

**HUMBLE OIL & REFINING COMPANY**  
SOUTHWEST REGION  
P. O. BOX 1597  
ROSWELL, NEW MEXICO

October 12, 1965

MAILED

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In re: Willow Draw Unit  
Eddy County, New Mexico

Secretary-Director  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico

Dear Sir:

Following up Mr. Foster Morrell's letter of October 8, 1965, we are enclosing a fully executed copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area, Eddy County, New Mexico.

Although Mr. Morrell has furnished you a conformed copy of said agreement, we are enclosing this executed copy in order to fully comply with your Order No. R-2952 in Case No. 3284, dated August 16, 1965.

Yours very truly,

HUMBLE OIL & REFINING COMPANY

By:

  
John S. Cron

JSC:ed  
Enclosure  
REGISTERED MAIL

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
WILLOW DRAW UNIT AREA  
COUNTY OF EDDY  
STATE OF NEW MEXICO

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EXHIBITS

- Exhibit "A" - Map of Unit Area  
Exhibit "B" - Schedule of Ownership in Lands

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
WILLOW DRAW UNIT AREA  
COUNTY OF EDDY  
STATE OF NEW MEXICO

NO. 44-08-0001-8714

THIS AGREEMENT, entered into as of the 2nd day of August, 1965 by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

W I L L O W D R A W U N I T A G R E E M E N T:

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

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

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

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Art. III, Ch. 65, Vol. 9, part 2, Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

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

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U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

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

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

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

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

T. 20 S., R. 26 E., N.M.P.M.

Sections 19, 20: All

Sections 29, 30: All

Sections 31, 32: All

containing 3,839.84 acres, more or less

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



than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor," or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner," and not less than six (6) copies of the revised exhibits shall be filed with the Supervisor, and two (2) copies thereof shall be filed with the Land Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Conservation Commission."

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director," or on demand of the Land Commissioner, but only after preliminary concurrence by the Director and the Land Commissioner shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, the Land Commissioner and the Conservation Commission and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the Land Commissioner and the Conservation Commission evidence of mailing of the

notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

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

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

"Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director and the Land Commissioner. The unit operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and the Land Commissioner and promptly notify all parties in interest.

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

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

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

4. UNIT OPERATOR. Humble Oil & Refining Company, with offices in Houston, Texas, is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in it and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

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

Unit Operator shall have the right to resign in like manner and subject to like limitations, as above provided, at any time a participating area established hereunder is in existence, but, in all instances of resignation or removal, until a successor unit operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of unit operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

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

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation

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

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, that, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until:

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

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the

Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Land Commissioner, prior to approval of this unit agreement by the Director.

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

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on Federal land or by the Land Commissioner if on State Land, or by the Conservation Commission if on privately owned land, if any, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Morrow Formation of Pennsylvanian Age has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land, of the Land Commissioner if on State land, or of the Conservation Commission if on privately owned land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 10,500 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the Land Commissioner if on State land or the Conservation Commission if on privately owned land or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Land Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

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

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources.

Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Land Commissioner.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Land Commissioner



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

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

appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and the Land Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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

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

Whenever it is determined, subject to the approval of the Supervisor, as to wells drilled on Federal land and of the Land Commissioner as to wells drilled on State land and the Conservation Commission as to wells on privately

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

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

of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS.

Any party or parties hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, the Land Commissioner as to State land, and the Conservation Commission as to privately owned land, and subject to the non-conflicting provisions of the Unit Operating Agreement, at such party's or parties' sole risk, costs, and expense drill a well at such location on such land to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

14. ROYALTY SETTLEMENT. The United States, the State of New Mexico and other royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any

tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

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

were a single consolidated lease.

Royalty due the State of New Mexico shall be computed and paid on the basis of the amounts allocated to unitized State land as provided herein at the rate specified in the State oil and gas lease.

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

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

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

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

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

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells or land not subject to this agreement, or, with the prior consent of the

Director and the Land Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor as to Federal leases and the Land Commissioner as to State leases.

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

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

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Land Commissioner,

or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term



provided therein as to the lands committed hereto until the termination hereof, subject to the provisions of subsection (e) of Section 2, and subsection (i) of this Section 18.

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

(i) 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 the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the Lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

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

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

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

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

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

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

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Land Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Conservation Commission.

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

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay

or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Conservation Commission, agree that all powers and authority vested in the Conservation Commission in and by any provisions of this agreement are vested in the Conservation Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

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

25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to

assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

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

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 301 (1) to (7) inclusive, of Executive Order 10925, as amended, (28 FR 6485), which are hereby incorporated by reference in this agreement.

28. RECLAMATION LANDS. Nothing in this agreement shall modify the special, Federal-lease stipulations applicable to lands under the jurisdiction of the Bureau of Reclamation.

29. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds

of the State of New Mexico shall be deposited as directed by the Land Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

30. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Land Commissioner and the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Land Commissioner of duly executed counterparts of all or any papers

necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director or the Land Commissioner, provided, that as to State lands all subsequent joinders must be approved by the Land Commissioner.

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

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

UNIT OPERATOR AND WORKING INTEREST OWNER

Date: August 23, 1965

P. O. Box 1600  
Midland, Texas 79701

HUMBLE OIL & REFINING COMPANY

By Bill A. Payne  
Attorney-in-Fact

APPROVED	
Desc.	<input checked="" type="checkbox"/>
Acctg.	<input checked="" type="checkbox"/>
Int.	<input checked="" type="checkbox"/>
Form	<input checked="" type="checkbox"/>
Acctg.	<input checked="" type="checkbox"/>
Prod.	<input checked="" type="checkbox"/>
Trade	<input checked="" type="checkbox"/>

OTHER WORKING INTEREST OWNERS

Date: \_\_\_\_\_

P. O. Box 1938  
Roswell, New Mexico 88201

GULF OIL CORPORATION, a Pennsylvanian corporation

By \_\_\_\_\_  
Attorney-in-Fact

ATTEST:

\_\_\_\_\_  
Assistant Secretary

Date: \_\_\_\_\_

Cities Service Building  
Bartlesville, Oklahoma 74004

CITIES SERVICE OIL COMPANY

By \_\_\_\_\_  
Attorney-in-Fact

Date: \_\_\_\_\_

P. O. Box 791  
Midland, Texas 79701

PHILLIPS PETROLEUM COMPANY

By \_\_\_\_\_  
Vice-President

ATTEST:

\_\_\_\_\_  
Secretary

STATE OF Texas )  
COUNTY OF Midland )

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day  
of August, 1965, by Bill B. Payne, Attorney-in-Fact  
of HUMBLE OIL & REFINING COMPANY, a Delaware corporation, on behalf of said  
corporation.

Sheila A. DeVoey  
Notary Public in and for

My Commission Expires: June 1, 1967 Midland County, Texas  
SHEILA A. DeVOY - Notary Public  
Midland County, Texas

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 1965, by \_\_\_\_\_, Attorney-in-Fact  
of GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said  
corporation.

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 1965, by \_\_\_\_\_, Attorney-in-Fact  
of CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said  
corporation.

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 1965, by \_\_\_\_\_, Vice President  
of PHILLIPS PETROLEUM COMPANY, a Delaware corporation on behalf of said  
corporation.

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_



CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AND UNIT OPERATING AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico and also a copy of the Unit Operating Agreement for said unit area, both of which are dated August 2, 1965 and further acknowledges that the undersigned is familiar with the terms and conditions thereof. The undersigned, being the owner of certain leasehold or other interests in the lands or minerals embraced in said unit area as set forth on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of its said interests to the Willow Draw Unit Agreement and does hereby consent to said Unit Agreement and the Unit Operating Agreement and ratifies all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement, or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth opposite its signature.

Date: SEP 8 1965

GULF OIL CORPORATION

ATTEST:

By

Attorney-in-Fact

Assistant Secretary

STATE OF NEW MEXICO )

: ss

COUNTY OF CHAVES )

The foregoing instrument was acknowledged before me this 8th day of September 1965 by F. O. MORTLOCK Attorney-in-Fact for Gulf Oil Corporation, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:

My Commission Expires August 15, 1966

Notary Public

RECEIVED

SEP 14 1965

U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AND UNIT OPERATING AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico and also a copy of the Unit Operating Agreement for said unit area, both of which are dated August 2, 1965 and further acknowledges that the undersigned is familiar with the terms and conditions thereof. The undersigned, being the owner of certain leasehold or other interests in the lands or minerals embraced in said unit area as set forth on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of its said interests to the Willow Draw Unit Agreement and does hereby consent to said Unit Agreement and the Unit Operating Agreement and ratifies all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement, or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth opposite its signature.

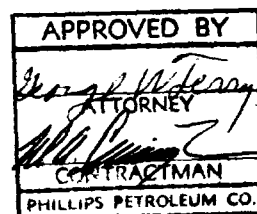
Date: 9-8-65

PHILLIPS PETROLEUM COMPANY

ATTEST:

Harold M. Thompson  
Assistant Secretary

By H. D. Brooklyn  
Vice-President



STATE OF Oklahoma )  
COUNTY OF Washington ) : ss

The foregoing instrument was acknowledged before me this 8th day of September 1965 by H. D. Brooklyn, Vice-President, of Phillips Petroleum Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:  
Oct 4, 1967

Alice Cardenas  
Notary Public

RECEIVED

SEP 14 1965

U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

## CONSENT AND RATIFICATION

WILLOW DRAW UNIT AND UNIT OPERATING AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

IN WITNESS WHEREOF, this instrument is executed by the under-  
as of the date set forth opposite its signature.

Date: 7/8/65

CITIES SERVICE OIL COMPANY

By Mark F. Payton  
Attorney-in-Fact  
**Mark F. Payton**

STATE OF Oklahoma )  
 : ss  
COUNTY OF Washington )

The foregoing instrument was acknowledged before me this 8<sup>th</sup> day of September 1965 by Mark F. Payton, Attorney-in-Fact for Cities Service Oil Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:  
My commission expires July 2, 1967

~~Notary Public~~

SEP 14 1965

U. S. GEOLOGICAL SURVEY  
POSWELL, NEW MEXICO

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS	SIGNATURE
<u>337 Pierpont Ave.</u>	<u><i>F. J. Bradshaw</i></u>
<u>Salt Lake City, Utah</u>	<u><i>B. Bradshaw</i> (his wife)</u> <u><i>Berenice J. Bradshaw</i></u>
STATE OF <u>Utah</u> )	
COUNTY OF <u>Salt Lake</u> )	

The foregoing instrument was acknowledged before me this 2 day of September, 1965, by F. J. Bradshaw

*[Signature]*  
Notary Public in and for  
My Commission Expires: 1-15-69 Salt Lake County, Utah

STATE OF Salt Lake )  
COUNTY OF Utah )

The foregoing instrument was acknowledged before me this 2 day of September, 1965, by Berenice J. Bradshaw (his wife)

*[Signature]*  
Notary Public in and for  
My Commission Expires: 1-15-69 Salt Lake County, Utah

SEP 14 1965  
SALT LAKE CITY  
UTAH

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS	SIGNATURE
<u>P.O. Box 423, MIDLAND, TEXAS</u>	<u>Mary Jane Clark</u>
<u>" " "</u>	<u>Tracy P. Clark</u>

STATE OF Texas )  
COUNTY OF Midland )

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of August, 1965, by Mary Jane Clark and Tracy P. Clark.

Patsy B. Clarke  
Notary Public in and for

My Commission Expires: Jan 1, 1967 Midland County, Texas

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

PATSY B. CLARKE  
NOTARY PUBLIC  
MIDLAND COUNTY, TEXAS

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1965, by \_\_\_\_\_.

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_

County \_\_\_\_\_  
**RECEIVED**

SEP 14 1965  
U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

202 Carper Bldg. Robert E. Baling  
Artesia, New Mexico Mary L. Baling

STATE OF New Mexico  
COUNTY OF Eddy

The foregoing instrument was acknowledged before me this 11th day of August, 1965, by Robert E. Baling and Mary L. Baling, his wife  
John Harper  
Notary Public in and for

My Commission Expires: March 25, 1969 Eddy County, N.M.

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1965, by \_\_\_\_\_

Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

RECEIVED

SEP 14 1965

U. S. GEOLOGICAL SURVEY  
RUSKIN, NEW MEXICO

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

P. O. Box 1933

Roswell, New Mexico 88201

Foster Morrell  
Edna E Morrell

STATE OF New Mexico )  
COUNTY OF Chaves )

The foregoing instrument was acknowledged before me this 15<sup>TH</sup> day of August, 1965, by Foster Morrell and wife, Edna. E. Morrell

[Signature]  
Notary Public in and for

My Commission Expires: Aug. 31, 1969 Chaves County, New Mex.

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1965, by \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

[Stamp]

SEP 14 1965

U. S. GEOLOGICAL SURVEY  
REC'D  
V. 100

T. S. H. C.

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

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The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ATTEST: ADDRESS  
BY: [Signature]  
Secretary  
% Trust Department  
First National Bank in Dallas  
P. O. Box 6031, Dallas 22, Texas

SIGNATURE  
CHILDRESS ROYALTY COMPANY  
BY: [Signature]  
President  
[Signature]  
Paul Childress, Individually

STATE OF MISSOURI  
COUNTY OF JASPER

The foregoing instrument was acknowledged before me this 2nd day of September, 1965, by Paul Childress, President Childress Royalty Company.

[Signature]  
Notary Public in and for

My Commission Expires: April 18, 1966 County, Jasper County, Missouri

STATE OF MISSOURI  
COUNTY OF JASPER

The foregoing instrument was acknowledged before me this 2nd day of September, 1965, by Paul Childress and individual.

[Signature]  
Notary Public in and for

My Commission Expires: April 18, 1966 County, Jasper County, Missouri

SEP 14 1965



CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

P. O. Box 10000

Dallas, Texas

SIGNATURE

Eugene E. Nearburg

STATE OF Texas )  
COUNTY OF Dallas )

The foregoing instrument was acknowledged before me this 23 day of August, 1965, by Eugene E. Nearburg

Ray B. Pierrat  
Notary Public in and for

My Commission Expires: 6/1/67 Dallas County, Texas

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1965, by \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

SEP 1 1965

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

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

ADDRESS

SIGNATURE

4606 Beverly Drive

Anna A. Nearburg

Dallas, Texas 75209

STATE OF TEXAS )  
COUNTY OF DALLAS )

The foregoing instrument was acknowledged before me this 10th day of September, 1965, by Anna A. Nearburg, a single woman

Ray A. Bierath  
Notary Public in and for

My Commission Expires: 6-1-67

Dallas County, Texas

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1965, by \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
County, \_\_\_\_\_

SEP 11 1965

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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

ADDRESS

SIGNATURE

100 So. Kentucky, Roswell, N.M.

Tom L. Ingram

100 So. Kentucky, Roswell, N.M.

Joan L. Ingram

STATE OF New Mexico )

COUNTY OF Chaves )

The foregoing instrument was acknowledged before me this 11th day of August, 1965, by Tom L. Ingram and wife, Joan L. Ingram

Joan Hayes  
Notary Public in and for

My Commission Expires: 3/4/68 Chaves County, New Mexico

STATE OF \_\_\_\_\_ )

COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1965, by \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

SEP 14 1965

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

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

ADDRESS

SIGNATURE

1532 Eleonore St., New Orleans, La.

"

"

STATE OF Louisiana )  
~~Orleans Parish of Orleans~~ )

The foregoing instrument was acknowledged before me this 16th day of September, 1965, by E. F. Johnson and Mrs. Edna L. Johnson

Notary Public in and for

My Commission Expires: at death Orleans Parish, Louisiana

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1965, by \_\_\_\_\_

Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

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

ADDRESS

401 Vine St. Menlo Park, Calif.

P.O. Box 458, Morro Bay, Calif.

STATE OF CALIFORNIA )  
COUNTY OF SAN LUIS OBISPO )

SIGNATURE

Catherine Gleichner

E. L. Gleichner 1%

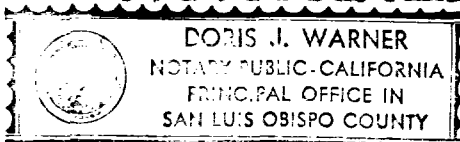
Leroy H. Jones

Earl B. Jones 4%

The foregoing instrument was acknowledged before me this 30th day

of August, 1965, by Catherine Gleichner, E. L. Gleichner, Leroy

E. Jones & Earl B. Jones



My Commission Expires: \_\_\_\_\_

Doris J. Warner  
Notary Public in and for

DORIS J. WARNER, Notary Public  
In and for the State of California \_\_\_\_\_ County, \_\_\_\_\_  
My Commission Expires August 30, 1967

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of

\_\_\_\_\_, 1965, by \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

SEP 14 1965

CERTIFICATION--DETERMINATION

14-08-0001 87 14

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

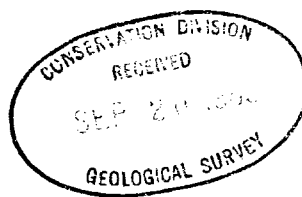
A. Approve the attached agreement for the development and operation of the Willow Draw Unit Area, State of New Mexico.

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

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

Dated SEP 23 1965.

William A. Baker  
ACTING Director, United States Geological Survey



SEP 24 1965  
U. S. GEOLOGICAL SURVEY  
WASHINGTON, D. C.

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

**WILLOW DRAW UNIT  
BEEH 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 August 2, 1965, which said Agreement has been 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, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the afore-said statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 15th day of September, 1965.

  
COMMISSIONER OF PUBLIC LANDS  
of the State of New Mexico

RECEIVED  
SEP 14 1965  
U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 3284  
Order No. R-2952

APPLICATION OF FOSTER MORRELL  
FOR APPROVAL OF THE WILLOW DRAW  
UNIT AGREEMENT, EDDY COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 11, 1965, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 16th day of August, 1965, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Foster Morrell, seeks approval of the Willow Draw Unit Agreement covering 3839.84 acres, more or less, of State and Federal lands described as follows:

EDDY COUNTY, NEW MEXICO  
TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM  
Section 19: All  
Section 20: All  
Section 29: All  
Section 30: All  
Section 31: All  
Section 32: All

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

RECEIVED

SEP 14 1965

U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO



-2-

CASE No. 3284  
Order No. R-2952

**IT IS THEREFORE ORDERED:**

- (1) That the Willow Draw Unit Agreement is hereby approved.
- (2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.
- (3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.
- (4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.
- (5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Jack M. Campbell*  
JACK M. CAMPBELL, Chairman

*Guyton B. Hays*  
GUYTON B. HAYS, Member

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

R 26 E

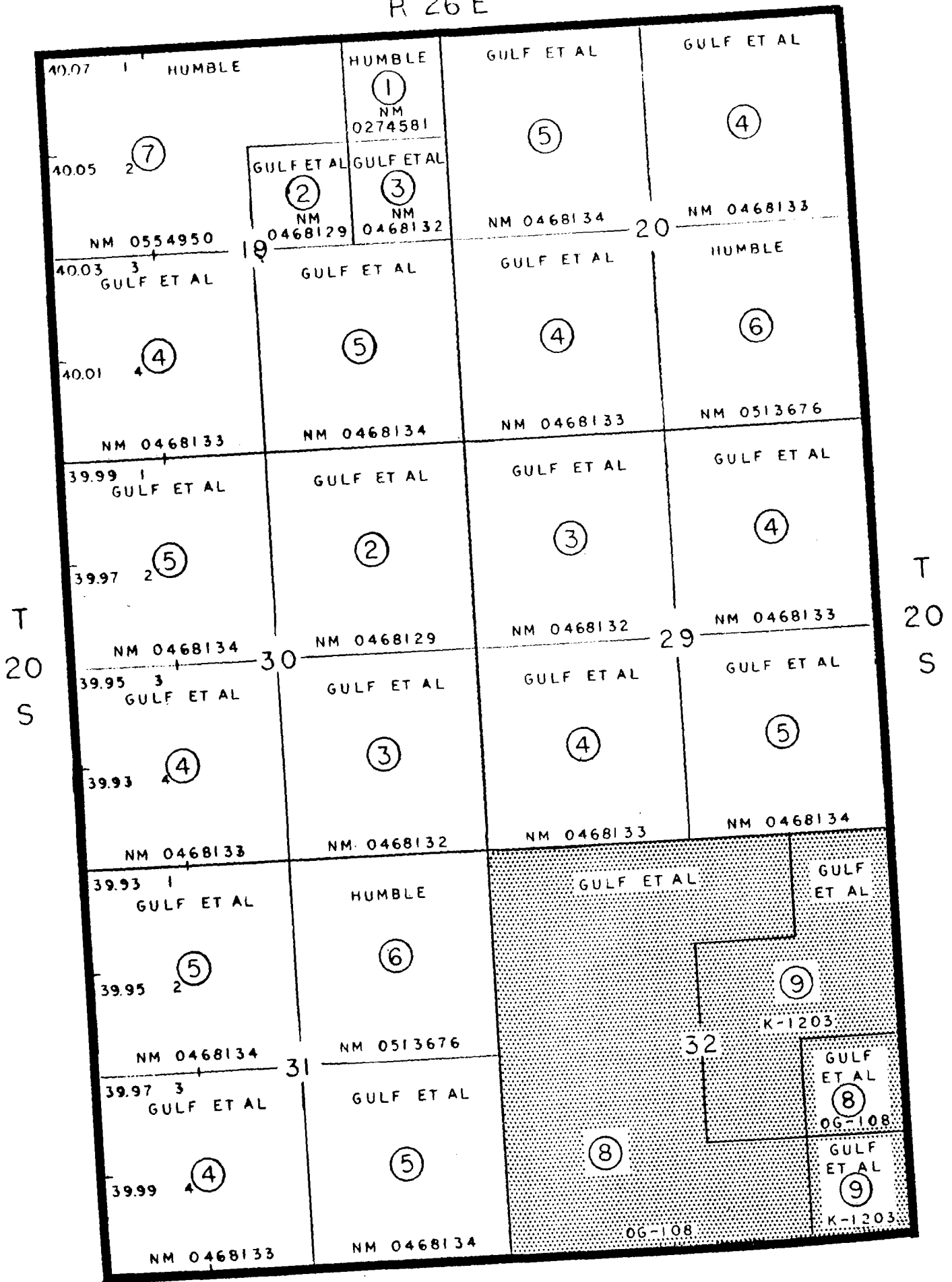


EXHIBIT "A"  
WILLOW DRAW UNIT AREA  
EDDY COUNTY, NEW MEXICO

June 7, 1965

## EXHIBIT "B" - WILLOW DRAW UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 1

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty or Application	Record Owner of Lease	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
<b>FEDERAL LANDS</b>							
<b>I. 20 S. R. 26 E.</b>							
1	Sec. 19: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	NM 0274581 6-1-62 10 years	U.S.A. 12 $\frac{1}{2}$ % All	Humble Oil & Refining Company	F. J. Bradshaw 5.000%	Humble Oil & Refining Company All
2	Sec. 19: SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 30: NE $\frac{1}{4}$	200.00	NM 0468129 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Gulf Oil Corporation Phillips Petroleum Company *Cities Service Oil Company	(a) Tracy P. Clark (b) Robert E. Boling (c) Foster Morrell (d) Prod. Payment 0.125% 0.125% 2.000% 5.000%	Gulf Oil Corporation Phillips Petroleum Company *Cities Service Oil Company 2/3 1/6 1/6
3	Sec. 19: SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 29: NW $\frac{1}{4}$ Sec. 30: SE $\frac{1}{4}$	360.00	NM 0468132 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Phillips Petroleum Company Cities Service Oil Company	Same as Tract 2	Gulf Oil Corporation Phillips Petroleum Company Cities Service Oil Company 2/3 1/6 1/6
4	Sec. 19: Lots 3,4, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 20: NE $\frac{1}{4}$ , SW $\frac{1}{4}$ Sec. 29: NE $\frac{1}{4}$ , SW $\frac{1}{4}$ Sec. 30: Lots 3,4, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 31: Lots 3,4, E $\frac{1}{2}$ SW $\frac{1}{4}$	1,119.88	NM 0468133 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Gulf Oil Corporation Phillips Petroleum Company Cities Service Oil Company	Same as Tract 2	Gulf Oil Corporation Phillips Petroleum Company Cities Service Oil Company 2/3 1/6 1/6
5	Sec. 19: SE $\frac{1}{4}$ Sec. 20: NW $\frac{1}{4}$ Sec. 29: SE $\frac{1}{4}$ Sec. 30: Lots 1,2, E $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 31: Lots 1,2, E $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$	959.84	NM 0468134 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Phillips Petroleum Company Cities Service Oil Company	Same as Tract 2	Gulf Oil Corporation Phillips Petroleum Company Cities Service Oil Company 2/3 1/6 1/6

\* Cities Service Oil Company - Successor to the interests of Carper Drilling Company, Inc.

August 13, 1965

## EXHIBIT "B" - WILLOW DRAW UNIT - EDDY COUNTY, NEW MEXICO

Page 2

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
<u>FEDERAL LANDS (Continued)</u>							
<u>T. 20 S., R. 26 E.</u>							
6	Sec. 20: SE $\frac{1}{4}$ Sec. 31: NE $\frac{1}{4}$	320.00	NM 0513676 5-1-64 10 years	U.S.A. 12 $\frac{1}{2}$ % All	Humble Oil & Refining Company	E. F. Johnsen Production Payment of \$750 per acre out of 5.00%	Humble Oil & Refining All Company
7	Sec. 19: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$	200.12	NM 0554950 10-1-64 10 years	U.S.A. 12 $\frac{1}{2}$ %	Humble Oil & Refining Company	Eva M. Jones E. L. Gleichner 4.00% 1.00%	Humble Oil & Refining All Company
TOTAL FEDERAL LANDS - 3,199.84 acres							
<u>STATE LANDS</u>							
<u>T. 20 S., R. 26 E.</u>							
8	Sec. 32: W $\frac{1}{2}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	440.00	OG-108-1 8-21-56 10 years	State of New Mexico 12 $\frac{1}{2}$ % All	Phillips Petroleum Company	None	To Base of Pennsylvania Phillips Petroleum 1/2 Company Gulf Oil Corporation 1/2 Below Base of Pennsylvania Phillips Petroleum Company All
9	Sec. 32: E $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$	200.00	K-1203-2 2-21-61 10 years	State of New Mexico	Cities Service Oil Company	(e) Tracy P. Clark (f) Robert E. Boling 0.25% 0.25%	To Base of Pennsylvania Cities Service Oil 1/2 Company Gulf Oil Corporation 1/2 Below Base of Pennsylvania Cities Service Oil All Company
TOTAL STATE LANDS - 640.00 acres							

August 13, 1965

\*\* Lease contains Bureau of Reclamation stipulation

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner		Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
				No.	Percentage			

R E C A P I T U L A T I O N

Land	Acres	Percentage
Federal	3,199.84	83.33%
State	<u>640.00</u>	<u>16.67%</u>
Totals	3,839.84	100.00%

FOOTNOTES:

- (a) To Base of Pennsylvania only: Borne 1/2 by Gulf, 1/2 by Cities Service
- (b) To Base of Pennsylvania only: Borne 1/2 by Gulf, 1/2 by Cities Service
- (c) To Base of Pennsylvania: Borne 1 and 1/3 by Gulf, 1/12 by Phillips, 7/12 by Cities Service
- (d) Below Base of Pennsylvania: Borne 1 and 1/3 by Gulf, 1/3 by Phillips, 1/3 by Cities Service
- (d) Production Payment of \$750 per acre out of 5.00% of all production: Owned by Childress Royalty Company 2/5;  
Paul Childress 1/5; E. H. Ward, Executor of the Will of Julia Brainard, Deceased, 1/5;  
Tom L. Ingram 1/10; Eugene E. Nearburg 1/20; Anna A. Nearburg 1/20.
- (e) Borne entirely by Cities Service
- (f) Borne entirely by Cities Service

The Working Interest Owner and Percentage of Interest for Tract No. 3 and 5 are as determined under pending assignment of all of the interest in said tracts held by Wilshire Oil Company of Texas

GEOLOGICAL REPORT TO ACCOMPANY  
APPLICATION FOR DESIGNATION OF  
WILLOW DRAW UNIT AREA, EDDY  
COUNTY, STATE OF NEW MEXICO

LOCATION:

The proposed unit is in the southwest quadrant of Township 20 South, Range 26 East, which includes sections 19, 20, 29, 30, 31, and 32 approximately eleven miles northwest of the Carlsbad townsite in Eddy County, New Mexico. Exhibit I shows the location of the Willow Draw Unit outline and the nearby established units of the general area.

ACCUMULATION:

Entrapment of oil and gas in producing objectives in the surrounding area is confined to 1) carbonate build-ups (limestone and dolomite) in upper Pennsylvanian and lower Permian objectives (Wolfcamp-Cisco-Canyon-Strawn) and, 2) sandstone lenses of lower Pennsylvanian age (Atoka series --- Atoka-Bend-Morrow).

Structurally, the established producing areas are defined by regional contour as terraces or noses. Structural terraces denote a favorable carbonate sequence in the upper limestone objectives, as well as, a cleaner sedimentary environment for the lower Pennsylvanian sandstone objectives. Sections penetrated off-structure, or down-dip from the terraces, reveal an argillaceous (dirty-non-porous) carbonate sediment in the upper objectives and a shale-out facies in the lower sandstone pay equivalents. Development of porosity and permeability of objective pay zones is directly controlled by structural terracing in close conjunction to the paleo sedimentary environment. Exhibit II depicts structural terracing --- Exhibit III indicates the paleo sedimentary environment. Exhibit III-A denotes the combined interpretation of Exhibits II and III.

The above trapping conditions are exemplified by the producing areas of Indian Hills, eight miles southwest, and Adams Bend area, five miles northeast.

STRUCTURE AND STRATIGRAPHY:

Exhibit II depicts the prominent structural terraces of the general area and the relationship of established production to the

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
Appd.	EXHIBIT NO. <u>B</u>
CASE NO.	<u>3284</u>

terracing. It is of significance to note the similarity to structure of the Indian Hills and Adams Bend areas to that of the proposed unit area. Adjacent-south and down-dip from the proposed area, the Gulf well in section 4 was potentialized for 1.3 MMCFGPD from a poorly developed Morrow sandstone member. The Phillips test, in section 5, also penetrated poorly developed lower Pennsylvanian sands, however, 0.6 MMCFGPD was recovered from tests in an upper Atoka sandstone member. Salt water was recovered from tests in the upper Pennsylvanian carbonate sections from both wells. As shown by Exhibit II and III, the proposed area is, 1) higher structurally, where a cleaner sandstone environment can be expected from lower Pennsylvanian objectives, and 2) located at a more favorable stratigraphic position, where a thicker carbonate section of upper Pennsylvanian objectives is indicated up-dip from the above mentioned tests.

Exhibit III, an isopach from top Wolfcamp to top Atoka, is a portion of a regional study, and shows the general configuration of primary deposition of the upper carbonate sequence of lower Permian and upper Pennsylvanian time. As indicated, the regional trend or strike of the main carbonate body is to the northeast from the Indian Hills to an area adjacent-west to the Adams Bend Unit area. Significant carbonate sections were penetrated in the Adams Bend area.

The main carbonate development, as encountered at Indian Hills, is shown at an intermediate position to thickness on the isopach. In the thicker deposits northwest of Indian Hills, where a preponderance of argillaceous carbonate and shale is found in production objectives, the net pay zones are poorly developed, by comparison to equivalent sections at Indian Hills. This condition is further exemplified by comparison of initial potential field tests of the two areas. A similar paleo sedimentary condition exists southeast of Indian Hills and in local re-entrants where a thinner section of carbonate was deposited. Note the similarity of sedimentary environmental conditions at the proposed area to that of the Indian Hills area.

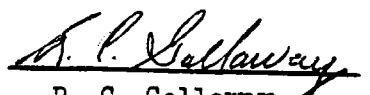
Exhibit III-A (overlay), a combined interpretation of Exhibits II and III, indicates a mean average of an area most favorable to both

structural terracing and stratigraphic environmental conditions, with respect to the known producing objectives at Indian Hills.

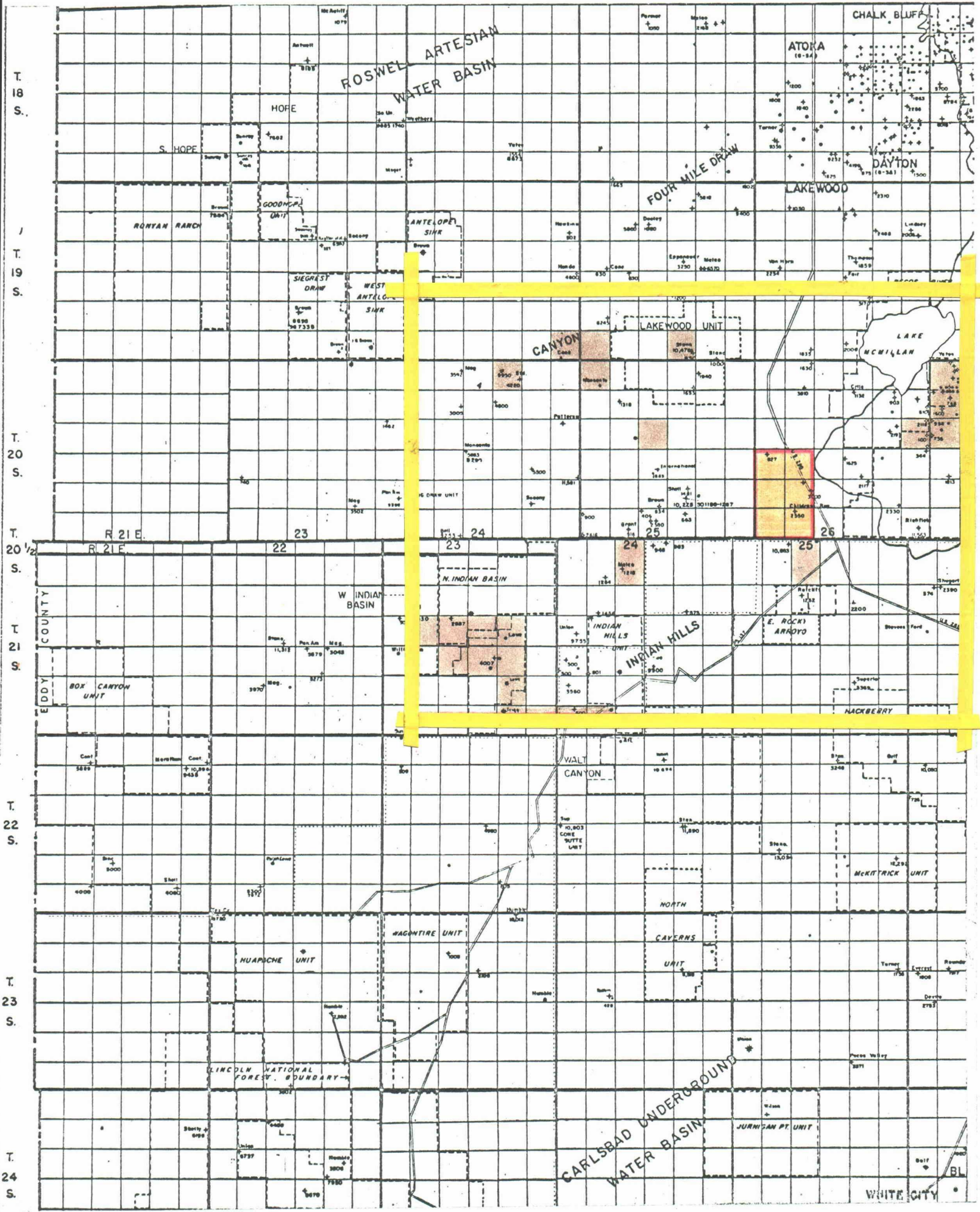
Geophysical methods are not included in this study. Although a gravity interpretation indicates a minimum in the general area, local structure cannot be defined. Reflection seismic data is unreliable because of the abrupt facies changes from carbonate to clastic sediment, which occurs throughout the Permian and Pennsylvanian systems in this area.

The following tabulation indicates the expected pre-Leonard (Permian) stratigraphic sequence to be encountered, and the approximate depths to the most significant objectives. It is expected that the initial test will be drilled to a depth to test all lower Pennsylvanian objectives --- not to exceed a depth of 10,500 feet.




<u>SYSTEM</u>	<u>SERIES OR GROUP</u>	<u>FORMATION</u>	<u>APPROXIMATE DEPTH</u>
Permian	Wolfcamp	Wolfcamp	7150 feet
Pennsylvanian	Virgil	Cisco	7850 feet
Pennsylvanian	Des Moines	Strawn	8300 feet
Pennsylvanian	Atoka	Atoka	8900 feet
Pennsylvanian	Atoka	Morrow	9550 feet
Mississippian	Osage	Mississippian limestone	10,300 feet

  
R. C. Gallaway  
Consulting Geologist  
May 1965





**EXHIBIT 1**

-  WILLOW DRAW UNIT
-  ESTABLISHED UNITS
-  ESTABLISHED PENNSYLVANIAN PRODUCING AREAS

R 26 E

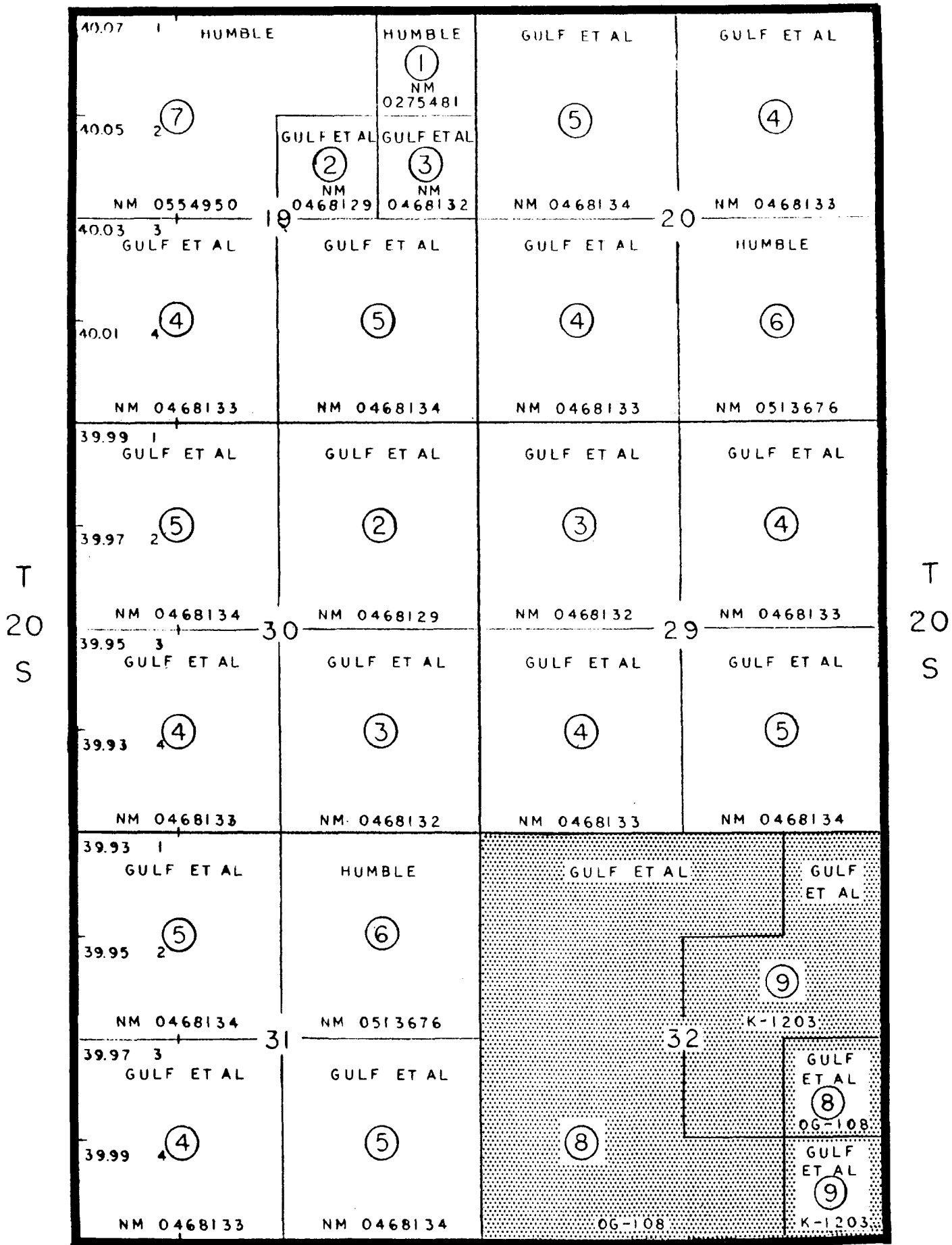




EXHIBIT "A"  
WILLOW DRAW UNIT AREA  
EDDY COUNTY, NEW MEXICO

- LEGEND -

	FEDERAL LAND	3,199.84 Ac.	83.33%
	STATE LAND	640.00 Ac.	16.67%
		<u>3,839.84 Ac.</u>	<u>100.00%</u>

BOUNDARY UNIT AREA  
TRACT NO. FROM EXHIBIT "B"

June 7, 1965

## EXHIBIT "B" - WILLOW DRAW UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 1

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty or Application	Record Owner of Lease	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
<u>FEDERAL LANDS</u>							
<u>T. 20 S., R. 26 E.</u>							
1	Sec. 19: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	NM 0274581 6-1-62 10 years	U.S.A. 12 $\frac{1}{2}$ % All	Humble Oil & Refining Company	F. J. Bradshaw 5.000%	Humble Oil & Refining Company All
2	Sec. 19: SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 30: NE $\frac{1}{4}$	200.00	NM 0468129 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Wilshire Oil Company of Texas	(a) Tracy P. Clark (b) Robert E. Boling (c) Foster Morrell (d) Prod. Payment 0.125% 0.125% 2.000% 5.000%	Gulf Oil Corporation Phillips Petroleum Company *Cities Service Oil Company 2/3 1/6 1/6
3	Sec. 19: SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 29: NW $\frac{1}{4}$ Sec. 30: SE $\frac{1}{4}$	360.00	NM 0468132 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Phillips Petroleum Company 1/2 *Cities Service Oil Company 1/2	Same as Tract 2	Gulf Oil Corporation Phillips Petroleum Company Cities Service Oil Company 2/3 1/6 1/6
4	Sec. 19: Lots 3, 4, NE $\frac{1}{4}$ , SW $\frac{1}{4}$ Sec. 20: NE $\frac{1}{4}$ , SW $\frac{1}{4}$ Sec. 29: NE $\frac{1}{4}$ , SW $\frac{1}{4}$ Sec. 30: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 31: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$	1,119.88	NM 0468133 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Wilshire Oil Company of Texas	Same as Tract 2	Gulf Oil Corporation Phillips Petroleum Company Cities Service Oil Company 2/3 1/6 1/6
5	Sec. 19: SE $\frac{1}{4}$ Sec. 20: NW $\frac{1}{4}$ Sec. 29: SE $\frac{1}{4}$ Sec. 30: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 31: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$	959.84	NM 0468134 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Phillips Petroleum Company 1/2 Cities Service Oil Company 1/2	Same as Tract 2	Gulf Oil Corporation Phillips Petroleum Company Cities Service Oil Company 2/3 1/6 1/6

\* Cities Service Oil Company - Successor to the interests of Carper Drilling Company, Inc.

July 15, 1965

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
FEDERAL LANDS (Continued)							
T. 20 S., R. 26 E.							
6	Sec. 20: SE $\frac{1}{4}$ Sec. 31: NE $\frac{1}{4}$	320.00	**NM 0513676 5-1-64 10 years	U.S.A. 12 $\frac{1}{2}$ % All	Humble Oil & Refining Company	E. F. Johnsen Production Payment of \$750 per acre out of 5.00%	Humble Oil & Refining All Company
7	Sec. 19: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$	200.12	NM 0554950 10-1-64 10 years	U.S.A. 12 $\frac{1}{2}$ % All	Humble Oil & Refining Company	Eva M. Jones 5.00%	Humble Oil & Refining All Company
TOTAL FEDERAL LANDS - 3,199.84 acres							

STATE LANDS

T. 20 S., R. 26 E.							
8	Sec. 32: W $\frac{1}{2}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	440.00	OG-108 8-21-56 10 years	State of New Mexico 12 $\frac{1}{2}$ % All	Phillips Petroleum Company	None	To Base of Pennsylvanian Phillips Petroleum 1/2 Company Gulf Oil Corporation 1/2 Below Base of Pennsylvanian Phillips Petroleum Company All
9	Sec. 32: E $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$	200.00	K-1203-2 2-21-61 10 years	State of New Mexico	Cities Service Oil Company	(e)Tracy P. Clark (f)Robert E. Boling 0.25% 0.25%	Cities Service Oil 1/2 Company Gulf Oil Corporation 1/2
TOTAL STATE LANDS - 640.00 acres							

July 15, 1965

\*\* Lease contains Bureau of Reclamation stipulation

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner		Record Owner of Lease or Application	Overriding Royalty Owner and Percentage		Working Interest Owner and Percentage of Interest
				Percentage of Royalty	Percentage		Owner and Percentage	Percentage	

R E C A P I T U L A T I O N

<u>Land</u>	<u>Acreage</u>	<u>Percentage</u>
Federal	3,199.84	83.33%
State	<u>640.00</u>	<u>16.67%</u>
Totals	3,839.84	100.00%

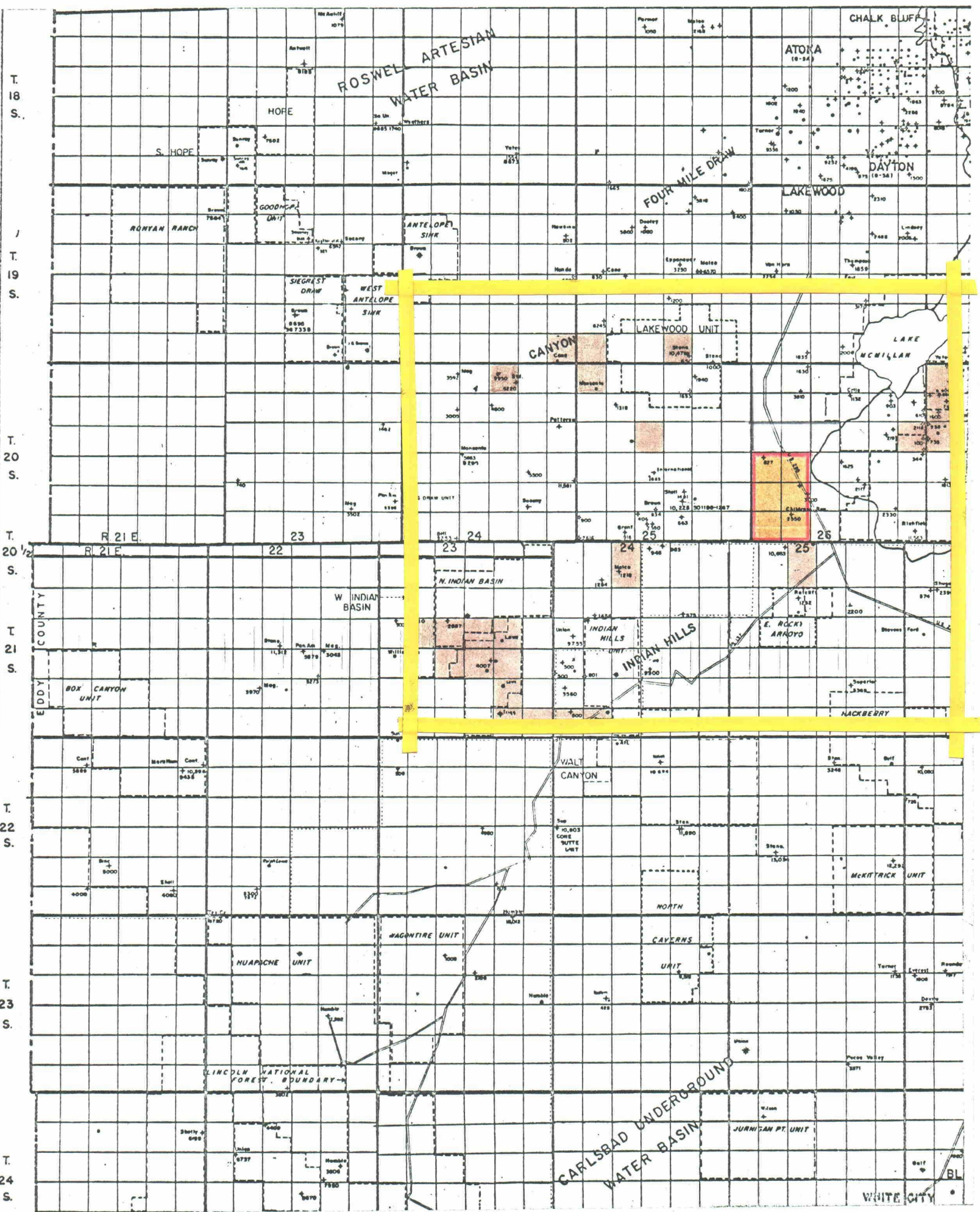
## FOOTNOTES:

- (a) To Base of Pennsylvania only: Borne 1/2 by Gulf, 1/2 by Cities Service  
(b) To Base of Pennsylvania only: Borne 1/2 by Gulf, 1/2 by Cities Service  
(c) To Base of Pennsylvania: Borne 1 and 1/3 by Gulf, 1/12 by Phillips, 7/12 by Cities Service  
Below Base of Pennsylvania: Borne 1 and 1/3 by Gulf, 1/3 by Phillips, 1/3 by Cities Service  
(d) Production Payment of \$750 per acre out of 5.00 % of all production: Owned by Paul Childress and Childress Royalty Company 60%; E. H. Ward, Executor of the Will of Julia Brainard, Deceased, 20%; Eugene E. Nearburg 10%; Tom L. Ingram 10%  
(e) Borne entirely by Cities Service  
(f) Borne entirely by Cities Service




The Working Interest Owner and Percentage of Interest for Tract No. 2, 3, 4 and 5 are as determined under pending assignment of all of the interest in said tracts held by Wilshire Oil Company of Texas.

Upon completion of the initial test well Humble Oil & Refining Company, through Foster Morrell, acquires one-half (1/2) of the interest presently held by Gulf Oil Corporation, Phillips Petroleum Company and Cities Service Oil Company in accordance with agreements with those companies.





# EXHIBIT 1

-  WILLOW DRAW UNIT
-  ESTABLISHED UNITS
-  ESTABLISHED PENNSYLVANIAN PRODUCING AREAS



# EXHIBIT III

## ISOPACH MAP

100 foot contour

TOP WOLF CAMP LIMESTONE TO  
TOP ATOKA SANDSTONE MEMBER

### ESTABLISHED PRODUCTION

- PERMIAN-WOLF CAMP
- PENN-CISCO
- PENN-STRAWN
- PENN-ATOKA SANDS

### SIGNIFICANT SHOW

COLOR SAME AS FM. ABOVE

### INITIAL POTENTIAL TEST

1.1mm (MMCGPD--GAS)  
F-100 (BBL'S. OIL PER DAY)

R. C. Galloway  
Consulting Geologist  
513 West McGaffey  
Roswell, New Mexico

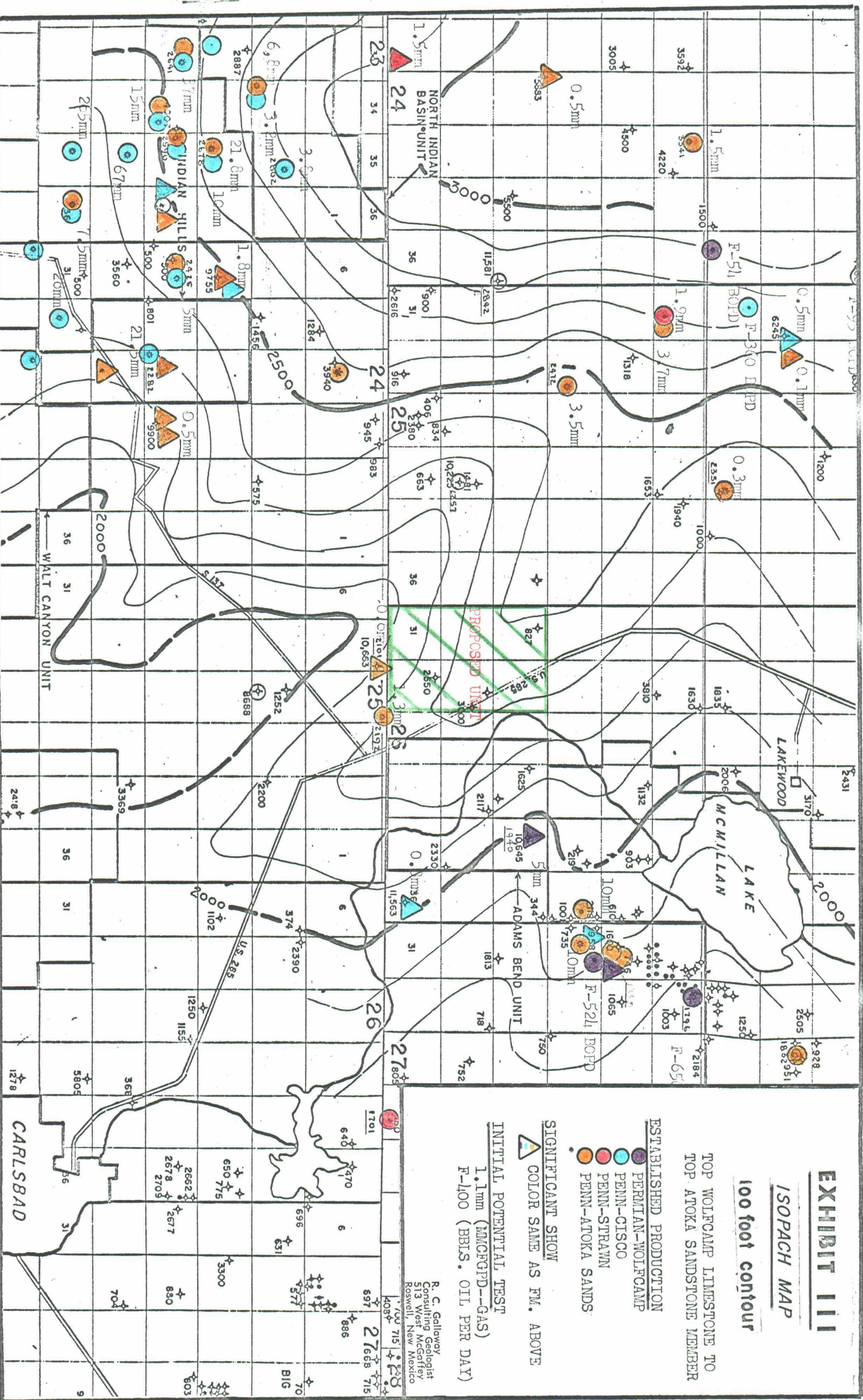




EXHIBIT III-A

COMBINED INTERPRETATION

MOST FAVORABLE AREAS OF  
STRUCTURE AND STRATIGRAPHY





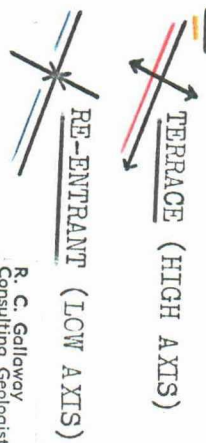
# EXHIBIT II

## STRUCTURE CONTOUR MAP

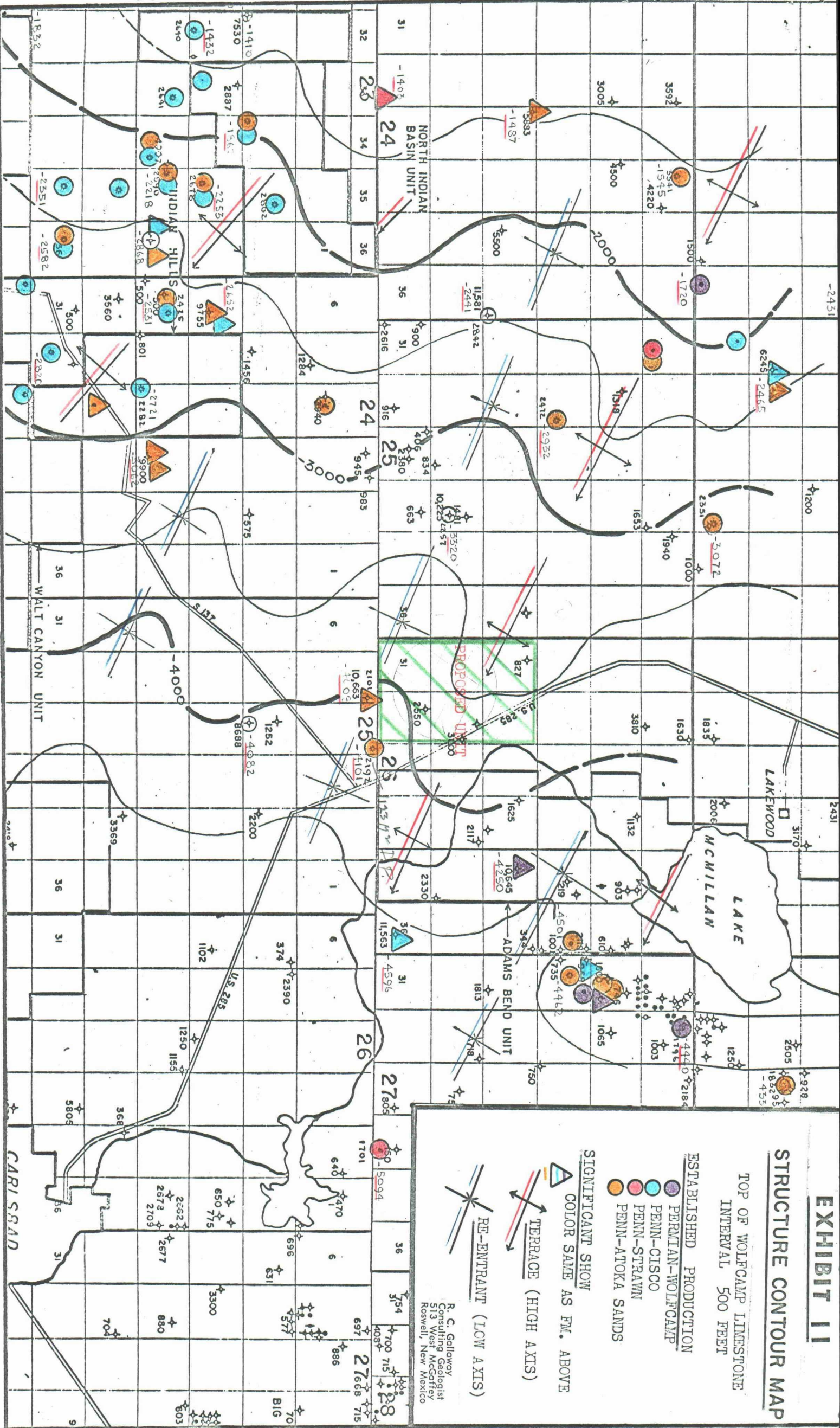
TOP OF WOLF CAMP LIMESTONE  
INTERVAL 500 FEET

- ESTABLISHED PRODUCTION
- PERRIAN-WOLF CAMP
  - PENN-CISCO
  - PENN-STRAWN
  - PENN-ATOKA SANDS

SIGNIFICANT SHOW  
COLOR SAME AS FM. ABOVE



R. C. Galloway  
Consulting Geologist  
513 West McGoffey  
Roswell, New Mexico



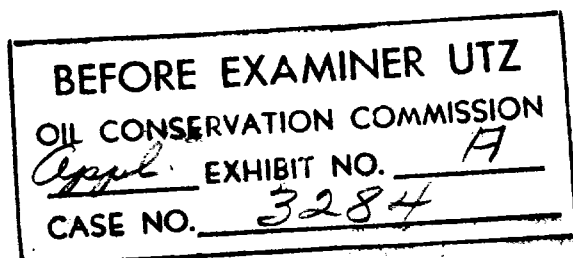
UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
WILLOW DRAW UNIT AREA  
COUNTY OF EDDY  
STATE OF NEW MEXICO

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EXHIBITS

Exhibit "A" - Map of Unit Area  
Exhibit "B" - Schedule of Ownership in Lands



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UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
WILLOW DRAW UNIT AREA  
COUNTY OF EDDY  
STATE OF NEW MEXICO

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EXHIBITS

- Exhibit "A" - Map of Unit Area  
Exhibit "B" - Schedule of Ownership in Lands

**CONFORMED COPY**



UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
WILLOW DRAW UNIT AREA  
COUNTY OF EDDY  
STATE OF NEW MEXICO

NO. 14-08-0001-8714

THIS AGREEMENT, entered into as of the 2nd day of August, 1965 by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

W I T N E S S E I H:

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

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

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

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Art. III, Ch. 65, Vol. 9, part 2, Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

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

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

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

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

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

T. 20 S., R. 26 E., N.M.P.M.

Sections 19, 20: All

Sections 29, 30: All

Sections 31, 32: All

containing 3,839.84 acres, more or less

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

than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor," or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner," and not less than six (6) copies of the revised exhibits shall be filed with the Supervisor, and two (2) copies thereof shall be filed with the Land Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Conservation Commission."

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director," or on demand of the Land Commissioner, but only after preliminary concurrence by the Director and the Land Commissioner shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, the Land Commissioner and the Conservation Commission and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the Land Commissioner and the Conservation Commission evidence of mailing of the

notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

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

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

"Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director and the Land Commissioner. The unit operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and the Land Commissioner and promptly notify all parties in interest.

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

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

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

4. UNIT OPERATOR. Humble Oil & Refining Company, with offices in Houston, Texas, is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in it and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.



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

Unit Operator shall have the right to resign in like manner and subject to like limitations, as above provided, at any time a participating area established hereunder is in existence, but, in all instances of resignation or removal, until a successor unit operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of unit operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

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

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation

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

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator; Provided, that, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until:

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

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the

Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Land Commissioner, prior to approval of this unit agreement by the Director.

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

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on Federal land or by the Land Commissioner if on State Land, or by the Conservation Commission if on privately owned land, if any, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Morrow Formation of Pennsylvanian Age has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land, of the Land Commissioner if on State land, or of the Conservation Commission if on privately owned land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 10,500 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the Land Commissioner if on State land or the Conservation Commission if on privately owned land or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Land Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

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

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources.

Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Land Commissioner.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Land Commissioner

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

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

appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and the Land Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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

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

Whenever it is determined, subject to the approval of the Supervisor, as to wells drilled on Federal land and of the Land Commissioner as to wells drilled on State land and the Conservation Commission as to wells on privately

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

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



of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS.

Any party or parties hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, the Land Commissioner as to State land, and the Conservation Commission as to privately owned land, and subject to the non-conflicting provisions of the Unit Operating Agreement, at such party's or parties' sole risk, costs, and expense drill a well at such location on such land to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

14. ROYALTY SETTLEMENT. The United States, the State of New Mexico and other royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any

tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

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

were a single consolidated lease.

Royalty due the State of New Mexico shall be computed and paid on the basis of the amounts allocated to unitized State land as provided herein at the rate specified in the State oil and gas lease.

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

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

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

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

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

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells or land not subject to this agreement, or, with the prior consent of the

Director and the Land Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor as to Federal leases and the Land Commissioner as to State leases.

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

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

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Land Commissioner,

or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term

provided therein as to the lands committed hereto until the termination hereof, subject to the provisions of subsection (e) of Section 2, and subsection (i) of this Section 18.

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

(i) 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 the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the Lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

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

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

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

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

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

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

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Land Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Conservation Commission.

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

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay



or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Conservation Commission, agree that all powers and authority vested in the Conservation Commission in and by any provisions of this agreement are vested in the Conservation Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

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

25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to

assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

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

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 301 (1) to (7) inclusive, of Executive Order 10925, as amended, (28 FR 6485), which are hereby incorporated by reference in this agreement.

28. RECLAMATION LANDS. Nothing in this agreement shall modify the special, Federal-lease stipulations applicable to lands under the jurisdiction of the Bureau of Reclamation.

29. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds

of the State of New Mexico shall be deposited as directed by the Land Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

30. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Land Commissioner and the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Land Commissioner of duly executed counterparts of all or any papers

necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director or the Land Commissioner, provided, that as to State lands all subsequent joinders must be approved by the Land Commissioner.

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

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

UNIT OPERATOR AND WORKING INTEREST OWNER

Date: August 23, 1965

P. O. Box 1600  
Midland, Texas 79701

HUMBLE OIL & REFINING COMPANY

By Bill R. Payne  
Attorney-in-Fact

APPROVED	
Desc.	<u>OK</u>
Acreage	<u>OK</u>
Int.	<u>OK</u>
Form	<u>OK</u>
Accig.	
Prod.	<u>OK</u>
Trade	<u>OK</u>

OTHER WORKING INTEREST OWNERS

Date: \_\_\_\_\_

P. O. Box 1938  
Roswell, New Mexico 88201

GULF OIL CORPORATION, a Pennsylvania corporation

By \_\_\_\_\_  
Attorney-in-Fact

ATTEST:

\_\_\_\_\_  
Assistant Secretary

Date: \_\_\_\_\_

Cities Service Building  
Bartlesville, Oklahoma 74004

CITIES SERVICE OIL COMPANY

By \_\_\_\_\_  
Attorney-in-Fact

Date: \_\_\_\_\_

P. O. Box 791  
Midland, Texas 79701

PHILLIPS PETROLEUM COMPANY

By \_\_\_\_\_  
Vice-President

ATTEST:

\_\_\_\_\_  
Secretary

STATE OF Texas )  
COUNTY OF Midland )

The foregoing instrument was acknowledged before me this 23<sup>th</sup> day  
of August, 1965, by Bill R. Payne, Attorney-in-Fact

of HUMBLE OIL & REFINING COMPANY, a Delaware corporation, on behalf of said  
corporation.

Sheila A. De Voy  
Notary Public in and for

My Commission Expires: June 1, 1967

Midland County, Texas  
SHEILA A. DeVOY - Notary Public  
Midland County, Texas

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 1965, by \_\_\_\_\_, Attorney-in-Fact  
of GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said  
corporation.

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 1965, by \_\_\_\_\_, Attorney-in-Fact  
of CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said  
corporation.

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 1965, by \_\_\_\_\_, Vice President  
of PHILLIPS PETROLEUM COMPANY, a Delaware corporation on behalf of said  
corporation.

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AND UNIT OPERATING AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico and also a copy of the Unit Operating Agreement for said unit area, both of which are dated August 2, 1965 and further acknowledges that the undersigned is familiar with the terms and conditions thereof. The undersigned, being the owner of certain leasehold or other interests in the lands or minerals embraced in said unit area as set forth on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of its said interests to the Willow Draw Unit Agreement and does hereby consent to said Unit Agreement and the Unit Operating Agreement and ratifies all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement, or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth opposite its signature.

Law	<i>att</i>
Serv	
Exp	
Prod	77/94

Date: SEP 8 1965

GULF OIL CORPORATION

ATTEST:

By *F. O. Mortlock*  
Attorney-in-Fact

*D. A. Rabin*  
Assistant Secretary

STATE OF NEW MEXICO )

: ss

COUNTY OF CHAVES )

The foregoing instrument was acknowledged before me this 8th day of September 1965 by F. O. MORTLOCK Attorney-in-Fact for Gulf Oil Corporation, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:

My Commission Expires August 15, 1966

*Eva Marie Cooper*  
Notary Public

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AND UNIT OPERATING AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

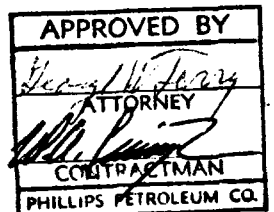
The undersigned hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico and also a copy of the Unit Operating Agreement for said unit area, both of which are dated August 2, 1965 and further acknowledges that the undersigned is familiar with the terms and conditions thereof. The undersigned, being the owner of certain leasehold or other interests in the lands or minerals embraced in said unit area as set forth on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of its said interests to the Willow Draw Unit Agreement and does hereby consent to said Unit Agreement and the Unit Operating Agreement and ratifies all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement, or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth opposite its signature.

Date: 9-8-65

PHILLIPS PETROLEUM COMPANY

By W. D. Brookley  
Vice-President



ATTEST  
Frank W. Thompson  
Assistant Secretary

STATE OF Oklahoma : ss  
COUNTY OF Washington

The foregoing instrument was acknowledged before me this 8th day of September 1965 by W. D. Brookley, Vice-President, of Phillips Petroleum Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:  
Oct 1, 1967

Alvin Cardenas  
Notary Public

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AND UNIT OPERATING AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico and also a copy of the Unit Operating Agreement for said unit area, both of which are dated August 2, 1965 and further acknowledges that the undersigned is familiar with the terms and conditions thereof. The undersigned, being the owner of certain leasehold or other interests in the lands or minerals embraced in said unit area as set forth on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of its said interests to the Willow Draw Unit Agreement and does hereby consent to said Unit Agreement and the Unit Operating Agreement and ratifies all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement, or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth opposite its signature.

Date: 9/5/65

CITIES SERVICE OIL COMPANY

By

Mark F. Payton  
Attorney-in-Fact  
Mark F. Payton

STATE OF Oklahoma )

: ss

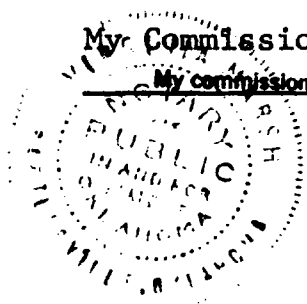
COUNTY OF Washington )

The foregoing instrument was acknowledged before me this 5<sup>th</sup> day of September 1965 by Mark F. Payton, Attorney-in-Fact for Cities Service Oil Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

My commission expires July 2, 1967

Virginia Marsh  
Notary Public





CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

337 Pierpont Ave.

F. J. Bradshaw

Salt Lake City, Utah

B. J. Bradshaw (his wife)  
Berenice J. Bradshaw

STATE OF Utah )

COUNTY OF Salt Lake )

The foregoing instrument was acknowledged before me this 2 day of September, 1965, by F. J. Bradshaw

[Signature]  
Notary Public in and for Salt Lake County, Utah  
My Commission Expires: 1-15-69

STATE OF Utah )

COUNTY OF Salt Lake )

The foregoing instrument was acknowledged before me this 2 day of September, 1965, by Berenice J. Bradshaw (his wife)

[Signature]  
Notary Public in and for Salt Lake County, Utah  
My Commission Expires: 1-15-69

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

P.O. Box 423, Midland, Texas

" " "

Mary Jane Clark  
Tracy P. Clark

STATE OF Texas )  
COUNTY OF Midland )

The foregoing instrument was acknowledged before me this 23rd day

August, 1965, by Mary Jane Clark and  
Tracy P. Clark

Patsy B. Clarke  
Notary Public in and for

My Commission Expires: June 1, 1967

Midland County, Texas

PATSY B. CLARKE  
NOTARY PUBLIC  
MIDLAND COUNTY, TEXAS

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of

\_\_\_\_\_, 1965, by \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

TR 2,34,59

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

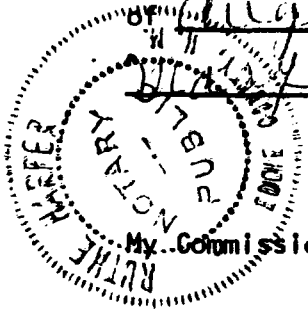
SIGNATURE

202 Carson Bldg. Robert E. Baling  
Artesia, New Mexico May 5, 1965

STATE OF New Mexico  
COUNTY OF Eddy

The foregoing instrument was acknowledged before me this 11-4 day

of August, 1965, by Robert E. Baling and  
May 5, 1965



Notary Public in and for

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of

\_\_\_\_\_, 1965, by \_\_\_\_\_  
\_\_\_\_\_.

Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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

ADDRESS

SIGNATURE

P. O. Box 1933

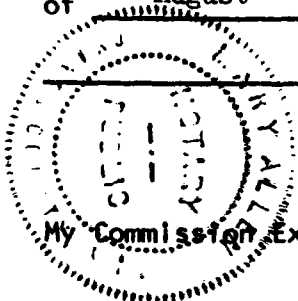
Foster Morrell

Roswell, New Mexico 88201

Edna E. Morrell

STATE OF New Mexico )  
COUNTY OF Chaves )

The foregoing instrument was acknowledged before me this 16<sup>TH</sup> day of August, 1965, by Foster Morrell and wife, Edna E. Morrell



[Signature]  
Notary Public in and for

Chaves County, New Mexico

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1965, by \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

Tr 2345

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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



ADDRESS  
ATTESTED BY: [Signature]  
Secretary  
% Trust Department  
First National Bank in Dallas  
P. O. Box 6031, Dallas 22, Texas

SIGNATURE  
CHILDRESS ROYALTY COMPANY  
BY: [Signature]  
President  
[Signature]  
Paul Childress, Individually

STATE OF MISSOURI )  
COUNTY OF JASPER )

The foregoing instrument was acknowledged before me this 2nd day  
of September, 1965, by Paul Childress, President, Childress  
Royalty Company.

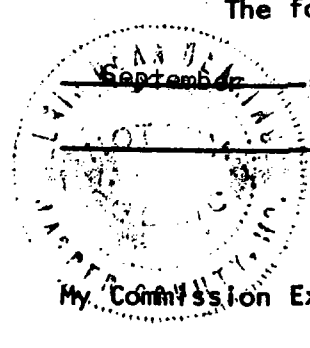


[Signature]  
Notary Public in and for

My Commission Expires: April 16, 1966 Jasper County, Missouri

STATE OF MISSOURI )  
COUNTY OF JASPER )

The foregoing instrument was acknowledged before me this 2nd day of  
September, 1965, by Paul Childress, an individual.



[Signature]  
Notary Public in and for

My Commission Expires: April 16, 1966 Jasper County, Missouri

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

100 So. Kentucky, Roswell, N.M.

Tom L. Ingram

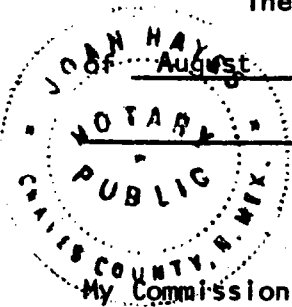
100 So. Kentucky, Roswell, N.M.

Joan L. Ingram

STATE OF New Mexico )

COUNTY OF Chaves )

The foregoing instrument was acknowledged before me this 11th day of August, 1965, by Tom L. Ingram and wife, Joan L. Ingram



Juan Hayes  
Notary Public in and for

My Commission Expires: 3/4/69

Chaves County, New Mexico

STATE OF \_\_\_\_\_ )

COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1965, by \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_ County, \_\_\_\_\_

TH. 2,3,4,5

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

P. O. Box 19598

P. O. Box 19598

STATE OF Texas

COUNTY OF Dallas

The foregoing instrument was acknowledged before me this 23 day of August, 1965, by Eugene E. Nearburg



My Commission Expires: 6/1/67

Raymond B. Priest  
Notary Public in and for

Dallas County, Texas

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1965, by \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
County, \_\_\_\_\_

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

4606 Beverly Drive

Anna A. Nearburg

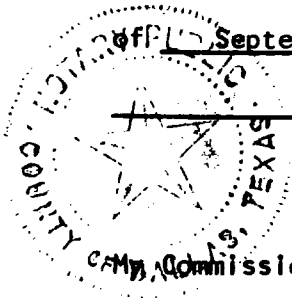
Dallas, Texas 75209

STATE OF TEXAS )

COUNTY OF DALLAS )

The foregoing instrument was acknowledged before me this 10th day

15 September, 1965, by Anna A. Nearburg, a single woman



Ray B. Puratt  
Notary Public in and for

My Commission Expires: 6-1-67 Dallas County, Texas

STATE OF \_\_\_\_\_ )

COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of

\_\_\_\_\_, 1965, by \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

Tr. 2, 3, 4, 5



# WILLOW DRAW UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

**SIGNATURE**

1532 Eleonore St., New Orleans, La.

“ ”

STATE OF Louisiana )  
 )  
 Parish of Orleans )

The foregoing instrument was acknowledged before me this 16th day of September, 1965, by E. F. Johnsen and Mrs. Edna L. Johnsen

**My Commission Expires:** at death

Notary Public in and for

Orleans Parish, Louisiana

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of

\_\_\_\_\_, 1965, by \_\_\_\_\_

**Notary Public in and for**

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

CONSENT AND RATIFICATION  
WILLOW DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Willow Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 2nd day of August 1965, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Willow Draw Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

401 Vine St. Menlo Park, Calif.

Catherine Gleichner  
E. L. Gleichner 10%

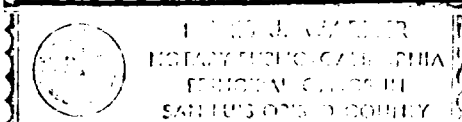
P.O. Box 456, Morro Bay, Calif.

H. Jones & Eva M. Jones  
Eva M. Jones 40%

STATE OF CALIFORNIA

COUNTY OF SAN LUIS OBISPO

The foregoing instrument was acknowledged before me this 30th day of August, 1965, by Catherine Gleichner, E. L. Gleichner, Leroy H. Jones & Eva M. Jones



Donis J. Warner  
Notary Public in and for

My Commission Expires:

DONIS J. WARNER, Notary Public, County, In and for the State of California  
My Commission Expires August 30, 1967

STATE OF

COUNTY OF

The foregoing instrument was acknowledged before me this day of 1965, by

Notary Public in and for

My Commission Expires:

County,

Tr. 7

CERTIFICATION--DETERMINATION

**14-08-0001 87 14**

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

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

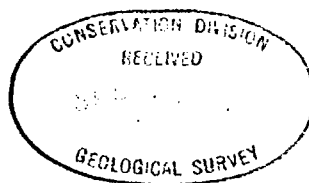
B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

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

Dated SEP 23 1965.

*William A. Baker*

**ACTING** Director, United States Geological Survey



**RECEIVED**

SEP 14 1965

U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

WILLOW DRAW UNIT  
EDDY COUNTY, NEW MEXICO

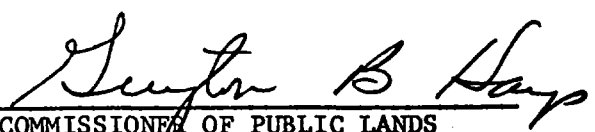
---

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 August 2, 1965, which said Agreement has been 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, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the afore-said statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 13th day of September, 19 65.

  
COMMISSIONER OF PUBLIC LANDS  
of the State of New Mexico

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 3284  
Order No. R-2952

APPLICATION OF FOSTER MORRELL  
FOR APPROVAL OF THE WILLOW DRAW  
UNIT AGREEMENT, EDDY COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 11, 1965, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 16th day of August, 1965, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Foster Morrell, seeks approval of the Willow Draw Unit Agreement covering 3839.84 acres, more or less, of State and Federal lands described as follows:

EDDY COUNTY, NEW MEXICO  
TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM  
Section 19: All  
Section 20: All  
Section 29: All  
Section 30: All  
Section 31: All  
Section 32: All

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

-2-

CASE No. 3284

Order No. R-2952

**IT IS THEREFORE ORDERED:**

- (1) That the Willow Draw Unit Agreement is hereby approved.
- (2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.
- (3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.
- (4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.
- (5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Jack M. Campbell*  
JACK M. CAMPBELL, Chairman

*Guyton B. Hays*  
GUYTON B. HAYS, Member

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

40.07 1 HUMBLE	HUMBLE ① NM 0274581	GULF ET AL	GULF ET AL
40.05 2 ⑦	GULF ET AL ② NM 0468129	GULF ET AL ③ NM 0468132	⑤
NM 0554950	19	20	NM 0468133
40.03 3 GULF ET AL	GULF ET AL	GULF ET AL	HUMBLE
40.01 4 ④	⑤	④	⑥
NM 0468133	NM 0468134	NM 0468133	NM 0513676
39.99 1 GULF ET AL	GULF ET AL	GULF ET AL	GULF ET AL
39.97 2 ⑤	②	③	④
NM 0468134	NM 0468129	NM 0468132	NM 0468133
39.95 3 GULF ET AL	GULF ET AL	GULF ET AL	GULF ET AL
39.93 4 ④	③	④	⑤
NM 0468133	NM 0468132	NM 0468133	NM 0468134
39.93 1 GULF ET AL	HUMBLE	GULF ET AL	
39.95 2 ⑤	⑥	⑨	
NM 0468134	NM 0513676	K-1203	
39.97 3 GULF ET AL	GULF ET AL	32	
39.99 4 ④	⑤	GULF ET AL ⑧ OG-108	
NM 0468133	NM 0468134	GULF ET AL ⑨ K-1203	

- LEGEND -

3,199.84 Ac.	83.33%
640.00 Ac.	16.67%
<hr/>	
3,839.84 Ac.	100.00%

June 17, 1965

## EXHIBIT "B" - WILLOW DRAW UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 1

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty or Application	Record Owner of Lease	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
<b>FEDERAL LANDS</b>							
<u>I. 20 S., R. 26 E.</u>							
1	Sec. 19: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	NM 0274581 6-1-62 10 years	U.S.A. 12 $\frac{1}{2}$ % All	Humble Oil & Refining Company	F. J. Bradshaw 5.000%	Humble Oil & Refining Company All
2	Sec. 19: SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 30: NE $\frac{1}{4}$	200.00	NM 0468129 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Gulf Oil Corporation Phillips Petroleum Company *Cities Service Oil Company	(a) Tracy P. Clark (b) Robert E. Boling (c) Foster Morrell (d) Prod. Payment 0.125% 0.125% 2.000% 5.000%	Gulf Oil Corporation Phillips Petroleum Company *Cities Service Oil Company 2/3 1/6 1/6
3	Sec. 19: SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 29: NW $\frac{1}{4}$ Sec. 30: SE $\frac{1}{4}$	360.00	NM 0468132 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Phillips Petroleum Company Cities Service Oil Company	Same as Tract 2	Gulf Oil Corporation Phillips Petroleum Company Cities Service Oil Company 2/3 1/6 1/6
4	Sec. 19: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 20: NE $\frac{1}{4}$ , SW $\frac{1}{4}$ Sec. 29: NE $\frac{1}{4}$ , SW $\frac{1}{4}$ Sec. 30: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 31: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$	1,119.88	NM 0468133 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Gulf Oil Corporation Phillips Petroleum Company Cities Service Oil Company	Same as Tract 2	Gulf Oil Corporation Phillips Petroleum Company Cities Service Oil Company 2/3 1/6 1/6
5	Sec. 19: SE $\frac{1}{4}$ Sec. 20: NW $\frac{1}{4}$ Sec. 29: SE $\frac{1}{4}$ Sec. 30: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 31: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$	959.84	NM 0468134 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Phillips Petroleum Company Cities Service Oil Company	Same as Tract 2	Gulf Oil Corporation Phillips Petroleum Company Cities Service Oil Company 2/3 1/6 1/6

\* Cities Service Oil Company - Successor to the interests of Carper Drilling Company, Inc.

August 13, 1965



## EXHIBIT "B" - WILLOW DRAW UNIT - EDDY COUNTY, NEW MEXICO

Page 2

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty or Application	Record Owner of Lease	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
FEDERAL LANDS (Continued)							
I. 20 S. R. 26 E.							
6	Sec. 20: SE $\frac{1}{4}$ Sec. 31: NE $\frac{1}{4}$	320.00	NM 0513676 5-1-64 10 years	U.S.A. 12 $\frac{1}{2}$ % All	Humble Oil & Refining Company	E. F. Johnsen Production Payment of \$750 per acre out of 5.00%	Humble Oil & Refining All Company
7	Sec. 19: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$	200.12	NM 0554950 10-1-64 10 years	U.S.A. 12 $\frac{1}{2}$ %	Humble Oil & Refining Company	Eva M. Jones E. L. Gleichner 4.00% 1.00%	Humble Oil & Refining All Company
TOTAL FEDERAL LANDS - 3,199.84 acres							
STATE LANDS							
I. 20 S. R. 26 E.							
8	Sec. 32: W $\frac{1}{2}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	440.00	OG-108-1 8-21-56 10 years	State of New Mexico 12 $\frac{1}{2}$ % All	Phillips Petroleum Company	None	To Base of Pennsylvanian Phillips Petroleum 1/2 Company Gulf Oil Corporation 1/2 Below Base of Pennsylvanian Phillips Petroleum Company All
9	Sec. 32: E $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$	200.00	K-1203-2 2-21-61 10 years	State of New Mexico	Cities Service Oil Company	(e) Tracy P. Clark (f) Robert E. Boling 0.25% 0.25%	To Base of Pennsylvanian Cities Service Oil 1/2 Company Gulf Oil Corporation 1/2 Below Base of Pennsylvanian Cities Service Oil All Company
TOTAL STATE LANDS - 640.00 acres							

August 13, 1965

\*\* Lease contains Bureau of Reclamation stipulation

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner		Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
				No.	Percentage			

R E C A P I T U L A T I O N

Land	Acreage	Percentage
Federal	3,199.84	83.33%
State	<u>640.00</u>	<u>16.67%</u>
Totals	3,839.84	100.00%

FOOTNOTES:

- (a) To Base of Pennsylvanian only: Borne 1/2 by Gulf, 1/2 by Cities Service
- (b) To Base of Pennsylvanian only: Borne 1/2 by Gulf, 1/2 by Cities Service
- (c) To Base of Pennsylvanian: Borne 1 and 1/3 by Gulf, 1/12 by Phillips, 7/12 by Cities Service
- (d) Below Base of Pennsylvanian: Borne 1 and 1/3 by Gulf, 1/3 by Phillips, 1/3 by Cities Service
- (d) Production Payment of \$750 per acre out of 5.00% of all production: Owned by Childress Royalty Company 2/5; Paul Childress 1/5; E. H. Ward, Executor of the Will of Julia Brainard, Deceased, 1/5; Tom L. Ingram 1/10; Eugene E. Nearburg 1/20; Anna A. Nearburg 1/20.
- (e) Borne entirely by Cities Service
- (f) Borne entirely by Cities Service

The Working Interest Owner and Percentage of Interest for Tract No. 3 and 5 are as determined under pending assignment of all of the interest in said tracts held by Wilshire Oil Company of Texas

## EXHIBIT "B" - WILLOW DRAW UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 1

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty or Application	Record Owner of Lease	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
<u>FEDERAL LANDS</u>							
<u>T. 20 S., R. 26 E.</u>							
1	Sec. 19: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	NM 0274581 6-1-62 10 years	U.S.A. 12 $\frac{1}{2}$ % All	Humble Oil & Refining Company	F. J. Bradshaw 5.000%	Humble Oil & Refining Company All
2	Sec. 19: SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 30: NE $\frac{1}{4}$	200.00	NM 0468129 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Wilshire Oil Company of Texas	(a) Tracy P. Clark (b) Robert E. Boling (c) Foster Morrell (d) Prod. Payment 0.125% 0.125% 2.000% 5.000%	Gulf Oil Corporation Phillips Petroleum Company *Cities Service Oil Company 2/3 1/6 1/6
3	Sec. 19: SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 29: NW $\frac{1}{4}$ Sec. 30: SE $\frac{1}{4}$	360.00	NM 0468132 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Phillips Petroleum Company *Cities Service Oil Company 1/2 1/2	Same as Tract 2	Gulf Oil Corporation Phillips Petroleum Company Cities Service Oil Company 2/3 1/6 1/6
4	Sec. 19: Lots 3, 4, NE $\frac{1}{4}$ , SW $\frac{1}{4}$ Sec. 20: NE $\frac{1}{4}$ , SW $\frac{1}{4}$ Sec. 29: NE $\frac{1}{4}$ , SW $\frac{1}{4}$ Sec. 30: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 31: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$	1,119.88	NM 0468133 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Wilshire Oil Company of Texas	Same as Tract 2	Gulf Oil Corporation Phillips Petroleum Company Cities Service Oil Company 2/3 1/6 1/6
5	Sec. 19: SE $\frac{1}{4}$ Sec. 20: NW $\frac{1}{4}$ Sec. 29: SE $\frac{1}{4}$ Sec. 30: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 31: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$	959.84	NM 0468134 2-1-50 Ext. to 10-22-65	U.S.A. 12 $\frac{1}{2}$ % All	Phillips Petroleum Company Cities Service Oil Company 1/2 1/2	Same as Tract 2	Gulf Oil Corporation Phillips Petroleum Company Cities Service Oil Company 2/3 1/6 1/6

\* Cities Service Oil Company - Successor to the interests of Carper Drilling Company, Inc.

July 15, 1965

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
FEDERAL LANDS (Continued)							
T. 20 S., R. 26 E.							
6	Sec. 20: SE $\frac{1}{4}$ Sec. 31: NE $\frac{1}{4}$	320.00	**NM 0513676 5-1-64 10 years	U.S.A. 12 $\frac{1}{2}$ % All	Humble Oil & Refining Company	E. F. Johnsen Production Payment of \$750 per acre out of 5.00%	Humble Oil & Refining Company All
7	Sec. 19: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$	200.12	NM 0554950 10-1-64 10 years	U.S.A. 12 $\frac{1}{2}$ % All	Humble Oil & Refining Company	Eva M. Jones 5.00%	Humble Oil & Refining Company All
TOTAL FEDERAL LANDS - 3,199.84 acres							

STATE LANDS

T. 20 S., R. 26 E.							
8	Sec. 32: W $\frac{1}{2}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	440.00	OG-108 8-21-56 10 years	State of New Mexico 12 $\frac{1}{2}$ % All	Phillips Petroleum Company	None	To Base of Pennsylvanian Phillips Petroleum Company 1/2
9	Sec. 32: E $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$	200.00	K-1203-2 2-21-61 10 years	State of New Mexico	Cities Service Oil Company	(e)Tracy P. Clark (f)Robert E. Boling	Gulf Oil Corporation 1/2 Below Base of Pennsylvanian Phillips Petroleum Company All
TOTAL STATE LANDS - 640.00 acres							
Cities Service Oil Company 0.25% Gulf Oil Corporation 0.25% Gulf Oil Corporation 1/2							

July 15, 1965

\*\* Lease contains Bureau of Reclamation stipulation

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner		Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
				No.	Percentage of Royalty			

R E C A P I T U L A T I O N

<u>Land</u>	<u>Acreage</u>	<u>Percentage</u>
Federal	3,199.84	83.33%
State	<u>640.00</u>	<u>16.67%</u>
Totals	3,839.84	100.00%

## FOOTNOTES:

- (a) To Base of Pennsylvanian only: Borne 1/2 by Gulf, 1/2 by Cities Service  
(b) To Base of Pennsylvanian only: Borne 1/2 by Gulf, 1/2 by Cities Service  
(c) To Base of Pennsylvanian: Borne 1 and 1/3 by Gulf, 1/12 by Phillips, 7/12 by Cities Service  
Below Base of Pennsylvanian: Borne 1 and 1/3 by Gulf, 1/3 by Phillips, 1/3 by Cities Service  
(d) Production Payment of \$750 per acre out of 5.00 % of all production: Owned by Paul Childress and Childress Royalty Company 60%; E. H. Ward, Executor of the Will of Julia Brainard, Deceased, 20%; Eugene E. Nearburg 10%; Tom L. Ingram 10%  
(e) Borne entirely by Cities Service  
(f) Borne entirely by Cities Service

The Working Interest Owner and Percentage of Interest for Tract No. 2, 3, 4 and 5 are as determined under pending assignment of all of the interest in said tracts held by Wilshire Oil Company of Texas.

Upon completion of the initial test well Humble Oil & Refining Company, through Foster Morrell, acquires one-half (1/2) of the interest presently held by Gulf Oil Corporation, Phillips Petroleum Company and Cities Service Oil Company in accordance with agreements with those companies.