</b>
σ.		20-11-05 30-11-05	्य	155-M		7/9 <b>6</b> 2	Describes, Inc. 1	Berr Modes 1/8 Mergaret Hightoner 1/64		Meil 3. Wetson M B Collier John P Caubepe Jr	1/16 11/16 1/16	77-50

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Connece	Leonard 011 Co 1/16=	Donald Brown	Bumble oil & Refg Co
Costinentel 012)	Leonard 011 Co	Willer & Smith	Bumble Oil & Refining Co
1/86:	1/9th	1/8th	1/6th
E-4201 9-11-50 1/8en	E-7640 12-15-55 1/9th	E-7664 12-15-53 1/84n	00-181 9-18-56 1/6th
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\* OER is 1/8th when production is above 20 NOPS

\*\* OER is 1/8th when production is above 25 NOPS

\*\*\* OBLIET 9/16th interest subject to Oil Payment (Velley Steel Co.) paymble out of 1/8th of W.E. oil

\*\*\* Collier 9/16th interest subject to Oil Payment (Velley Steel Co.) paymble out of 1/8th of W.E. oil

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EXHIBIT B TO UNIT AGREEMENT OLD LOCO UNIT, EDDY COUNTY, NEW MEXICO PAGE 2

## SCHEDULE C OLD LOCO UNIT, EDDY COUNTY, NEW MEXICO

March 15, 1965

## PARTI

### TRACT PARTICIPATION

Fract Bo.	Percentage
. 1	2.39
2	10.80
	2.55
3 4	4.57
5	12.97
5 6	11.38
7	14.39
်8	7.85
9	11.20
10	12.00
11	2.39
12	4.09
13	3.42
	100.00

### PART II

# WORKING INTEREST OWNER PARTICIPATION

Orber	Percentage
Vilas P. Sheldon	7-195000
R. D. Collier	30.617500
Miller and Smith	33.850000
Meil B. Watson	.700000
John P. Cauhape, Jr.	2 800000
Jeff M. Hickox	.149375
H. M. Marlow	.448125
Kinceld & Watson & Associates	3.420000
Charles Ricks	.981250
Karoli Koreey	4.251560
Olen F. Festherstone II	.981250
Thelma Mathyin	-327345
Hargaret Helcomb	-327345
Roland McLean	. <b>981</b> 250
Harold Hersey - Trustee for Tract 25	<b>12.97000</b> 0
#. L. Shener 11.99\$	
Sethlehem Steel Co. (account of C. L. Tallmedge) 10.47%	
P. J. Vidal 9.06%	
Guy Shepherd 2.28%	
Banjamin D. Luchini 2.28%	
J. R. Butler 1.145	
El Pase Hational Bink 1.14%	
George M. Cowell 16.18%	
Barold Kersey 30.30%	
Thelma Mathrin 7.58%	
Margaret Holcomb 7.58%	

100.000000

#### OLD LOCE UNIT

#### OFFSET LEASEHOLD OWNERS

Leonard Oil Company, Box 400, Roswell, New Mexico
International Oil and Gas Corp., 825 Petroleum Club Building, Denver, Colorado
General American Oil Company, Loco Hills, New Mexico.
Skelly Oil Company, Box 1650, Tulsa, Oklahoma
J. C. Thompson, 1203 Kirby Building, Dallas, Texas
Pan American Petroleum Corp., Box 1410, Fort Worth, Texas
Kennedy Oil Company, 300 Carper Building, Artesia, New Mexico