

Case
3344

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
WEST VACUUM UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

Index
Preamble
Agreement Proper

Map of Unit Area.....Exhibit "A"
Tracts and Tract Participation.....Exhibit "B"

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I N D E X

Article

1	Enabling Act and Regulations
2	Definitions
3	Exhibits
4	Expansion of Unit Area
5	Unitized Land and Unitized Substances
6	Unit Operator
7	Resignation or Removal of Unit Operator
8	Successor Unit Operator
9	Accounting Provisions and Unit Operating Agreement
10	Rights and Obligations of Unit Operator
11	Equipment and Facilities not Fixtures Attached to Realty
12	Plan of Further Development and Operation
13	Participation
14	Tracts Qualified for Participation
15	Allocation of Unitized Substances
16	Balancing of Production
17	Royalty Settlement
18	Rental Settlement
19	Conservation
20	Drainage
21	Leases and Contracts Conformed and Extended
22	Covenants Run With Land

I N D E X

(Continued)

Article

23	Effective Date and Term
24	Appearances
25	Notices
26	No Waiver of Certain Rights
27	Unavoidable Delay
28	Loss of Title
29	Nonjoinder and Subsequent Joinder
30	Counterparts
31	Taxes
32	Conflict of Supervision
33	No Partnership
34	Border Agreements

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
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COUNTY OF LEA
STATE OF NEW MEXICO

THIS AGREEMENT entered into as of the first day of October, 1964, 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 T 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 Commissioner of Public Lands of the State of New Mexico is authorized by law (Volume 2, Chapter 7, Article 11, New Mexico Statutes, 1953 Annotated) to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

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

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

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

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

1. ENABLING ACT AND REGULATIONS. The oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations not inconsistent with the terms hereof or the laws of the State of New Mexico are hereby accepted and made a part of this Agreement.

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

(a) "Commission" means the Oil Conservation Commission of the State of New Mexico.

(b) "Commissioner" means the Commissioner of Public Lands of the State of New Mexico.

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

(d) "Royalty Owner" means the owner of a Royalty Interest.

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

(f) "Tract Participation" means the percentage of Unitized Substances allocated to a Tract under this agreement as shown in Exhibit "B".

(g) "Unit Area" means the land shown on Exhibit "A", and described by Tracts in Exhibit "B", containing 2,000 acres, more or less.

(h) "Unit Operating Agreement" means any agreement or agreements, whether one or more, entered into either separately or collectively by and between the Unit Operator and the Working Interest Owners, as provided in Section 9, ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT, and shall be styled "Unit Operating Agreement for the Development and Operation of the West Vacuum Unit Area, County of Lea, State of New Mexico."

(i) "Unit Participation" means the sum of all Tract Participations or portions thereof which a party is entitled to receive.

(j) "Unitized Formation" means that subsurface portion of the Unit Area including portions of the Grayburg-San Andres formations which occur between the logged depths, measured from the kelly bushing, of 4213 feet and 4750 feet in the Texaco Inc. State of New Mexico "V" Well No. 8 as shown on the Schlumberger Gamma-Neutron log of said well which is located 660 feet from the north line and 660 feet from the west line of Section 34, Township 17-South, Range 34 East, Lea County, New Mexico.

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

(l) "Working Interest" means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, carried interest or otherwise, which interest is chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing and operating the Unitized Formation. Any interest in Unitized Substances which is a Working Interest as of the date the owner thereof executes or ratifies this agreement shall thereafter be treated as a Working Interest for all purposes of this agreement.

(m) "Working Interest Owner" means a party hereto who owns a Working Interest.

(n) "Voting Interest". Each Working Interest Owner shall have a voting interest equal to its Unit Participation which is in effect at the time the vote is taken.

(o) "Unit Operator" means the Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to develop and operate the Unitized Formation, acting as operator and not as a Working Interest Owner.

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

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

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

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

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

3. EXHIBITS. Attached hereto are the following exhibits which are incorporated herein by reference:

Exhibit "A", which is a map that shows the boundary lines of the Unit Area and the Tracts therein.

Exhibit "B", which is a schedule that describes each Tract in the Unit Area and shows its Tract Participation.

3.1 Reference to Exhibits. When reference herein is made to an exhibit, the reference is to the Exhibit as originally attached or, if revised, to the latest revision.

3.2 Exhibits Considered Correct. An exhibit shall be considered to be correct until revised as herein provided.

3.3 Correcting Errors. The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the effective date hereof, should be divided into more than one Tract, or that any mechanical miscalculation has been made, Unit Operator, with the approval of Working Interest Owners and the Commissioner, may correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of an exhibit shall be effective at 7:00 a.m. on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Working Interest Owners and set forth in the revised exhibit.

3.4 Filing Revised Exhibits. If an exhibit is revised pursuant to this agreement, Unit Operator shall certify and file the revised exhibit for record in Lea County, New Mexico, and with the Commissioner.

4. EXPANSION OF UNIT AREA. The Unit Area may be expanded to include acreage reasonably proved to be productive upon such terms as may be determined by Working Interest Owners including, but not limited to the following:

(a) The acreage shall qualify under a Section of Article 14.

(b) The participation to be allocated to the acreage shall be reasonable, fair and based on all available information.

(c) There shall be no retroactive allocation or adjustment of Unit Expense or of interests in the Unitized Substances produced or proceeds therefrom; however, this limitation shall not prevent an adjustment of investment by reason of the enlargement.

4.1 Determination of Tract Participation. Unit Operator, subject to Section 13.1, shall determine the Tract Participation of each Tract within the Unit Area as enlarged and shall revise Exhibits "A" and "B" accordingly. If revision is effective as in this section provided during Phase I, the number of barrels of oil that shall determine the duration of the remainder of Phase I shall be the product of the number of barrels of oil that immediately prior to the effective date of such enlargement would have determined the duration of the remainder of Phase I and the ratio that the oil production used to determine the Phase I Participation for all Tracts which qualify for inclusion within the Unit Area as enlarged bears to the oil production used to determine the Phase I Participation for all Tracts within the Unit Area immediately prior to the effective date of such enlargement.

4.2 Effective Date. The effective date of any enlargement of the Unit Area shall be 7:00 a.m. on the first day of the calendar month following compliance with conditions for enlargement as specified by Working Interest Owners, approval by the Commissioner and the Commission, and the filing for record of revised Exhibits "A" and "B" in the records of Lea County, New Mexico.

5. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid and liquefiable hydrocarbons in the lands committed to this agreement are, as to the Grayburg-San Andres formation, unitized under the terms of this agreement (and are herein called "Unitized Substances") and said lands shall constitute lands referred to herein as "unitized land" or "land subject to this agreement."

6. UNIT OPERATOR. Texaco Inc. is hereby designated as the Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties of Unit Operator for the development and production of Unitized Substances as herein provided. Whenever reference is made herein to the "Unit Operator," such reference means the Unit Operator acting in that capacity and not as an owner of interest in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such interest is owned by it.

7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all Working Interest Owners and the Commissioner and the Commission, and until all wells then drilled hereunder are placed in satisfactory condition for suspension or abandonment, whichever is required by the Commission as to State lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by affirmative vote of at least eighty per cent (80%) of the Voting Interest remaining after excluding the voting interest of Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner.

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

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

8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, the Working Interest Owners shall, by affirmative vote of at least seventy-five per cent (75%) of the Voting Interests, select a successor Unit Operator; provided, however, that should any Working Interest Owner own a Voting Interest of more than twenty-five per cent (25%), the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by 80 per cent (80%) or more of the Voting Interests of the remaining Working Interest Owners and provided, further, that the Unit Operator shall not vote to succeed itself and its Voting Interest shall not be counted in a vote concerning its removal as the Unit Operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner may, at his election, declare this Unit Agreement terminated.

9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. All costs and expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be apportioned among, borne and paid by the Working Interest Owners, all in accordance with this agreement and the Unit Operating Agreement. The Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as they may agree upon. However, the Unit Operating Agreement shall not be deemed either to modify the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement; in case of any inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement, this agreement shall prevail. One true copy of any Unit Operating Agreement shall be filed with the Commissioner.

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

10.1 Surface Damages. Working Interest Owners shall pay the owner for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations in accordance with and as specified in the leases subject to this agreement.

11. EQUIPMENT AND FACILITIES NOT FIXTURES ATTACHED TO REALTY. All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners and is hereby excepted from the provisions of this agreement. The rights and interests therein as among Working Interest Owners are covered by the Unit Operating Agreement.

12. PLAN OF FURTHER DEVELOPMENT AND OPERATION. It is recognized and agreed by the parties hereto that the object and purpose of this agreement is to formulate and to put into effect a secondary recovery project in order to effect the optimum recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Commissioner and the Commission, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, or any other substance or a combination of any of said substances, whether produced from the Unitized Formation or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. This agreement is and shall be subject to the conservation laws of the State of New Mexico, to the valid rules, regulations and orders of the Commissioner and the Commission and to all other applicable federal, state and municipal laws, rules, regulations, and orders. The parties hereto, subject to prior rights, if any, grant to Unit Operator the use of brine or water or both from any formation in and under the Unit Area for injection into the Unitized Formation. After commencement of secondary operations, Unit Operator shall furnish the Commissioner monthly injection and production reports for each well in the Unit Area. The Working Interest Owners and the Commissioner shall be furnished periodic reports on the progress of the plan of operation and any revisions or changes thereto necessary to meet changed conditions or to protect the interests of all parties to this agreement; provided, however, that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners, the Commissioner and the Commission.

13. PARTICIPATION. In Exhibit "B" attached hereto, there are listed and numbered the various tracts within the Unit Area and set forth opposite each tract is a figure which represents the percentage

of participation allocated to each tract in the Unit Area during Phase I, and a figure which represents the percentage of participation allocated to each Tract in the Unit Area during Phase II, said Phase I and Phase II being hereinafter defined:

(a) Phase I Participation. Beginning at 7:00 a.m. on the effective date hereof and until 7:00 a.m. on the first day of the month next following the date when the cumulative oil production from the Unitized Formation underlying all of the Tracts described in Exhibit "B" from and after December 1, 1963, equals 2,679,000 barrels as determined from the official production reports filed with the Oil Conservation Commission of New Mexico, the Tract Participation of each Tract shall be equal to one hundred per cent (100%) times the ratio of barrels of oil produced from the Unitized Formation underlying such Tract to the barrels of oil produced from the Unitized Formation underlying all such Tracts during the period from June 1, 1963 to December 1, 1963, as approved by the Working Interest Owners and shown in Phase I of Exhibit "B".

(b) Phase II Participation. Beginning at 7:00 a.m. on the first day of the month following the date when the 2,679,000 barrels referred to in Section 13(a) above shall have been produced, the Tract Participation of each Tract shall be equal to one hundred per cent (100%) times the ratio of the ultimate primary oil production from the Unitized Formation underlying each such Tract to the ultimate primary oil production from the Unitized Formation underlying all such tracts, as approved by the Working Interest Owners and shown in Phase II of Exhibit "B".

13.1 Relative Tract Participations. If the Unit Area is enlarged or reduced, the revised Tract Participations of the Tracts remaining in the Unit Area and which were within the Unit Area prior to the enlargement or reduction shall remain in the same ratio one to another.

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

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

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

(c) Each Tract as to which Working Interest Owners owning less than one hundred per cent (100%) of the Working Interest have become parties to this agreement regardless of the percentage of Royalty Interest therein that is committed hereto; and as to which (a) the Working Interest Owner who operates the Tract and all of the other Working Interest Owners in such Tract who have become parties to this agreement have joined in a request for inclusion of such Tract in the Unit Area, and have tendered or executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners in the Unit Area, their successors and assigns, against all claims and demands that may be made by the owners of Working Interests in such Tract who are not parties to this agreement and which arise out of the inclusion of the Tract in the Unit Area; and as to which (b) seventy-five per cent (75%) of the combined voting interest of Working Interest Owners in all Tracts that meet the requirements of Sections 14(a) and 14(b) have voted in favor of the inclusion of such Tract and to accept the indemnify agreement. For the purpose of this Section 14(c), the voting interest of each Working Interest Owner shall be equal to the ratio that its Phase I Unit Participation attributable to Tracts that qualify under Sections 14(a) and 14(b) bears to the total Phase I Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Sections 14(a) and 14(b). Upon the inclusion of such a Tract in the Unit Area, the Unit Participation that would have been attributed to the non-subscribing owners of the Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements in proportion to their respective Working Interests in the Tract.

14.1 Revision of Exhibits. If any of the Tracts described in original Exhibit "B" fail to qualify for inclusion in the Unit Area, Unit Operator shall recompute, using the original basis of computation, the Tract Participation of each of the qualifying Tracts and shall revise Exhibits "A" and "B" accordingly. The revised exhibits shall be effective as of the effective date hereof and upon approval by the Commissioner. If revision is effected as provided in this section, the 2,679,000 barrels, referred to in Sections 13(a) and 13(b) hereof, shall be reduced to the product of 2,679,000 and the ratio that the oil production used to determine the Phase I Participation for all Tracts which qualify under this Article 14 bears to the oil production used to determine the Phase I Participation for all Tracts described in original Exhibit "B".

15. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved shall be allocated to the several tracts in accordance with the respective Tract Participations effective during the period that the Unitized Substances were produced. The amount of Unitized Substances allocated to each Tract, regardless of whether it is more or less than the actual production of Unitized Substances from the well or wells, if any, on such Tract, shall be deemed for all purposes to have been produced from such tract.

15.1 Distribution Within Tracts. The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the parties entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds therefrom, had this agreement not been entered into and with the same legal effect. If any Oil and Gas Rights in a Tract hereafter become divided and owned in severalty as to different parts of the Tract, the owners of the divided interests, in the absence of an agreement providing for a different division, shall share in the Unitized Substances allocated to the Tract, or in the proceeds there-

from, in proportion to the surface acreage of their respective parts of the Tract.

If the participation of any Oil and Gas Rights in Unitized Substances depends on the average production per well or the average pipeline runs per well on any Tract for any specified period, such average per-well production or such average per-well pipeline runs shall be determined from and after the effective date hereof by dividing the production of Unitized Substances allocated to such Tract by the number of wells located thereon which are completed in the Unitized Formation as of the effective date hereof plus the number of wells thereafter completed therein that are capable of producing Unitized Substances.

15.2 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such parties shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided that they are so constructed, maintained, and operated as not to interfere with Unit Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the receiving party. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner whose Working Interest is subject to such Royalty Interest shall be entitled to take in kind such share of the Unitized Substances.

15.3 Failure to Take in Kind. If any party fails to take in kind or separately dispose of its share of Unitized Substances Unit Operator shall have the right, for the time being and subject to revocation at will by the party owning the share, to purchase for its own account or sell to others such share at not less than the market price prevailing in the area and not less than the price Unit Operator receives for its share of Unitized Substances; provided that all contracts of sale by Unit Operator of any other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to a payee who shall distribute such proceeds to the parties entitled thereto, such payee being the Working Interest Owners of each affected Tract or a party designated by such Working Interest Owners under an agreement between such party and such Working Interest Owners. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party sixty (60) days notice of such intended sale.

15.4 Royalty on Outside Substances. If gas obtained from lands or formations not subject to this agreement is introduced into the Unitized Formation for use in pressure maintenance, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Commissioner, a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided that such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Commissioner as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this agreement.

If liquefied petroleum gases obtained from lands or formations not subject to this agreement be injected into the Unitized Formation for the purpose of increasing ultimate recovery, which shall be in conformance with a plan first approved by the Commissioner, part or all of such liquefied petroleum gases may be withdrawn royalty free pursuant to such conditions and formulas as may be prescribed or approved by the Commissioner.

15.5 Use of Unitized Substances. Working Interest Owners may use as much of the Unitized Substances as they deem necessary for Unit Operations including, but not limited to, the injection thereof into the Unitized Formation.

15.6 Royalty Payments. No royalty, overriding royalty, production, or other payments shall be payable upon, or with respect to, Unitized Substances used or consumed in Unit Operations, or which otherwise may be lost or consumed in the production, handling, treating, transportation, or storing of Unitized Substances.

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

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

17. ROYALTY SETTLEMENT. Any party receiving in kind or separately disposing of all or part of the Unitized Substances allocated to any Tract or receiving the proceeds therefrom shall be responsible for the payment thereof to the persons entitled thereto, and shall indemnify all parties hereto, including Unit Operator, against any liability for all royalties, overriding royalties, production payments and all other payments chargeable against or payable out of such Unitized Substances or the proceeds therefrom.

18. RENTAL SETTLEMENT. Rentals 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 due under their leases. Rental for lands of the State of New Mexico subject to this agreement shall be paid at the rate specified in the respective leases from the State of New Mexico.

19. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted so as to provide for the most economical and efficient recovery of such substances to prevent waste as defined by State laws or regulations.

20. DRAINAGE. Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from the committed Tract by wells on land not subject to this agreement, or, with consent of the Commissioner and pursuant to applicable regulations, pay a fair and reasonable compensatory royalty as determined by the Commissioner.

21. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons in and under 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 Commissioner as to State leases, by his approval hereof or by the approval by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and without limiting the 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 committed to this agreement, regardless of whether there is any development of any particular part of or Tract of unitized land, 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 land 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 Commissioner shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every Tract of unitized land.

(d) Each lease, sublease, or contract relating to the exploration, drilling, development, or operation for oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons 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 lease embracing lands of the State of New Mexico which is made subject to this agreement shall continue in force beyond the terms provided therein as to the lands committed hereto until the termination hereof.

(f) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to the portion committed and that portion not committed, and the terms of such lease shall apply separately as

to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease (whether within or without the Unit Area), (i) if and for so long as oil or gas is capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement; or (ii) if and for so long as some part of the lands embraced in such State lease are allocated Unitized Substances; or (iii) if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein and for so long as such operations are being diligently pursued, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all the lands embraced therein, as provided in (i) and (ii) above.

22. COVENANTS RUN WITH LAND. This agreement shall extend to, be binding upon and inure to the benefit of the respective heirs, devisees, legal representatives, successors, and assigns of the parties hereto, and shall constitute a covenant running with the lands, leases, and interests covered hereby.

22.1 Notice of Transfer. Any conveyance of all or any part of any interest owned by any party hereto with respect to any Tract shall be made expressly subject to this agreement. No change of title shall be binding on the Unit Operator, or upon any party hereto other than the party so transferring, until the first day of the calendar month next succeeding the date of receipt by Unit Operator of a photocopy or a certified copy of the recorded instrument evidencing such change in ownership.

22.2 Waiver of Rights to Partition. Each party hereto covenants that, during the existence of this agreement, it will not resort to any action to partition the Unit Area or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

23. EFFECTIVE DATE AND TERM. This agreement shall become binding upon each party as of the date such party signs the instrument by which it becomes a party hereto, and unless sooner terminated as provided in Section 23.1 shall become effective as to qualified Tracts at the time and date as determined by the Working Interest Owners in all the qualified Tracts, and set forth in a certificate filed for record by Unit Operator in Lea County, New Mexico. The certificate shall also recite the percentage of the Unit Area represented by the Tracts qualified under Article 14 and the book and page in which a counterpart of this agreement has been recorded. The certificate shall not be filed until after the following requirements have been met:

(a) Tracts comprising seventy-five per cent (75%) or more of the Unit Area as shown on the original Exhibit "A" have qualified under the provisions of Article 14.

(b) At least one counterpart of this agreement has been filed for record by Unit Operator in Lea County, New Mexico.

(c) This agreement has been approved by the Oil Conservation Commission of the State of New Mexico.

(d) This agreement has been approved by the Commissioner of Public Lands of the State of New Mexico.

23.1 Ipsa Facto Termination. If the requirements above are not accomplished on or before January 1, 1966, this agreement shall ipso facto terminate on that date (hereinafter called "termination date") and thereafter be of no further effect, unless prior thereto Working Interest Owners owning a combined Unit Participation of at least seventy-five per cent (75%) have become parties to this agreement and at least seventy per cent (70%) of the combined voting interests of such signatory parties have decided to extend the termination date for a period not to exceed twelve (12) months. If the termination date is so extended and the above requirements are not accomplished on or before the extended termination date, this agreement shall ipso facto terminate on the extended termination date and thereafter be of no further effect. For the purpose of this section, Unit Participation shall be as shown under Phase I on the original Exhibit "C" attached to the Unit Operating Agreement.

23.2 Term. The term of this agreement shall be for the time that Unitized Substances are produced in paying quantities and as long thereafter as Unit Operations are conducted without a cessation of more than ninety (90) consecutive days unless sooner terminated by Working Interest Owners in the manner herein provided.

23.3 Termination by Working Interest Owners. This agreement may be terminated with approval of the Land Commissioner by Working Interest Owners having a combined Unit Participation of at least eighty per cent (80%), as shown in Phase II of Exhibit "C" attached to the Unit Operating Agreement, whenever such Working Interest Owners determine that Unit Operations are no longer profitable or feasible and Unit Operator shall file an affidavit stating such fact and the date thereof in the records of Lea County, New Mexico.

23.4 Effect of Termination. Upon termination of this agreement, the further development and operation of the Unitized Formation as a unit shall be abandoned, Unit Operations shall cease, and thereafter the parties shall be governed by the provisions of the leases and other instruments affecting the separate Tracts.

23.5 Salvaging Equipment Upon Termination. If not otherwise granted by the leases or other instruments affecting each Tract unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after the date of termination of this agreement within which to salvage and remove Unit Equipment.

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

25. NOTICES. All notices, demands, objections, or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and delivered to the party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

26. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by 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 of New Mexico, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

27. UNAVOIDABLE DELAY. All obligations imposed by this agreement on each party, except for the payment of money, shall be suspended while compliance is prevented, in whole or in part, by a strike, fire, war, civil disturbance, act of God; by federal, state, or municipal laws, by any rule, regulation, or order of a governmental agency; by inability to secure materials; or by any other cause or causes beyond reasonable control of the party. No party shall be required against its will to adjust or settle any labor dispute. Neither this agreement nor any lease or other instrument subject hereto shall be terminated by reason of suspension of Unit Operations due to any one or more of the causes set forth in this Article.

28. LOSS OF TITLE. If a Tract ceases to have sufficient Working Interest Owners or Royalty Owners committed to this agreement to meet the conditions of Article 14 because of failure of title of any party hereto, such Tract shall be removed from the Unit Area effective as of the first day of the calendar month in which the failure of title is finally determined; however, the Tract shall not be removed from the Unit Area if within ninety (90) days of the date of final determination of the failure of title the Tract requalifies under a Section of Article 14. If a Tract should be removed as provided in this Section while Unit Participation set forth in Column I of Exhibit "B" is in effect, the 2,679,000 barrels of cumulative oil production stipulated in Sections 13(a) and 13(b) shall be adjusted by Unit Operator with approval by Working Interest Owners.

28.1 Revision of Exhibits. If a Tract is removed from the Unit Area because of the failure of title, Unit Operator, subject to Section 13.1, shall recompute the Tract Participation of each of the Tracts remaining in the Unit Area and shall revise Exhibits "A" and "B" accordingly. The revised exhibits shall be effective as of the first day of the calendar month in which such failure of title is finally determined.

28.2 Working Interest Titles. If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of the failure of title shall be governed by the Unit Operating Agreement.

28.3 Royalty Owner Titles. If title to a Royalty Interest fails but the Tract to which it relates is not removed from the Unit Area, the party whose title failed shall not be entitled to share hereunder with respect to such interest.

28.4 Production Where Title is in Dispute. If the title or right of any party claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator, at the discretion of Working Interest Owners, shall either:

(a) require that the party to whom such Unitized Substances are delivered, or to whom the proceeds therefrom are paid, furnish security for the proper accounting therefor to the rightful owner if the title or right of such party fails in whole or in part, or

(b) withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the party rightfully entitled thereto;

(c) notwithstanding any provisions contained herein to the contrary, no payments of funds due the State of New Mexico shall be withheld, but such funds shall be deposited as directed by the Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

29. NONJOINER AND SUBSEQUENT JOINER. After the effective date of this agreement, the commitment of any interest in any Tract within the Unit Area shall be upon such terms as may be negotiated by Working Interest Owners and the owner of such interest and upon approval by the Commissioner.

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

30.1 Joinder in Dual Capacity. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests that may be owned or controlled by such party.

30.2 Commitment of State Lands by Lessee of Record. No lease or portion thereof embracing lands of the State of New Mexico shall be committed hereto unless the original of this instrument, a counterpart thereof or other instrument agreeing to be bound by the provisions hereof has been signed by the lessee of record who, for the purposes of this provision, shall be the original lessee or the assignee whose assignment was last approved by the Commissioner as shown by the records in the State Land Office.

31. TAXES. The owners of (1) the surface rights of lands within the Unit Area, (2) the severed mineral or Royalty Interests in the lands, and (3) the improvements located on the lands not utilized for Unit Operations shall individually be responsible for the rendition and assessment for ad valorem tax purposes of all such property and for the payment of such taxes, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner. If any ad valorem taxes are not paid by such Owner responsible therefor when due, Unit Operator may, with approval of Working Interest Owners, at any time prior to tax sale, or expiration of period of redemption after tax sale, pay the same, redeem such property and discharge such tax liens as may arise through nonpayment. Any such payment shall be treated as an item of Unit Expense. Unit Operator shall, if possible, withhold from any proceeds derived from the sale of Unitized Substances otherwise due to any delinquent taxpayer or taxpayers an amount sufficient to defray the costs of such payment or redemption, such withholding to be credited to the joint account. Such withholding shall be without prejudice to any other remedy, either at law or in equity, which may be available for exercise by the Unit Operator or by the Working Interest Owners.

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

The parties hereto, including the Commission, agree that all powers and authority vested in the Commission and by any provisions of this contract are vested in the 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.

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

33.1 No Sharing of Market. This agreement is not intended to provide, and shall not be construed to provide, directly or indirectly, for any cooperative refining, joint sale, or marketing of Unitized Substances.

34. BORDER AGREEMENTS. Subject to the approval of the Commissioner, the Unit Operator, with concurrence of sixty-five per cent (65%) of the then Voting Interests of the Working Interest Owners, may enter into a border protection agreement or agreements with the working interest owners of lands adjacent to the committed Tracts with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interest.

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

Approved:

Terms CS J&J
Form JSR

TEXACO Inc.

UNIT OPERATOR AND WORKING INTEREST OWNER

By [Signature]
Attorney-in-Fact

STATE OF TEXAS

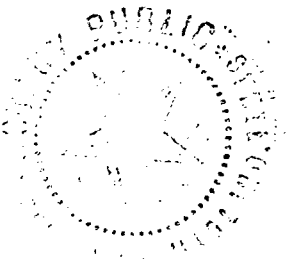
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 17 day of December, 1965, by H. J. Marshall, Attorney-in-Fact for Texaco Inc., a Delaware corporation, on behalf of said corporation.

[Signature]
Notary Public in and for Midland County, Texas.

My Commission Expires:

6-1-67



ILLEGIBLE

2304-10-11

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
WEST VACUUM UNIT
LEA COUNTY, NEW MEXICO
WATERFLOOD


EFFECTIVE JANUARY 1, 1966

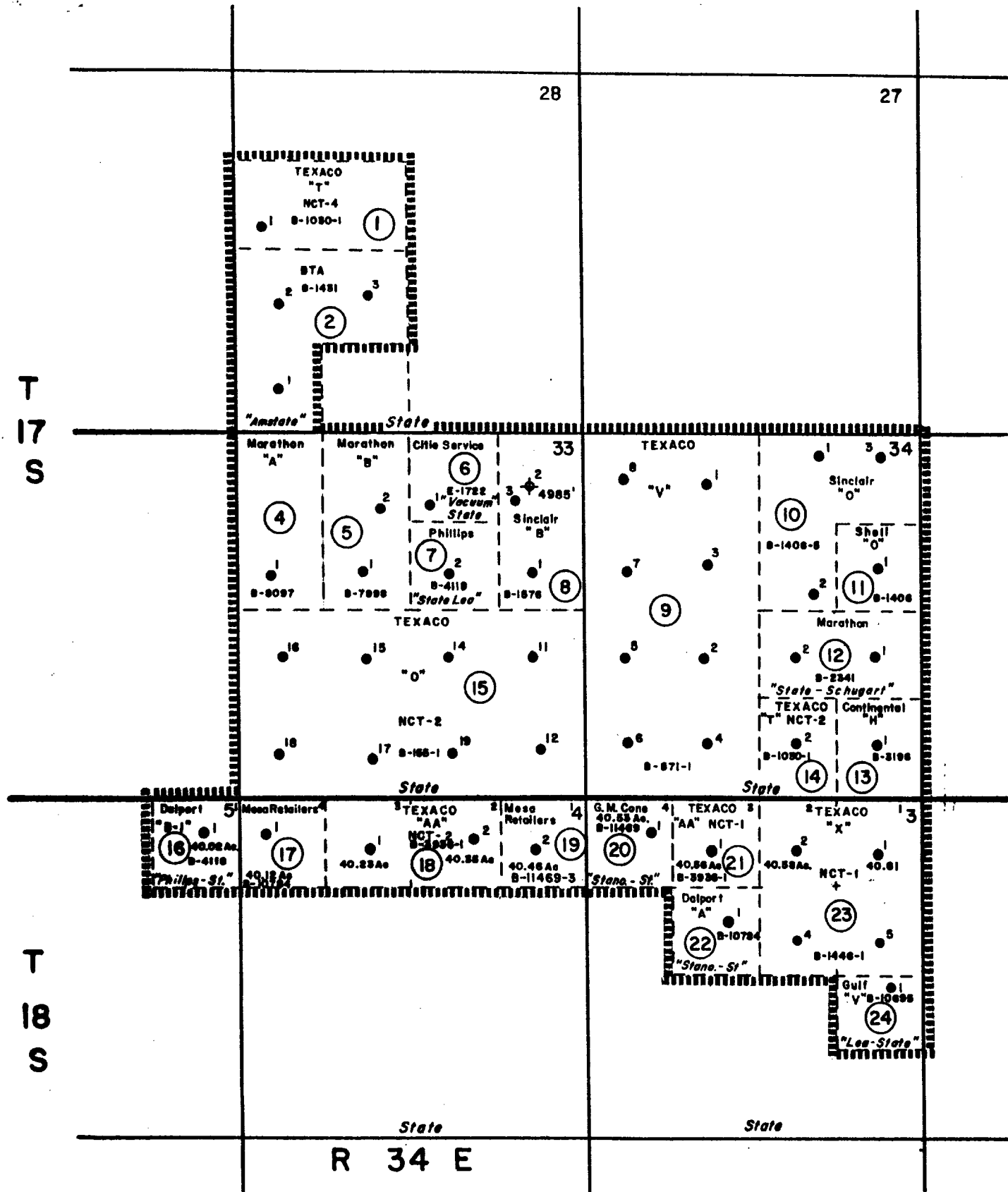
There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated OCTOBER 14, 1964, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of 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 the best interests for the best interests of the state, with respect to state lands.

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

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 22 day of DECEMBER, 19 65.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico



LEGEND

- UNIT BOUNDARY
- UNIT TRACT NUMBER

EXHIBIT A

TO
UNIT AGREEMENT
WEST VACUUM UNIT
TOTAL - 2043.46 Ac.
Lea County, New Mexico



Drawn By: JWD

Date: 4-20-65

EXHIBIT "B"
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF ALL LANDS IN THE
WEST VACUUM UNIT AREA, IEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date of Lease	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage		Percentage Unit Participation		
								Phase I	Phase II	
1	S/2 NW/4 Sec. 28, T-17S R-34E	80	B-1030-1 HBP	Texaco	0	Texaco	100.00000	1.01876	0.34397	
2	N/2 SW/4 & SW/4SW/4 Sec. 28, T17S, R34E	120	B-1431 HBP	BTA Oil	Amerada	6.2500	Carlton Beal A.K. Trobaugh M.I. Schwartz H.I. Schwartz H.D. Goldman M.D. Goldman Ernst Wolff G.N. Frank B.E. Alpern Jack Weinstein Herbert Winter G. P. Palma E.J. Horton F. T. Joyce Isaac Gordon H. H. Black R. B. Gordon R.A. Gordon W. S. Nevin E. H. Palma Winter, Wolff & Co	24.9650 24.9650 0.8000 0.8000 0.8000 0.8000 12.0000 4.0000 4.8000 3.2000 3.2000 1.6000 1.6000 1.6000 8.0000 1.6000 1.6000 1.6000 1.6000 0.7200 0.6000 0.7500 100.0000	0.99909 0.99909 0.03202 0.03202 0.03202 0.03202 0.48024 0.16008 0.19210 0.12806 0.12806 0.06403 0.06403 0.06403 0.32016 0.06403 0.06403 0.06403 0.06403 0.02881 0.02401 0.03002 4.00198	0.36400 0.36400 0.01166 0.01166 0.01166 0.01166 0.17496 0.05832 0.06999 0.04666 0.04666 0.02333 0.02333 0.02333 0.11664 0.02333 0.02333 0.02333 0.02333 0.01050 0.00875 0.01094 1.45804
4	W/2 NW/4 Sec. 33, T17S, R-34E	80	B-8097 HBP	Marathon	0	Marathon	100.00000	1.65112	2.04149	
					<u>6.2500</u>					

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date of Lease	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage		Percentage Unit Participation	
								Phase I	Phase II
5	E/2 NW/4 Sec. 33, T17S, R34E	80	B-7998 HBP	Marathon	0	Marathon	100.0000	3.08956	4.64939
6	NW/4 NE/4 Sec. 33, T17S, R34E	40	E-1722 HBP	Cities Service Oil Company Continental	0	Cities Serv. Continental	75.0000 <u>25.0000</u> 100.0000	1.10440 0.36813 <u>1.47253</u>	1.27751 0.42584 1.70335
7	SW/4 NE/4 Sec. 33, T17S, R34E	40	B-4118 HBP	Phillips	0	Phillips	100.0000	1.32642	1.64978
8	E/2 NE/4 Sec. 33, T17S, R34E	80	B-1576 HBP	Sinclair	0	Sinclair	100.0000	1.67953	2.58441
9	W/2 Sec. 34 T17S, R34E	320	B-871-1 HBP	Texaco	0	Texaco	100.0000	25.65245	25.34241
10	N/2NE/4&SW/4 NE/4, Sec. 34, T17S, R34E	120	B-1406-5 HBP	Sinclair	12.5000	Sinclair	100.0000	2.92477	5.23158
				Shell Canadian Exploration					
11	SE/4 NE/4 Sec. 34, T17S, R34E	40	B-1406 HBP	Shell	0	Shell	100.0000	1.54640	2.34472
12	N/2 SE/4, Sec. 34, T17S, R34E	80	B-2341 HBP	Marathon	0	Marathon	100.0000	3.47353	6.73713
13	SE/4 SE/4, Sec. 34, T17S, R34E	40	B-3196 HBP	Continental	0	Continental	100.0000	5.83007	5.06367
14	SW/4 SE/4, Sec. 34, T17S, R34E	40	B-1030-1 HBP	Texaco	0	Texaco	100.0000	3.74546	4.30692

Tract No.	Description	No. of Acres	Serial No. and Expiration Date of Lease	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage	Percentage Unit Participation	
							Phase I	Phase II
15	S/2 Sec. 33 T17S, R34E	320	B-155-1 HBP	Texaco	0	Texaco	100.0000	21.26245 18.27223
16	NE/4NE/4 Sec. 5, T18S, R34E	40.02	B-4118 HBP	Phillips	10.9375	Dalport Cactus Dr1g. Hudnall & Pirtle J.S. Hudnall Geo.W. Pirtle	42.1875 25.0000 14.0625 9.3750 9.3750 100.0000	0.36404 0.26112 0.21572 0.15474 0.12134 0.08704 0.08090 0.05803 0.08090 0.05803 0.86290 0.61896
17	NW/4NW/4 Sec. 4, T18S, R34E	40.12	B-10784 HBP	Mesa Retailers	3.1250 3.1250 6.2500 12.5000	Mesa Retailers Don Angle	89.1667 10.8333 100.0000	0.58702 0.50358 0.07132 0.06118 0.65834 0.56476
18	NE/4NW/4 & NW/4NE/4 Sec. 4, T18S, R34E	80.58	B-3936-1 HBP	Texaco	0	Texaco	100.0000	1.64706 1.18461
19	NE/4NE/4, Sec. 4, T18S, R34E	40.46	B-11469-3 HBP	Mesa Retailers	3.1250 3.1250 6.2500 12.5000	Mesa Retailers Don Angle	89.1667 10.8333 100.0000	0.88378 0.50303 0.10738 0.06111 0.99116 0.56414
20	NW/4NW/4 Sec. 3, T18S, R34E	40.53	B-11469 HBP	Gordon M. Cone	5.46875	G. M. Cone	100.0000	1.14540 0.88230
21	NE/4NW/4 Sec. 3, T18S, R34E	40.56	B-3936-1 HBP	Texaco	0	Texaco	100.0000	1.06909 1.88677
22	SE/4 NW/4 Sec. 3, T18S, R34E	40	B-10784 HBP	Pan American	10.9375	Dalport Oil G.W. Pirtle J.S. Hudnall W.L. Todd, Jr. W.L. Todd T.E. Todd	42.2916 8.8542 8.8542 17.5000 12.5000 10.0000 100.0000	0.42501 0.37734 0.08898 0.07900 0.08898 0.07900 0.17587 0.15614 0.12562 0.11153 0.10050 0.08923 1.00496 0.89224

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date of Lease	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest		Percentage Unit Participation	
						and Percentage		Phase I	Phase II
23	NE/4 Sec.3 T18S, R34E	161.19	B-1446-1 HBP	Texasco	0	Texasco	100.0000	12.57905	10.76535
24	NE/4SE/4 Sec.3, T18S, R34E	40	B-10695 HBP	Gulf	0	Gulf	100.0000	1.36701	0.91178
		<u>2043.46</u>				<u>100.0000</u>		<u>100.00000</u>	<u>100.00000</u>

Note: Unit contains all State acreage with a base royalty of 12.5 per cent.