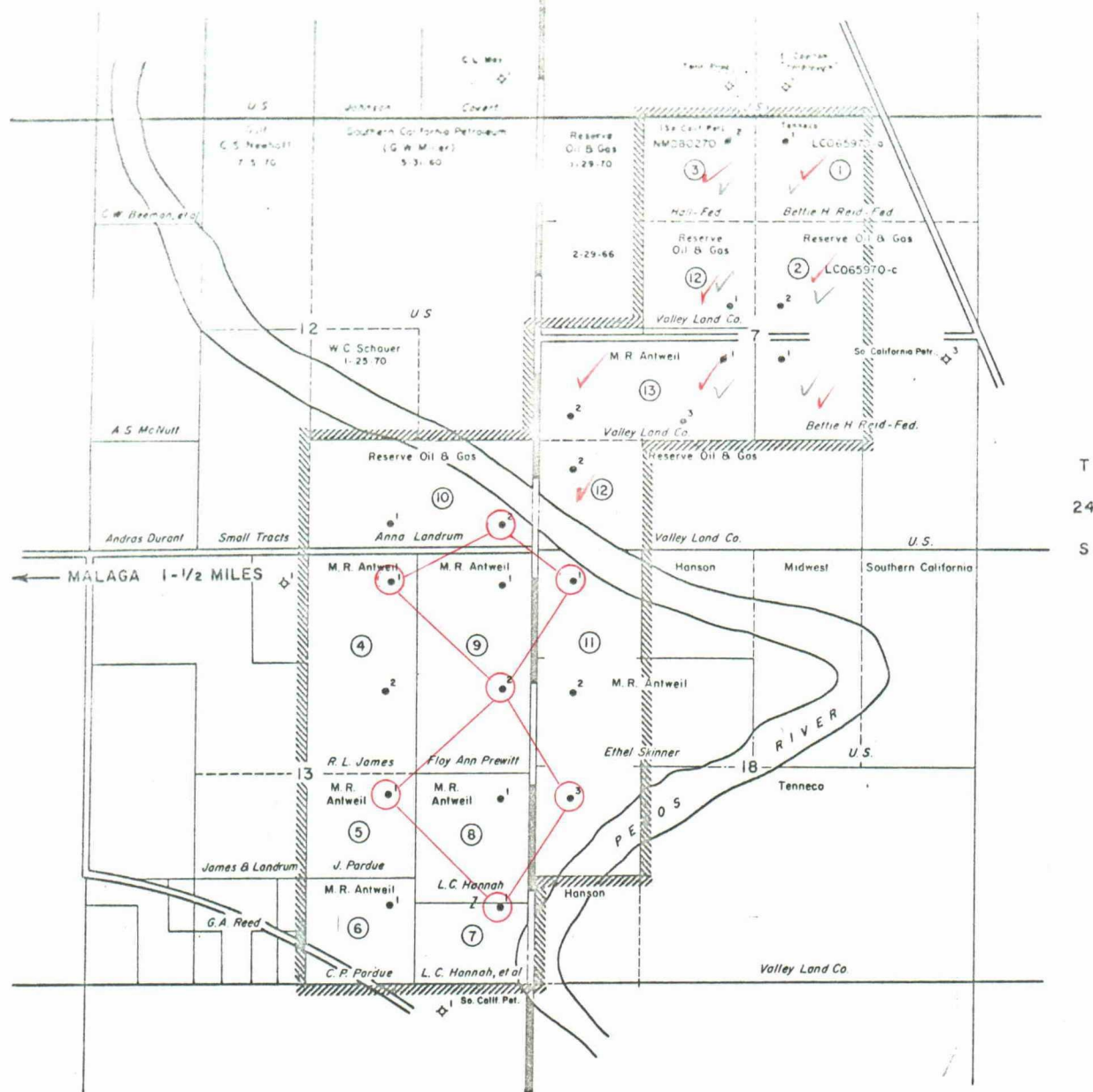


R - 28 - E

R - 29 - E



LEGEND

- Oil Well
- # Plugged & Abandoned
- ◇ Dry & Abandoned
- = County Roads
- Tract No
- /// Unit Boundary

○ PROPOSED INJECTION WELL

MORRIS R. ANTWEIL

MALAGA UNIT
EDDY COUNTY, NEW MEXICO

EXHIBIT "A"

0 500 1000 2000 3000 4000
SCALE - FEET

DATE: 2-21-66

UNIT AGREEMENT

Case 35-86

**MALAGA UNIT
EDDY COUNTY, NEW MEXICO**

**MORRIS R. ANTWEIL
P. O. BOX 2010
HOBBS, NEW MEXICO**

UNIT AGREEMENT

MALAGA UNIT

Eddy County, New Mexico

INDEX

<u>SECTION</u>		<u>PAGE</u>
1	Enabling Act and Regulations	2
2	Unit Area and Definitions	2 - 3
3	Exhibits	4
4	Expansion	5
5	Unitized Land and Unitized Substances	6
6	Unit Operator	6
7	Resignation or Removal of Unit Operator	6 - 7
8	Successor Unit Operator	8
9	Accounting Provisions and Unit Operating Agreement	8
10	Rights and Obligations of Unit Operator	9
11	Plan of Operations	9 - 10
12	Tract Participation	10 - 11
13	Tracts Qualified for Unit Participation	11 - 12
14	Allocation of Unitized Substances	12 - 13 - 14 - 15
15	Royalty Settlement	15 - 16
16	Rental Settlement	17
17	Conservation	17
18	Drainage	17
19	Leases and Contracts Conformed and Extended	17 - 18 - 19
20	Mathematical Errors	19
21	Covenants Run with Land	19
22	Effective Date, Term, and Termination	20 - 21
23	Rate of Prospecting, Development and Production	21 - 22
24	Nondiscrimination	22
25	Appearances	22
26	Notices	22
27	No Waiver of Certain Rights	22
28	Unavoidable Delay	22 - 23
29	Loss of Title	23
30	Nonjoinder and Subsequent Joinder	23 - 24 - 25
31	Counterparts	25
32	Taxes	25
33	Conflict of Supervision	25 - 26
34	Limitation of Approvals	26
35	Border Agreements	26

EXHIBIT "A" (Map of Unit Area)

EXHIBIT "B" (Schedule of Ownership)

EXHIBIT "C" (Schedule of Unit Participation)

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
MALAGA UNIT
Eddy County, New Mexico

NO. _____

THIS AGREEMENT, entered into as of the 17th day of March
1966, by and between the parties subscribing, ratifying or consenting hereto,
and herein referred to as "Parties Hereto",

W I T N E S S E T H :

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is
authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943 as
amended by Sec. 1 of Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 39, N.M.S.
1953 anno) to consent to or approve this Agreement on behalf of the State of
New Mexico, insofar as it covers and includes lands and mineral interests of
the State of New Mexico; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is
authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws of 1943, as
amended by Sec. 1, Chap. 162, Laws of 1951, Chap. 7 Art. 11, Sec. 41, N.M.S.
1953 anno) to amend with the approval of the lessee, any oil and gas lease
embracing State Lands so that the length of the term of said lease may coincide
with the term of such unitized development and operation of State lands; and,

WHEREAS, the Oil Conservation Commission of the State of New Mexico is
authorized by law (Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of
1937, Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949) to approve this
Agreement, and the Conservation provisions hereof, and,

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

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

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

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

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

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

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

(a) "Unit Area" is defined as those lands specified on Exhibit "A" hereof, and such land is hereby designated and recognized as constituting the Unit Area; the lands described in said Exhibit "A" are described as:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

EDDY COUNTY, NEW MEXICO

T-24-S, R-28-E

Section 12: S/2 SE/4
Section 13: NE/4 and SE/4

T-24-S, R-29-E

Section 7: Lot 4, NW/4 SE/4, SW/4 NE/4,
NW/4 NE/4, SE/4 NW/4, NE/4 NW/4
Lot 3 and NE/4 SW/4

Section 18: Lots 1, 2, and 3

and containing 838.24 acres, more or less.

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

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

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

(e) "Secretary" is defined as the Secretary of the Interior of the United States of America.

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

(g) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey.

(h) "Delaware Sand" is defined as, and shall mean, that heretofore established underground reservoir, a member of the Guadalupe Series, a part of the Permian System, which is found from 2700 feet to 2720 feet in the L. C. Hannah #1 Well, located in the Northeast Quarter of the Southeast Quarter (NE/4 SE/4) of Section 13, Township 24 South, Range 28 East, Eddy County, New Mexico, N.M.P.M.

(i) "Unitized Formation" is defined as that portion of the Delaware Sand effectively committed to this Agreement.

(j) "Unitized Substances" is defined and shall mean all of the oil and gas contained in or produced from the Unitized Formation.

(k) "Cumulative primary recovery" is defined as that amount of Unitized Substances, 590,802 barrels, which has been produced from the Unitized Formation underlying the said Unit area and run to the pipeline from inception of production to July 1, 1963.

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

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

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

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

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

(q) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells on the unitized land.

(r) "Unit Manager" is defined as the person or corporation appointed by the Working Interest Owners to perform the duties of the Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Section 9 (Successor Unit Operator) hereof.

SECTION 3. EXHIBITS. Exhibit "A" attached hereto is a map showing to the extent known to the Unit Operator, the Unit Area and the boundaries and identity of tracts and leases in said Unit Area. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each tract and the percentage and kind of ownership of oil and gas interests in each tract 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. Exhibit "C" attached hereto is a schedule showing to the extent known to the Unit Operator, the Tract Participation of each Tract and the Unit Participation of each Working Interest Owner in the said Unit. Exhibits "A", "B", and "C" shall be revised by the Unit Operator whenever changes render such revision necessary, and at least two copies of such revision shall be filed with the Commissioner, and not less than

six copies thereof shall be filed with the Supervisor.

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

- (a) The Working Interest Owner or owners of a tract or tracts desiring to bring such tract or tracts into this Unit, shall file an application therefor with Unit Operator requesting such admission.
- (b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the unit participation to be assigned to each such tract, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if 90 percent of the Working Interest Owners (on the basis of unit participation) have agreed to such tract or tracts being brought into the Unit, the Unit Operator shall:
 - (1) After preliminary concurrence by the Director, prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit area, the reason therefor, the basis for admission of the additional tract or tracts, the tract participation to be assigned thereto and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice; and,
 - (2) Deliver copies of said notice to the Commissioner, the Supervisor, each Working Interest Owner, Lessee and Lessor whose interests are affected, (mailing copy of such notice to the last known address of each such Owner) and to the Lessee and Lessor whose interests are proposed to be committed, advising such parties who are already committed, that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion and soliciting joinders from the owners of interests in the lands to be admitted; and,
 - (3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above and provided that objections of not more than ten percent (10%) of the Working Interest Owners have been filed thereto, with the Commissioner, Director and the Commission the following: (a) Comprehensive statement as to mailing said notice of expansion; (b) An application for such expansion in sufficient number for appropriate approval and distribution; and (c) An instrument containing the appropriate joinders in compliance with the participation requirements of Section 13 (Tracts Qualified for Unit Participation) and Section 30 (Nonjoinder and Subsequent Joinder), infra:

provided, however, if a dissenting Working Interest Owner owns more than a ten percent (10%) voting interest, it must be joinded in such dissent by at least one other Working Interest Owner.

The expansion shall, after due consideration of all pertinent information and upon approval by the Commissioner and the Director and the Commission, become effective as of the date prescribed in the notice thereof or on such other more appropriate date as set by the Commissioner, the Director, and Commission in the order or instrument approving such expansion. The revised Tract Participations of the respective tracts included within the Unit area prior to such enlargement shall remain in the same ratio one to another.

SECTION 5. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil and gas in all of the lands in the Unit area effectively committed to this Agreement, are called Unitized Substances, insofar only as the same may be found in the Delaware Sand, are unitized under the terms of this Agreement and said land shall constitute land referred to herein as "Unitized Land" or "Land Subject to this Agreement".

SECTION 6. UNIT OPERATOR. MORRIS R. ANTWEIL is hereby designated as Unit Operator, and by signing this instrument as Unit Operator, agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such an interest is owned by it.

SECTION 7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, the Commissioner and the Supervisor, and until all wells are placed in a satisfactory condition for suspension or abandonment as required by the Supervisor as to Federal lands, and the Commission as to the Fee lands, unless a new Unit Operator shall have taken over and

assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Upon default or failure in the performance of its duties or obligations hereunder, the Unit Operator may be subject to removal by affirmative vote of seventy-five percent (75%) of the committed Working Interest Owners (on the basis of Unit Participation) exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner and the Supervisor.

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

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, books, and records, materials, appurtenances and any other assets, used in conducting the Unit Operations and owned by the Working Interest Owners (including any and all data and information which it might have gained or assembled by reason of its operation of the Unit Area) to the new duly qualified successor Unit Operator or to the Unit Manager if no such new Unit Operator is elected, to be used for the purpose of conducting Unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator who resigns or is removed hereunder for any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall select a successor Unit Operator by a majority vote of the Working Interest Owners (on the basis of Unit participation), provided no Working Interest Owner who has been Unit Operator and who has been removed may vote for self-succession. 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 Commissioner and the Supervisor. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the Commissioner and the Director, at their election, may declare this Agreement terminated.

SECTION 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. Costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners, in accordance with the Unit Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated shares of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Agreement shall prevail. Two true copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Commissioner and three true copies thereof shall be filed with the Supervisor, prior to approval of this Agreement.

SECTION 10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. 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 purpose herein specified.

SECTION 11. PLAN OF OPERATIONS. It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this Agreement is to formulate and put into effect a secondary recovery project in order to effect the greatest recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto, insofar as they have the right to do so, hereby grant unto the Unit Operator the right to use so much of the surface of the unitized land as may be reasonably necessary for conducting the secondary recovery program and agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Supervisor, and the Commissioner, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil any one or more other substances whether produced from the Unit Area 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. After commencement of secondary operations, Unit Operator shall furnish the Commissioner and the Supervisor monthly, injection and production reports for

pursuant to Section 14 (Allocation of Unitized Substances).

SECTION 13. TRACTS QUALIFIED FOR UNIT PARTICIPATION. On and after the effective date hereof the tracts within the Unit Area which shall be entitled to participation in the production of Unitized Substances therefrom shall be those tracts within the Unit Area and more particularly described in said Exhibit "C" that are qualified as follows:

(a) Each and all of those tracts to which Working Interest Owners owning 100% of the Working Interest in said tract and Royalty Owners owning 100% of the Royalty Interest in said tract have subscribed, ratified or consented to this Agreement; and,

(b) Each and all of those tracts to which Working Interest Owners owning not less than 95% of the Working Interest therein and Royalty Owners owning not less than 75% of the Royalty Interest therein have executed this Agreement, and in which the Working Interest Owners in said tract who have executed this Agreement have agreed to indemnify and hold harmless all other parties hereto, in a manner satisfactory to 85% of the Working Interest Owners qualified under (a), against any and all claims and demands that may be made by the nonjoining Working Interest Owners or Royalty Owners, or both, on account of a commitment and joinder of such tract to the Unit Agreement, and operation thereof under such conditions on the basis herein provided, and to which 85% of the Working Interest Owners qualified under (a), exclusive of the Working Interest Owner submitting such tract, have approved the commitment of such tract to this Unit Agreement.

If, on the effective date of this Agreement, there is any tract or tracts which have not been effectively committed to or made subject to this Agreement by qualifying as above provided, then such tract or tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this Agreement for final approval by the Commissioner and the Director, or as soon thereafter as practicable, file a schedule of those tracts which have been committed and made subject to this Agreement and are entitled to participate in Unitized Substances. Said schedule shall set forth opposite each such committed tract the lease number or assignment number, the owner of record of the lease. The Tract Participation of such tract shall be computed according to the participation formula set out in Section 12 (Tract Participation) above. This schedule of participation shall be a part of Exhibit "C" and

DUPLICATION

more particularly described in said Exhibit "C" that are qualified as follows:

(a) Each and all of those tracts to which Working Interest Owners owning 100% of the Working Interest in said tract and Royalty Owners owning 100% of the Royalty Interest in said tract have subscribed, ratified or consented to this Agreement; and,

(b) Each and all of those tracts to which Working Interest Owners owning not less than 95% of the Working Interest therein and Royalty Owners owning not less than 75% of the Royalty Interest therein have executed this Agreement, and in which the Working Interest Owners in said tract who have executed this Agreement have agreed to indemnify and hold harmless all other parties hereto, in a manner satisfactory to 85% of the Working Interest Owners qualified under (a), against any and all claims and demands that may be made by the nonjoining Working Interest Owners or Royalty Owners, or both, on account of the commitment and joinder of such tract to the Unit Agreement, and operation thereof under such conditions on the basis herein provided, and to which 85% of the Working Interest Owners qualified under (a), exclusive of the Working Interest Owner submitting such tract, have approved the commitment of such tract to this Unit Agreement.

If, on the effective date of this Agreement, there is any tract or tracts which have not been effectively committed to or made subject to this Agreement by qualifying as above provided, then such tract or tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this Agreement for final approval by the Commissioner and the Director, or as soon thereafter as practicable, file a schedule of those tracts which have been committed and made subject to this Agreement and are entitled to participate in Unitized Substances. Said schedule shall set forth opposite each such committed tract the lease number or assignment number, the owner of record of the lease. The Tract Participation of such tract shall be computed according to the participation formula set out in Section 12 (Tract Participation) above. This schedule of participation shall be a part of Exhibit "C" and upon approval thereof by the Commissioner and the Supervisor shall become a part of this Agreement and shall govern the allocation of production of Unitized Substances until a new schedule is approved.

SECTION 14. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land

for drilling, operating, camp, and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the Unit Area in accordance with the respective tract participation effective hereunder during the respective periods such Unitized Substances were produced; as set forth in the schedule of participation in Exhibit "C". The amount of Unitized Substances so allocated to each tract, and only that amount (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such tract) shall, for all intents, uses and purposes, be deemed to have been produced from such tract.

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

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

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

The Unitized Substances allocated to each tract shall be delivered in and to the respective Working Interest Owners and parties entitled thereto by

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

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

If, after the effective date of this Agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any tract or tracts within the Unit Area not committed

hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 30 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the Unit Area as provided for in Section 29 (Loss of Title), the schedule of participation as shown in the current Exhibit "C" shall be revised by the Unit Operator and distributed to the Working Interest Owners, the Commissioner, the Supervisor, and the Director to show the new percentage participation of all the then effectively committed tracts; and the revised schedule, upon approval by the Commissioner and the Supervisor or the Director, shall govern all the allocation of production from and after the effective date thereof until the effective date of a new schedule so approved. In any such revision pursuant to Section 4 (Expansion) or after six months from the effective date of this Unit Agreement pursuant to Section 30 (Nonjoinder and Subsequent Joinder) the Tract Participation of all tracts participating prior to such revision shall remain in the same ratio one to the other. In any such revision pursuant to Section 29 (Loss of Title) or within six months from the effective date of this Unit Agreement pursuant to Section 30 (Nonjoinder and Subsequent Joinder) all Tract Participations shall be computed according to the participation formula.

SECTION 15. ROYALTY SETTLEMENT. The State of New Mexico and the United States of America and all Royalty Owners who, under existing contracts, are entitled to take in kind a share of the Unitized Substances produced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interest not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the Lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall

be computed in accordance with the terms of this Unit Agreement.

If gas obtained from lands not subject to this Agreement is introduced into the Unitized Formation, for use in repressuring, stimulation of production, or increasing ultimate recovery in conformity with a plan approved pursuant to Section 11 (Plan of Operations), a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the Unitized Formation, Royalty free as to dry gas but not as to the products extracted therefrom; provided such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and the Commissioner; and provided further that such right of withdrawal shall terminate as of the effective date of termination of the Unit Agreement.

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

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 regulations; 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 the Unitized Land were a single consolidated lease.

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

SECTION 16. RENTAL SETTLEMENT. Rentals of minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof, due under their leases. Rental for lands of the State of New Mexico subject to this Agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. Rental or minimum royalty for lands of the United States of America subject to this Agreement shall be paid at the rate specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 17. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to Federal and State laws and regulations.

SECTION 18. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from unitized land by wells on land not subject to this Agreement.

SECTION 19. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling development or operation for oil or gas on land committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Secretary and the Commissioner, respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement.

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

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

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

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

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

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

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

(g) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as that portion committed and that not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Provided, however, that notwithstanding any of the provisions of this Agreement to the contrary, such lease 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, or has heretofore been, discovered in paying quantities on some part of the lands embraced in such lease committed to this Agreement or, so long as a portion of the Unitized Substances produced from the Unit Area is, under the terms of this Agreement, allocated to the portion of the lands covered by such lease committed to this Agreement, or, at any time during the term hereof, as to any lease that is then valid and subsisting and upon which the Lessee or the Unit Operator is then engaged in bona fide drilling, reworking, or secondary recovery operations on any part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are 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.

(h) The segregation of any Federal lease committed to this Agreement is governed by the following provisions in the fourth paragraph of Sec. 17 (j) of said Act of February 25, 1920, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereinafter committed to any such plan (unit) 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 land not committed as of the effective date of unitization; provided, however, that any such lease as to the non-unitized portion shall continue in full force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities".

SECTION 20. CORRECTION OF ERRORS. It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical or clerical errors which may exist in the pertinent exhibits to this agreement; provided, however, that correction of any error other than mathematical or clerical shall be made by Unit Operator only after first having obtained approval of Working Interest Owners and the Supervisor.

SECTION 21. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this Agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owners is furnished with the original, or acceptable photostatic or certified copy of the recorded instrument of transfer.

SECTION 22. EFFECTIVE DATE, TERM, AND TERMINATION. This agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 A.M. of the first day of the month next following:

(a) The execution or ratification of this Agreement and the Unit Operating Agreement by Working Interest Owners owning a combined unit participation of at least eighty five percent (85%), and the execution or ratification of this Agreement by Royalty Owners owning a combined interest of at least seventy-five percent (75%) of the Royalty Interest, in said Unit Area, and,

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

(c) The filing of at least one counterpart of this Agreement for record in the office of the County Clerk of Eddy County, New Mexico, by the Unit Operator; and provided, further, that if (a), (b) and (c) above are not accomplished on or before July 1, 1967, this agreement shall ipso facto expire on said date (hereinafter called "expiration date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined Unit Participation of at least ninety percent (90%) committed to this Agreement have decided to extend said expiration date for a period not to exceed six (6) months (hereinafter called "extended expiration date"). If said expiration date is so extended and (a), (b), and (c) are not accomplished on or before said extended expiration date, this Agreement shall ipso facto expire on said extended expiration date and thereafter be of no further force or effect. For the purpose of this Section, ownership shall be computed on the basis of Unit Participation as determined from Exhibit "C" attached to the Unit Operating Agreement.

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

The term of this Agreement shall be for and during the term that Unitized Substances are produced in paying quantities from the Unit Area and as long thereafter as drilling, reworking or other operations (including secondary Recovery operations) are prosecuted and, if production is established or restored, as long thereafter as Unitized Substances can be produced as aforesaid thereon without cessation of more than ninety (90) consecutive days unless sooner terminated by Working Interest Owners in the manner hereinafter provided. Termination for unprofitability shall be effective as of the first day of the month after the Unit Operator determines, on confirmatory data satisfactory to the Director, that the Unit is no longer paying.

This Agreement may be terminated at any time with the approval of the Commissioner and the Director, by Working Interest Owners owning ninety (90%) of Unit Participation. Notice of any such termination shall be given by Unit Operator to all parties hereto.

Upon termination of this Agreement, the further development and operations of the Unit Area as a Unit shall be abandoned, Unit Operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts.

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

SECTION 23 RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this Agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the 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 Commission.

Powers in this Section vested in the Director shall only be exercised

after notice to the Unit Operator and opportunity for hearing to be held not less than fifteen days from notice.

SECTION 24. 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.

SECTION 25. APPEARANCES. Unit Operator shall have the right to appear for or on behalf of any and all interests affected hereby before the Commissioner, the Department, and the Commission, and to appeal from any order issued under the rules and regulations of the Commissioner, the Department, or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Commissioner, the Department, or the Commission or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

SECTION 26. NOTICES. All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 27. 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 rules 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.

SECTION 28. UNAVOIDABLE DELAY. All obligations under this Agreement requiring the Unit Operator to commence or continue secondary recovery operations

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

SECTION 29. LOSS OF TITLE. In the event title to any tract of unitized land shall fail so as to render the tract inoperable under this Agreement and the true owner cannot be induced to join 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. Thereafter, Unit Operator shall revise Exhibit "C" so as to indicate thereon only those tracts which then qualify for participation in unitized substances. Each such revised Exhibit shall be effective at 7:00 A.M. on the first day of the month next following the month in which the failure of title is finally determined. In the event of a dispute as to title as to any Royalty, Working Interest or other interest subject thereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State or Federal land or leases, no payments of funds due the State of New Mexico or the United States of America shall be withheld, but such funds shall be deposited as directed by the Commissioner or the Supervisor (as the case may be), to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

SECTION 30. NONJOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the Unit Area fails or refuses to subscribe, ratify, or consent in writing to this Agreement, the Working Interest Owner in that tract who has executed or ratified this Agreement may withdraw said tract

from this Agreement by written notice to the Director, the Commissioner, and the Unit Operator prior to the effective date of this Agreement. Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Unit Agreement.

Any oil or gas interest in the Delaware Sand not committed hereto prior to approval of this Agreement by the Director may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 13 (Tracts Qualified for Unit Participation) hereof, at any time up to the effective date hereof and for a period to and including six (6) months thereafter, on the same basis of participation as provided in said Section 13, by the owner or owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that from and after six (6) months from the effective date hereof the right of subsequent joinder as provided in this Section shall be subject to such requirements or approvals and on such basis as may be agreed upon by ninety percent (90%) of the Working Interest Owners. Such joinder by a proposed Working Interest Owner must be evidenced by his execution or ratification of this Agreement and the Unit Operating Agreement. Such joinder by a proposed Royalty Owner must be evidenced by his execution, ratification or consent of this Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such proposed Royalty Owner. Except as may be otherwise herein provided, subsequent joinder to this Agreement shall be effective at 7:00 A.M. as of the first day of the month following the filing with the Commissioner and the Supervisor of duly executed counterparts of any all documents necessary to establish effective commitment of any tract or interest

to this Agreement, unless objection to such joinder by the Commissioner or the Director is duly made within sixty (60) days after such filing.

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

SECTION 32. TAXES. Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the unitized land, provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated shares of said Unitized Substances. No such taxes shall be charged to the United States or to the State of New Mexico, nor to any Lessor who has a contract with a Lessee which requires his Lessee to pay such taxes.

SECTION 33. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the Working Interest Owners, nor any of them, shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the 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 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 in and by any provisions of this Agreement 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.

SECTION 34. LIMITATION OF APPROVALS. Notwithstanding anything herein contained to the contrary, if no Federal lands are committed to this Agreement, then no consents or approvals provided herein shall be required of the Department, the Secretary, the Director, or the Supervisor, and it shall not be necessary to file any instrument hereunder with said officers or agencies unless and until Federal lands are so committed to this Agreement; likewise, if no State Lands are committed to this Agreement, then no consents or approvals provided herein shall be required of the Commissioner, and it shall not be necessary to file any instrument hereunder with said officer unless and until State lands are so committed to this Agreement; likewise, if no fee lands are committed to this Agreement, then no consents or approvals provided herein shall be required of the Commission, and it shall not be necessary to file any instrument hereunder with said office unless and until fee lands are so committed to this Agreement.

SECTION 35. BORDER AGREEMENTS. Subject to the approval of the Supervisor and the Commissioner, the Unit Operator, with concurrence of sixty five percent (65%) of the Working Interest Owners may enter into a border-protection agreement or agreements with the working interest owners of adjacent lands along the exterior boundary of the Unit Area with respect to the operations in the border exterior boundary of the Unit Area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

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

Witness:

Robert L. Summers

Date May 27, 1966

MORRIS R. ANTWEIL

Morris R. Antweil

UNIT OPERATOR AND WORKING
INTEREST OWNER

STATE OF NEW MEXICO)
) SS
)
COUNTY OF LEA)

The foregoing instrument was acknowledged before me this 27th
day of May 1966 by, ALAN ANTWEIL as Attorney-
in-Fact for Morris R. Antweil.

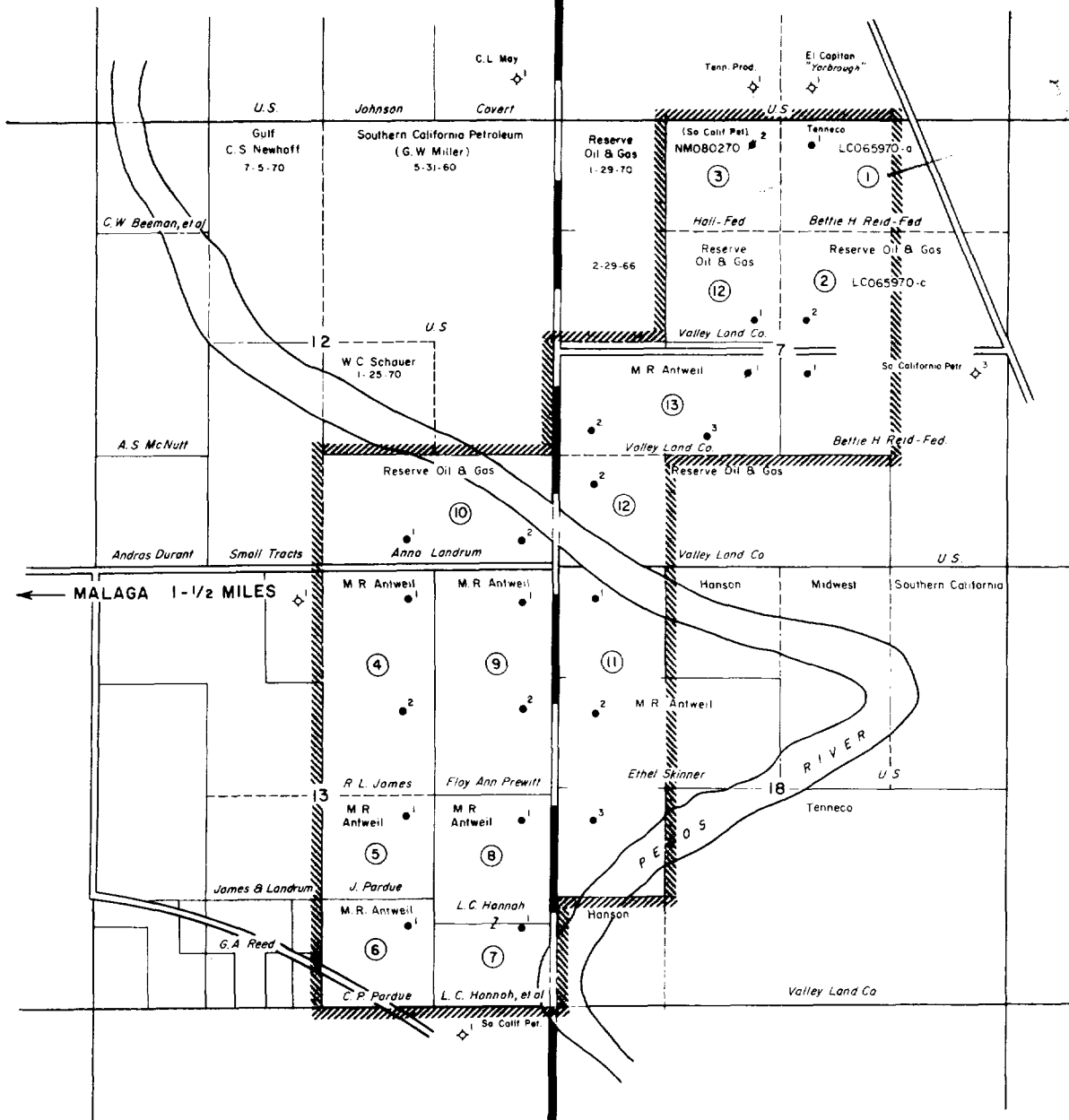
Roberta L. Summers
Notary Public in and for Lea
County, New Mexico

My Commission Expires:

5-25-68

R - 28 - E

R - 29 - E



LEGEND

- Oil Well
- Plugged & Abandoned
- ◇ Dry & Abandoned
- County Roads
- Tract No
- /// Unit Boundary

MORRIS R. ANTWEIL

MALAGA UNIT
EDDY COUNTY, NEW MEXICO

EXHIBIT "A"



DATE 2-21-66

EXHIBIT "B"
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	SERIAL NO. & LEASE DATE	BASIC ROYALTY OWNERS AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE	
Federal Lands								
T24S-R29E								
1	Section 7: NW/4 NE/4	40	LC-065970-a 3/1/51 HBP	U.S.A. All	Tennessee Gas Transmission Co.	Mabel Brunson Stanton Brunson Betty H. Reid and Busph Reid	0.50% 0.50% 1.00%	Tennessee Gas Transmission Co. 100.00%
2	Section 7: SW/4 NE/4 NW/4 SE/4	80	LC-065970-c 3/1/51 HBP	U.S.A. All	Reserve Oil & Gas Co.	Mabel Brunson Stanton Brunson Scott A. Murray Betty H. Reid and Busch Reid	0.50% 0.50% 0.50% 1.00%	Morris R. Antweil Bethol Corp. Thomas C. Carlson Consolidated Oil & Gas Co. Reserve Oil & Gas Co. 14.58% 4.69% 1.56% 37.50% 41.67%
3	Section 7: NE/4 NW/4	40	NM-080270 4/1/60 HBP	U.S.A. All	None	None	None	
3	Federal Tracts 160.00 or 19.09% of the Unit Area							
Fee Lands								
T24S-R28E								
4	Section 13: W/2 NE/4	80	Fee	Harriet James Harrison Raymond H. McDonald	Morris R. Antweil	Mary Frances Antweil Mildred Vickers Etz A. N. & Bonnie Etz Clay Fay Anna Mae Jackson Bertha Lee Wright Yates Brothers	5.50% 0.75% 1.00% 2.50% 0.50% 0.50% 1.75%	Morris R. Antweil 100.00%

EXHIBIT "B" (CONT'D)
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	SERIAL NO. & LEASE DATE	BASIC ROYALTY OWNERS AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
Federal Lands							
T24S, R28E							
5	Section 13 NW/4 SE/4	40	Fee	Ruth Guitar Alexander Laura Guitar Belcher Frances Virginia Dowling Earl B. Guitar John Guitar,Jr. Repps B. Guitar Harriet James Harrison Raymond H. McDonald O. O. Ogden C. F. and Mattie Pardue Mary Guitar Polk Virginia G. Witherspoon Catherine Guitar Woods	Morris R. Antweil - Harvey E. Yates	Mary Frances Antweil Clay Fay Mildred Vickers Etz A. N. & Bonnie Etz Anna Mae Jackson Bertha Lee Wright Harvey E. Yates	Harvey E. Yates & wife, Louise D. Yates; Martin Yates, III & wife, Lillian M. Yates, S. P. Yates & wife, Estell H. Yates; John A. Yates & wife, Peggy S. Yates Morris R. Antweil
				0.19532% 0.19531% 1.56250% 0.19532% 0.19531% 0.19531%		5.50% 2.50% 0.75% 1.00% 0.50% 1.38%	98.85% 1.15%
T24S, R28E							
6	Section 13: SW/4 SE/4	40	Fee	Ruth Guitar Alexander Laura Guitar Belcher Earl B. Guitar John Guitar,Jr. Repps B. Guitar C. P. and Mattie Pardue	Morris R. Antweil	Mary Frances Antweil Mildred Vickers Etz A. N. & Bonnie Etz Clay Fay Anna Mae Jackson Bertha Lee Wright	Morris R. Antweil
				0.78125% 0.78125% 0.78125% 0.78125% 0.78125%		5.50% 0.75% 1.00% 2.50% 0.50%	100.00%

EXHIBIT "B" (CONT'D)
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

TRACT NO.	NUMBER OF DESCRIPTION ACRES	SERIAL NO. & LEASE DATE	BASIC ROYALTY OWNERS AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNERS AND PERCENTAGE	WORKING INTEREST OWNERS AND PERCENTAGE
Tract 6 (cont'd)						
T24S, R28E						
<u>7</u>						
	Section 13: 30	Fee				
	S/2 SE/4 SE/4		Ruth G. Alexander 0.58593%	Morris R. Antweil	Mary Frances Antweil 5.50%	Morris R. Antweil 100.00%
	and S/2 N//2		Laura G. Belcher 0.58594%		Mildred Vickers Etz 0.75%	
	SE/4 SE/4		Earl B. Guitar 0.58593%		A. N. & Bonnie Etz 1.00%	
			John Guitar, Jr. 0.58594%		Clay Fay 2.50%	
			Repps B. Guitar 0.58594%		Anna Mae Jackson 0.50%	
			L. C. & Alice Hannah 1.56250%		Bertha Lee Wright 2.25%	
			C. P. & Mattie E. Purdue 4.68750%			
			Mary Guitar Polk 0.58594%			
			Guillermo & Flora Ruiz 1.56250%			
			Virginia G. Witherspoon 0.58594%			
			Catherine G. Woods 0.58594%			
8	Section 13: NE/4 SE/4 & N/2 N/2 SE/4 SE/4	50 Fee	L. C. and Alice E. Hannah	Morris R. Antweil	<i>Antweil</i> Mary Frances Antweil 5.50% Mildred Vickers Etz 0.75% A. N. & Bonnie Etz 1.00% Clay Fay 2.50% Anna Mae Jackson 0.50% Bertha Lee Wright 2.25%	Morris R. Antweil 100.00%

EXHIBIT "B" (CONT'D)
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

TRACT NO.	NUMBER OF ACRES	SERIAL NO. & LEASE DATE	BASIC ROYALTY OWNERS AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNERS AND PERCENTAGE	WORKING INTEREST OWNERS AND PERCENTAGE		
<u>T24S, R-28E</u>								
<u>9</u>	Section 13: E/2 NE/4	80	Fee	Vera Claer Bennett Tenneco Oil Co. Floy Ann Prewitt <i>Bertha Lee Wright</i>	1.25000% 2.50000% 6.25000% 2.50000%	Morris R. Antweil Antweil Mary Frances Antweil Mildred Vickers Etz A. N. & Bonnie Etz Clay Fay Anna Mae Jackson Bertha Lee Wright	5.50% 0.75% 1.00% 2.50% 0.50% 4.75% 2.25%	Morris R. Antweil 100.00%
<u>T24S, R28E</u>								
<u>10</u>	Section 12: S/2 SE/4	80	Fee	Frances Brock Anna Hoag Landrum	2.34380% 10.15620%	Reserve Oil & Gas Co. - 88.89% Morris R. Antweil 11.11%	Scott A. Murray 8.33% 2.5633%	Morris R. Antweil Reserve Oil & Gas Co. 88.89%
<u>T24S, R29E</u>								
<u>11</u>	Section 18: Lots 1, 2, and 3	119.04	Fee	J. A. Faris Ethel C. Skinner H. N. Smith	1.56250% 9.37500% 1.56250%	Morris R. Antweil	Mary Frances Antweil 12.50%	Morris R. Antweil 100.00%
<u>T24S, R29E</u>								
<u>12</u>	Section 7: Lot 4 SE/4 NW/4	79.58	Fee	Valley Land Co.	1.25000% 12.5000%	Morris R. Antweil - 14.58% Thomas C. Carlson - 1.56% Bethol Corp. - 4.69% Consolidated Oil & Gas Co. - 37.50% Reserve Oil & Gas Co. 41.67%	Scott A. Murray 0.50%	Morris R. Antweil Bethol Corporation Thomas C. Carlson Consolidated Oil & Gas, Inc. Reserve Oil & Gas Co. 41.67%

EXHIBIT "B" (CONT'D)
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

TRACT NO.	NUMBER OF ACRES	SERIAL NO. & LEASE DATE	BASIC ROYALTY OWNERS AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNERS AND PERCENTAGE	WORKING INTEREST OWNERS AND PERCENTAGE
<u>T24S, R-29E</u>						
<u>13</u>						
Section 7:						
Lot 3 and						
NE/4 SW/4						
	79.62	Fee	Valley Land Co.	1.25000% Morris R. 12,50000% Antweil	Mary Frances Antweil	12.50% Morris R. Antweil
						100.00%

EXHIBIT "B" (CONT'D)
MALAGA UNIT
EDDY COUNTY NEW MEXICO

TOTALS

3 Federal Tracts	(3 Wells)	160 Acres	19.0876% of Unit Area
10 Fee Land Tracts	(17 Wells)	678.24 Acres	80.9124% of Unit Area
13 Tracts	(20 Wells)	838.24 Acres	100.0000% of Unit Area

EXHIBIT "C"
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

SCHEDULE OF UNIT PARTICIPATION

TRACT NO.	DESCRIPTION	SERIAL NO. AND LEASE DATE OR LEASE NAME	PERCENT TRACT PARTICIPATION IN UNIT
1	NW/4 NE/4 Section 7 T-24S, R-29E	LC-065970-a 3/1/51	10.9962
2	SW/4 NE/4 & NW/4 SE/4 Section 7 T-24S, R-29E	LC-065970-c 3/1/51	14.8955
3	NE/4 NW/4 Section 7 T-24S, R-29E	NM-080270 4/1/60	0.2325
4	W/2 NE/4 Section 13 T-24S, R-28E	R. L. James	10.3569
5	NW/4 SE/4 Section 13 T-24S, R-28E	James Pardue	5.9082
6	SW/4 SE/4 Section 13 T-24S, R-28E	C. P. Pardue	2.9466
7	S/2 SE/4 SE/4 and S/2 N/2 SE/4 SE/4 Section 13 T-24S, R-28E	L. C. Hannah, et al	3.1117
8	NE/4 SE/4 and N/2 N/2 SE/4 SE/4 Section 13 T-24S, R-28E	L. C. Hannah	4.6794
9	E/2 NE/4 Section 13 T-24S, R-28E	Floy Prewitt	14.8080

EXHIBIT "C"
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

SCHEDULE OF UNIT PARTICIPATION			
TRACT NO.	DESCRIPTION	SERIAL NO. AND LEASE DATE OR LEASE NAME	PERCENT TRACT PARTICIPATION IN UNIT
10	S/2 SE/4 Section 12 T-24S, R-28E	Anna Landrum	4.1944
11	W/2 NW/4 & NW/4 SW/4 Section 18 T-24S, R-29E	Ethel Skinner	7.6871
12	SW/4 SW/4 & SE/4 NW/4 Section 7 T-24S, R-29E	Valley Land Company	12.5316
13	N/2 SW/4 Section 7 T-24S, R-29E	Valley Land Company	7.6519

EXHIBIT "C" (CONT'D)
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

SUMMARY OF
WORKING INTEREST UNIT PARTICIPATION

	<u>TOTAL PARTICIPATION IN UNIT - PERCENT</u>
Morris R. Antweil	61.5467
Bethol Corporation	1.2863
Consolidated Oil & Gas Co.	10.2852
Thomas C. Carlson	0.4279
Reserve Oil and Gas Co.	15.1573
Tenneco Oil Co.	10.9962
Unleased Tract	0.2325
Harvey E. Yates, et al	0.0679
	<hr/>
	100.0000

RATIFICATION OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. <u>1</u>
CASE NO. <u>3586</u>

The undersigned Working Interest Owner in the captioned Unit Agreement and Unit Operating Agreement, which embrace certain lands in Eddy County, New Mexico, for valuable consideration paid, ratifies, confirms and joins in the execution of said Unit Agreement and said Unit Operating Agreement, each dated Mar 17, 1966 (each of which is incorporated herein by reference) to the same extent and effect as if the undersigned had executed the original of said Unit Agreement and said Unit Operating Agreement, or respective counterparts thereof. The undersigned does further commit all of the undersigned's right, title, and interest in and to the Unitized Substances to the terms and provisions of said Unit Agreement and said Unit Operating Agreement.

The undersigned acknowledges the receipt of a copy of said Unit Agreement and said Unit Operating Agreement, and further acknowledges that this instrument has been signed and delivered at the date shown hereon.

ATTEST: (WITNESS):

[Signature]
Assistant Secretary

Date: November 14, 1966

WORKING INTEREST OWNER

RESERVE OIL AND GAS COMPANY

By [Signature]
Vice President

Address 550 South Flower Street

Los Angeles, California 90017

STATE OF _____ (Individual)

COUNTY OF _____

Be it remembered, that on this _____ day of _____, 196_, before me, a Notary Public in and for said County and State, personally appeared _____, to me known to be the identical person (s) described in and who executed the within and foregoing instrument, and acknowledged to me that (s)he (they) executed the same as his (her, their) free and voluntary act and deed for the uses and purposes therein set forth.

In witness whereof, I have hereunto set my official signature and affixed my notarial seal the day and year first above written.

My Commission Expires:

Notary Public in and for _____
County, _____

STATE OF California (Corporate)

COUNTY OF Los Angeles

Before me, the undersigned, a Notary Public in and for said County and State, on this 14th day of November, 1966, personally appeared Harold F. Green, to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as its Vice President, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

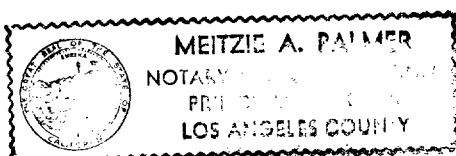
In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

My Commission Expires:

Sept. 3, 1969

[Signature]
Notary Public in and for State of California
County, of Los Angeles

My Commission Expires Sept. 3, 1969
MEITZIE A. PALMER



RATIFICATION OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

The undersigned Working Interest Owner in the captioned Unit Agreement and Unit Operating Agreement, which embrace certain lands in Eddy County, New Mexico, for valuable consideration paid, ratifies, confirms and joins in the execution of said Unit Agreement and said Unit Operating Agreement, each dated March 17, 1966 (each of which is incorporated herein by reference) to the same extent and effect as if the undersigned had executed the original of said Unit Agreement and said Unit Operating Agreement, or respective counterparts thereof. The undersigned does further commit all of the undersigned's right, title, and interest in and to the Unitized Substances to the terms and provisions of said Unit Agreement and said Unit Operating Agreement.

The undersigned acknowledges the receipt of a copy of said Unit Agreement and said Unit Operating Agreement, and further acknowledges that this instrument has been signed and delivered at the date shown hereon.

ATTEST: (WITNESS):

Thomas C. Carlson

Date: May 6, 1966

WORKING INTEREST OWNER

BETHOL CORPORATION

BY: John P. Castleman, Jr.
John P. Castleman, Jr.
Address 2415 First National Bank Bldg.

Dallas, Texas

STATE OF _____ (Individual)

COUNTY OF _____

Be it remembered, that on this _____ day of _____, 196_, before me, a Notary Public in and for said County and State, personally appeared _____, to me known to be the identical person (s) described in and who executed the within and foregoing instrument, and acknowledged to me that (s)he (they) executed the same as his (her, their) free and voluntary act and deed for the uses and purposes therein set forth.

In witness whereof, I have hereunto set my official signature and affixed my notarial seal the day and year first above written.

My Commission Expires:

Notary Public in and for _____
County, _____

STATE OF Texas (Corporate)

COUNTY OF Dallas

Before me, the undersigned, a Notary Public in and for said County and State, on this 6 day of May, 1966 personally appeared John P. Castleman, Jr., to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as its _____ President, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

My Commission Expires:

June 1, 1967

Ethel Sunday
Notary Public in and for Dallas
County, Texas

RATIFICATION OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

The undersigned Working Interest Owner in the captioned Unit Agreement and Unit Operating Agreement, which embrace certain lands in Eddy County, New Mexico, for valuable consideration paid, ratifies, confirms and joins in the execution of said Unit Agreement and said Unit Operating Agreement, each dated March 17, 1966 (each of which is incorporated herein by reference) to the same extent and effect as if the undersigned had executed the original of said Unit Agreement and said Unit Operating Agreement, or respective counterparts thereof. The undersigned does further commit all of the undersigned's right, title, and interest in and to the Unitized Substances to the terms and provisions of said Unit Agreement and said Unit Operating Agreement.

The undersigned acknowledges the receipt of a copy of said Unit Agreement and said Unit Operating Agreement, and further acknowledges that this instrument has been signed and delivered at the date shown hereon.

ATTEST (WITNESS):
John P. Leathman Jr.
Date: December 15, 1966

WORKING INTEREST OWNER
Thomas C. Carlson
THOMAS C. CARLSON
Address 2415 First Natl. Bank Bldg.
Dallas, Texas

(Individual)
STATE OF TEXAS
COUNTY OF DALLAS

Be it remembered, that on this 15th day of Dec., 1966, before me, a Notary Public in and for said County and State, personally appeared Thomas C. Carlson, to me known to be the identical person (s) described in and who executed the within and foregoing instrument, and acknowledged to me that (s)he (they) executed the same as his (her, their) free and voluntary act and deed for the uses and purposes therein set forth.

In witness whereof, I have hereunto set my official signature and affixed my notarial seal the day and year first above written.

My Commission Expires:

June 1, 1967

Margaret Garner
Notary Public in and for Dallas
County, Texas

(Corporate)
STATE OF _____
COUNTY OF _____

Before me, the undersigned, a Notary Public in and for said County and State, on this _____ day of _____, 196_, personally appeared _____, to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as its _____ President, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

My Commission Expires:

Notary Public in and for _____
County, _____

RATIFICATION OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

The undersigned Working Interest Owner in the captioned Unit Agreement and Unit Operating Agreement, which embrace certain lands in Eddy County, New Mexico, for valuable consideration paid, ratifies, confirms and joins in the execution of said Unit Agreement and said Unit Operating Agreement, each dated March 17, 1966 (each of which is incorporated herein by reference) to the same extent and effect as if the undersigned had executed the original of said Unit Agreement and said Unit Operating Agreement, or respective counterparts thereof. The undersigned does further commit all of the undersigned's right, title, and interest in and to the Unitized Substances to the terms and provisions of said Unit Agreement and said Unit Operating Agreement.

The undersigned acknowledges the receipt of a copy of said Unit Agreement and said Unit Operating Agreement, and further acknowledges that this instrument has been signed and delivered at the date shown hereon.

ATTEST: (WITNESS):

R. Douglas
Secretary
Date: April 20, 1966

WORKING INTEREST OWNER

CONSOLIDATED OIL & GAS, INC.

By Robert B. Tenison
Vice President
Address 4150 East Mexico Avenue
Denver, Colorado 80222

STATE OF _____ (Individual)

COUNTY OF _____

Be it remembered, that on this _____ day of _____, 196_, before me, a Notary Public in and for said County and State, personally appeared _____, to me known to be the identical person (s) described in and who executed the within and foregoing instrument, and acknowledged to me that (s)he (they) executed the same as his (her, their) free and voluntary act and deed for the uses and purposes therein set forth.

In witness whereof, I have hereunto set my official signature and affixed my notarial seal the day and year first above written.

My Commission Expires:

Notary Public in and for _____
County, _____

STATE OF Colorado (Corporate)

COUNTY OF Denver

Before me, the undersigned, a Notary Public in and for said County and State, on this 20th day of April, 1966, personally appeared Robert B. Tenison, to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as its Vice President, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

My Commission Expires:

April 16, 1969

Dorlene Ashby
Notary Public in and for Denver
County, State of Colorado

EXHIBIT "A"

AMENDMENT OF UNIT AGREEMENT
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

The undersigned, ALAN J. ANTWEIL, Attorney-in-fact for MORRIS R. ANTWEIL, working interest owner and Unit Operator in the captioned unit which embraces certain lands in Eddy County, New Mexico, having entered into and confirmed the captioned Unit Agreement dated the 17th day of March, 1966, does hereby amend Section 13 "Tracts Qualified for Participation" of such Unit Agreement, making the amended Section 13 a counterpart of such Unit Agreement in words and figures, to-wit:

SECTION 13 - TRACTS QUALIFIED FOR PARTICIPATION: On and after the effective date hereof the Tracts within the Unit Area which shall be entitled to participation (as provided in Section 12 hereof) in the production of Unitized Substances therefrom shall be those Tracts more particularly described in said Exhibit "C" 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 otherwise qualify as follows:

- (a) Each tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement and as to which Royalty Owners owning eighty-five percent (85%) or more of the Royalty Interest have become parties to this agreement.
- (b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement, and as to which Royalty Owners owning less than eighty-five percent (85%) of the Royalty Interest have become parties to this agreement, and as to which (1) all Working interest Owners in such Tract have joined in a request for the acceptance of such Tract, and as to which (2) eighty percent (80%) of the combined voting interest of Working Interest Owners in all Tracts that meet the requirements of (a) have voted in favor of the acceptance of such Tract. For the purpose of this Subsection (b), the voting interest of a Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under (a) above bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under (a) above.

If, on the effective date of this Agreement, there are any Tract or Tracts in the Unit Area which have not been effectively committed to or made subject to this Agreement by qualifying as above provided, then such Tract or Tracts shall not be considered as unitized land and shall not be entitled to Tract Participation hereunder. Unit Operator, shall, when submitting this Agreement for final approval by the Commissioner and the Director, or as soon thereafter as practicable, file therewith a schedule of those Tracts which have been committed and made subject to this Agreement and are entitled

to participate in Unitized substances. Said schedule shall set forth opposite each such committed Tract the lease number or assignment number, the owner of record of the lease, and the Tract Participation of such Tract which shall be computed according to the participation formula set out in Section 12 (Tract Participation) above. This schedule of participation shall be a part of Exhibit "C" and upon approval thereof by the Commissioner and the Supervisor shall become a part of this Agreement and shall govern the allocation of production of Unitized Substances until a new schedule is filed and approved.

This instrument is executed and delivered this 13th day of April, 1967.

ATTEST:

R M Williams

Alan J. Antweil
Alan J. Antweil, Attorney-in-fact
for Morris R. Antweil
Unit Operator and Working Interest
Owner.

P. O. Box 2010
Hobbs, New Mexico 88240

STATE OF NEW MEXICO)
) ss
COUNTY OF LEA)

SUBSCRIBED and SWORN to before me, a Notary Public, in and for said county and state this 13th day of April, 1967.

Robert L. Summers
Notary Public, Lea County,
New Mexico

My Commission Expires:

May 25, 1968

AMENDMENT OF UNIT AGREEMENT
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

The undersigned Working Interest Owner in the captioned Unit, which embraces certain lands in Eddy County, New Mexico, having ratified, confirmed, and joined in the execution of the captioned Unit Agreement, dated March 17, 1966, does hereby ratify an amendment of Section 13 - TRACTS QUALIFIED FOR PARTICIPATION of such Unit Agreement, making the amended Section 13 a respective counterpart of such Unit Agreement.

The undersigned acknowledges the receipt of a true copy of said amendment of Section 13 of the Unit Agreement, as attached hereto marked Exhibit "A", and further acknowledges that this instrument has been signed and delivered at the date shown hereon, ratifying and confirming said Unit Agreement as so amended.

ATTEST: (Witness):

Gerrit B. Crabb

WORKING INTEREST OWNER

Thomas Carlson
(Signed)

Date May 1, 1967

Address 2415 First Natl. Bank Bldg
Dallas, Texas

(Individual)

STATE OF Texas
COUNTY OF Dallas

Be it remembered, that on this 1st day of May, 1967, before me, a Notary Public in and for said County and State, personally appeared Thomas C. Carlson to me known to be the identical person(s) described in and who executed the within and foregoing instrument, and acknowledged to me that (s)he (they) executed the same as his (her, their) free and voluntary act and deed for the uses and purposes therein set forth.

In witness whereof, I have hereunto set my official signature and affixed my notarial seal the day and year first above written.

My Commission Expires:

June 1, 1967

Margaret Bass
Notary Public in and for Dallas
County, Texas

(Corporate)

STATE OF _____
COUNTY OF _____

Before me, the undersigned, a Notary Public in and for said County and State, on this _____ day of _____, 1967, personally appeared _____, to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as its _____ President, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

My Commission Expires:

Notary Public in and for _____

AMENDMENT OF UNIT AGREEMENT
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

The undersigned Working Interest Owner in the captioned Unit, which embraces certain lands in Eddy County, New Mexico, having ratified, confirmed, and joined in the execution of the captioned Unit Agreement, dated March 17, 1966, does hereby ratify an amendment of Section 13 - TRACTS QUALIFIED FOR PARTICIPATION of such Unit Agreement, making the amended Section 13 a respective counterpart of such Unit Agreement.

The undersigned acknowledges the receipt of a true copy of said amendment of Section 13 of the Unit Agreement, as attached hereto marked Exhibit "A", and further acknowledges that this instrument has been signed and delivered at the date shown hereon, ratifying and confirming said Unit Agreement as so amended.

ATTEST: (Witness):

John M. Pugh
Assistant Secretary

Date April 21, 1967

WORKING INTEREST OWNER
RESERVE OIL AND GAS COMPANY

BY: *Paul D. Meadows*
(Signed) Vice President

Address 1806 Fidelity Union Tower
Dallas, Texas 75201

(Individual)

STATE OF _____)
COUNTY OF _____)

Be it remembered, that on this _____ day of _____, 1967, before me, a Notary Public in and for said County and State, personally appeared _____ to me known to be the identical person(s) described in and who executed the within and foregoing instrument, and acknowledged to me that (s)he (they) executed the same as his (her, their) free and voluntary act and deed for the uses and purposes therein set forth.

In witness whereof, I have hereunto set my official signature and affixed my notarial seal the day and year first above written.

My Commission Expires: _____

Notary Public in and for _____
County, _____

STATE OF Texas (Corporate)
COUNTY OF Dallas

Before me, the undersigned, a Notary Public in and for said County and state, on this 21st day of April, 1967, personally appeared Paul D. Meadows, to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as its Vice President, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

My Commission Expires: _____

Raymond P. Pivatt
Notary Public in and for _____

AMENDMENT OF UNIT AGREEMENT
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

The undersigned Working Interest Owner in the captioned Unit, which embraces certain lands in Eddy County, New Mexico, having ratified, confirmed, and joined in the execution of the captioned Unit Agreement, dated March 17, 1966, does hereby ratify an amendment of Section 13 - TRACTS QUALIFIED FOR PARTICIPATION of such Unit Agreement, making the amended Section 13 a respective counterpart of such Unit Agreement.

The undersigned acknowledges the receipt of a true copy of said amendment of Section 13 of the Unit Agreement, as attached hereto marked Exhibit "A", and further acknowledges that this instrument has been signed and delivered at the date shown hereon, ratifying and confirming said Unit Agreement as so amended.

ATTEST: (Witness):

Margaret Bass

WORKING INTEREST OWNER
BETHOL CORPORATION

Thomas C. Carlson
(Signed)

Date May 1, 1967

Address 2415 First Natl. Bank Bldg.

Dallas, Texas

(Individual)

STATE OF _____)

COUNTY OF _____)

Be it remembered, that on this _____ day of _____, 1967, before me, a Notary Public in and for said County and State, personally appeared _____

to me known to be the identical person(s) described in and who executed the within and foregoing instrument, and acknowledged to me that (s)he (they) executed the same as his (her, their) free and voluntary act and deed for the uses and purposes therein set forth.

In witness whereof, I have hereunto set my official signature and affixed my notarial seal the day and year first above written.

My Commission Expires:

Notary Public in and for _____
County, _____

(Corporate)

STATE OF TEXAS)

COUNTY OF DALLAS)

Before me, the undersigned, a Notary Public in and for said County and State, on this 1st day of May, 1967, personally appeared Thomas C. Carlson, to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as its Vice President, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

My Commission Expires:

June 1, 1967

Mamertie Gillespie
Notary Public in and for
Dallas County, Texas

AMENDMENT OF UNIT AGREEMENT
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

The undersigned Working Interest Owner in the captioned Unit, which embraces certain lands in Eddy County, New Mexico, having ratified, confirmed, and joined in the execution of the captioned Unit Agreement, dated March 17, 1966, does hereby ratify an amendment of Section 13 - TRACTS QUALIFIED FOR PARTICIPATION of such Unit Agreement, making the amended Section 13 a respective counterpart of such Unit Agreement.

The undersigned acknowledges the receipt of a true copy of said amendment of Section 13 of the Unit Agreement, as attached hereto marked Exhibit "A", and further acknowledges that this instrument has been signed and delivered at the date shown hereon, ratifying and confirming said Unit Agreement as so amended.

ATTEST: (Witness):

Douglas H. Hyl

WORKING INTEREST OWNER

Henry Trueblood

(Signed) President

CONSOLIDATED OIL & GAS, INC.

Date May 7, 1967

Address 4150 E. Mexico Ave.

Denver, Colorado 80222

(Individual)

STATE OF _____)

COUNTY OF _____)

Be it remembered, that on this _____ day of _____, 1967, before me, a Notary Public in and for said County and State, personally appeared _____

to me known to be the identical person(s) described in and who executed the within and foregoing instrument, and acknowledged to me that (s)he (they) executed the same as his (her, their) free and voluntary act and deed for the uses and purposes therein set forth.

In witness whereof, I have hereunto set my official signature and affixed my notarial seal the day and year first above written.

My Commission Expires: _____

Notary Public in and for _____
County, _____

(Corporate)

STATE OF Colorado)

City &)

COUNTY OF Denver)

Before me, the undersigned, a Notary Public in and for said County and State, on this 1st day of May, 1967, personally appeared Harry A. Trueblood, to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as its _____ President, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

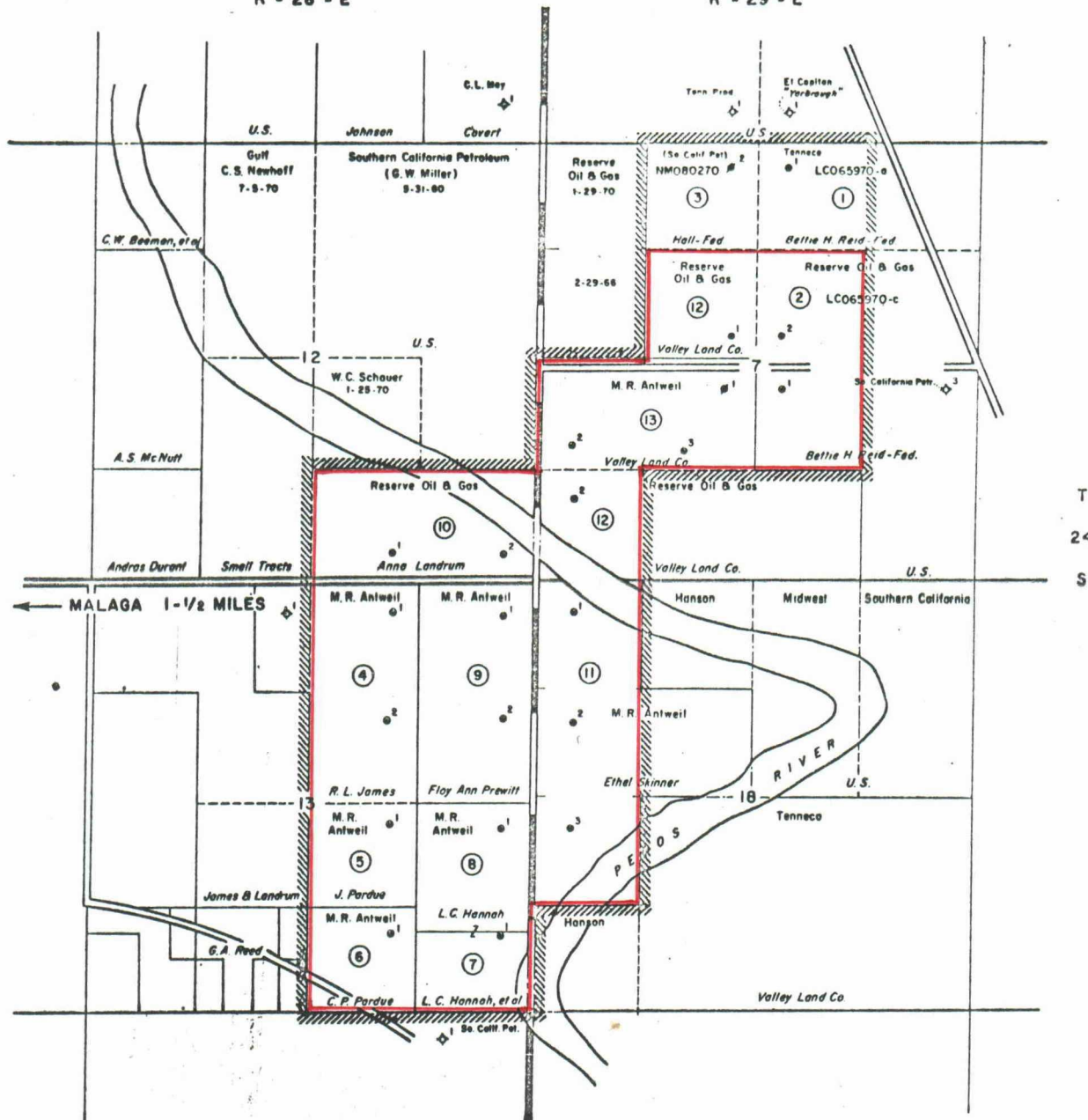
My Commission Expires: _____

Shirley M. Wegner
Notary Public in and for
Denver County, Colorado

January 24, 1971

R - 28 - E

R - 29 - E



MORRIS R. ANTWEIL

MALAGA UNIT
EDDY COUNTY, NEW MEXICO

EXHIBIT "A"

0 500 1000 2000 3000 4000
SCALE - FEET

DATE: 2-21-66

EXHIBIT "B"
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

TRACT NO.	NUMBER OF ACRES	SERIAL NO. & LEASE DATE	BASIC ROYALTY OWNERS AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER & PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
	Federal Lands					

T24S-R29E
2 Section 7:

SW/4 NE/4	80	LC-065970-c	U.S.A.	Reserve Oil & Gas Co	Mabel Brunson	0.50%	Morris R. Antweil	14.58%
NW/4 SE/4		3/1/51	All	Jack May	Stanton Brunson	0.50%	Bethol Corp	4.69%
		HBP		Wm. J. Finch	Scott A. Murray	0.50%	Thomas C. Carlson	1.56%
				Consolidated O&G Co.	Betty H. Reid and Busch Reid	1.00%	Consolidated Oil & Gas Co.	37.50%
				Norman B. Frost			Reserve Oil & Gas	41.67%

One Federal Tract - 80.00 or 10.55% of the Unit Area

T24S-R28E

4 Section 13:
W/2 NE/4

80	Fee	Harriet James	Morris R.	Mary Frances	Morris R. Antweil	100.00%
		Harrison 3.12500%	Antweil	Antweil	5.50%	
		Raymond H.		Mildred Vickers		
		McDonald 9.37500%		Etz	0.75%	
				A.N.&Bonnie Etz	1.00%	
				Clay Fay	2.50%	
				Anna Mae Jackson	0.50%	
				Bertha Lee Wright	0.50%	
				Yates Brothers	1.75%	

EXHIBIT "B" (CONT'D)
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	SERIAL NO. & LEASE DATE	BASIC ROYALTY OWNERS AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER & PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
<u>T24S, R28E</u>							
5	Section 13: NW/4 SE/4	40	Fee	Ruth Guitar Alexander Laura Guitar Belcher Frances Virginia Dowling Earl B. Guitar John Guitar, Jr Repps B. Guitar Harriet James Harrison Raymond H. McDonald O.O.Ogden Pardue Farms Mary Guitar Polk Virginia G. Witherspoon Catherine Guitar Woods	Morris R. Antweil	Mary Frances Antweil Clay Fay Mildred Vickers Etz A.N.&Bonnie Etz Anna Mae Jackson Bertha Lee Wright Harvey E. Yates	5.50% 2.50% 0.75% 1.00% 0.50% 1.38% 0.87%
Morris R. Antweil 100.00							
<u>T24S, R28E</u>							
6	Section 13: SW/4 SE/4	40	Fee	Ruth Guitar Alexander Laura Guitar Belcher Earl B. Guitar John Guitar, Jr Repps B. Guitar Pardue Farms	Morris R. Antweil	Mary Frances Antweil Mildred Vickers Etz A.N.&Bonnie Etz Clay Fay Anna Mae Jackson Bertha Lee Wright	5.50% 0.75% 1.00% 2.50% 0.50% 2.25%
Morris R. Antweil 100.							

EXHIBIT "B" (CONT'D)
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	SERIAL NO. & LEASE DATE	BASIC ROYALTY OWNERS AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNERS AND PERCENTAGE	WORKING INTEREST OWNERS AND PERCENTAGE
Tract 6 (Cont'd)							
<u>T24S, R28E</u>							
7	Section 13: S/2 SE/4 SE/4 and S/2 N/2 SE/4 SE/4	30	Fee	Mary G. Alexander 0.58593% Laura G. Belcher 0.58594% Earl B. Guitar 0.58593% John Guitar, Jr. 0.58594% Repps B. Guitar 0.58594% L.C. & Alice Hannah 1.56250% Pardue Farms 4.68750% Mary Guitar Polk 0.58594% Guillermo & Flora Ruiz 1.56250% Virginia G. Witherspoon 0.58594% Catherine G. Woods 0.58594%	Morris R Antweil Mildred Vickers Etz A.N.&Bonnie Etz Clay Fay Anna Mae Jackson Bertha Lee Wright	Mary Frances Antweil Mildred Vickers Etz A.N.&Bonnie Etz Clay Fay Anna Mae Jackson Bertha Lee Wright	5.50% Morris R. Antweil 0.75% 100.00% 1.00% 2.50% 0.50% 2.25%
<u>T24S, R28E</u>							
8	Section 13: NE/4 SE/4 & N/2 N/2 SE/4	50	Fee	L.C. and Alice F. Hannah 12.5000%	Morris R. Antweil	Mary Frances Antweil Mildred Vickers Etz A.N.&Bonnie Etz Clay Fay Anna Mae Jackson Bertha Lee Wright	5.50% Morris R. Antweil 0.75% 100% 1.00% 2.50% 0.50% 2.25%

EXHIBIT "B" (CONT'D)
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	SERIAL NO. & LEASE DATE	BASIC ROYALTY OWNERS AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNERS AND PERCENTAGE	WORKING INTEREST OWNERS & PERCENTAGE
<u>T24S, R28E</u>							
9	Section 13: E/2 NE/4	80	Fee	Vera Claer Bennett Tenneco Oil Co Floy Ann Prewitt Bertha Lee Wright	Morris R. Antweil	Mary Frances Antweil Mildred Vickers Etz A.N.&Bonnie Etz Clay Fay Anna Mae Jackson Bertha Lee Wright	5.50% Morris R. Antweil - 0.75% 100% 1.00% 2.50% 0.50% 2.25%
<u>T24S, R28E</u>							
10	Section 12: S/2 SE/4	80	Fee	Frances Brooks Anna Hoag Landrum	Reserve O&G Morris R. Antweil	Scott A. Murray	0.58333% Morris R. Antweil- 11.11% Reserve Oil & Gas - 88.89%
<u>T24S, R29E</u>							
11	Section 18: Lots 1, 2, and 3	119.04	Fee	J.A.Faris Ethel C. Skinner Estate H. N. Smith	1.56250% Morris R. Antweil 9.37500% 1.56250%	Mary Frances Antweil 12.50% Morris R. Antweil - 100%	
<u>T24S, R29E</u>							
12	Section 7: Lot 4 SE/4 NW/4	79.58	Fee	Valley Land Co	Morris R. Antweil Thomas C. Carlson Bethol Corp. Consolidated Oil & Gas, Inc. Reserve Oil & Gas Co	Scott A. Murray	0.50% Morris R. Antweil- 14.58% Bethol Corp. 4.69% Thomas C. Carlson 1.56% Consolidated Oil & Gas, Inc. 37.50% Reserve Oil & Gas Co 41.67%

EXHIBIT "B" (CONT'D)
MALACA UNIT
EDDY COUNTY, NEW MEXICO

TRACT NO	DESCRIPTION	NUMBER OF ACRES	SERIAL NO. & LEASE DATE	BASIC ROYALTY OWNERS AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNERS AND PERCENTAGE	WORKING INTEREST OWNERS AND PERCENTAGE
T24S, R29E							
13 Section 7:							
	Lot 3 and NE/4 SW/4	79.62	Fee	Valley Land Co.12.500000% Morris R. Antweil		Mary Frances Antweil-12.50%	Morris R. Antweil -100.00%

TOTALS							
	1 Federal Tract	(2 Wells)	80 Acres	10.5507% of Unit Area			
	10 Fee Land Tracts	(17 Wells)	678.24 Acres	89.4493% of Unit Area			
	11 Tracts	(19 Wells)	758.24 Acres	100.0000% of Unit Area			

EXHIBIT "C"
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

SCHEDULE OF UNIT PARTICIPATION

TRACT NO.	DESCRIPTION	SERIAL NO. AND LEASE DATE OR LEASE NAME	PERCENT TRACT PARTICIPATION IN UNIT
2	SW/4 NE/4 & NW/4 SE/4 Section 7 T-24S, R-29E	LC-065970-C 3/1/51	16.7796
4	W/2 NE/4 Section 13 T-24S, R-28E	R. L. James	11.6670
5	NW/4 SE/4 Section 13 T-24S, R-28E	James Pardue	6.6555
6	SW/4 SE/4 Section 13 T-24S, R-28E	C. P. Pardue	3.3193
7	S/2 SE/4 SE/4 and S/2 N/2 SE/4 SE/4 Section 13, T-24S, R-28E	L. C. Hannah, et al	3.5053
8	NE/4 SE/4 and N/2 N/2 SE/4 SE/4 Section 13 T-24S R-28E	L. C. Hannah	5.2713
9	E/2 NE/4 Section 13 T-24S, R-28E	Floy Prewitt	16.6811

EXHIBIT "C" (CONT'D)
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

SCHEDULE OF UNIT PARTICIPATION

<u>TRACT NO.</u>	<u>DESCRIPTION</u>	<u>SERIAL NO. AND LEASE DATE OR LEASE NAME</u>	<u>PERCENT TRACT PARTICIPATION IN UNIT</u>
10	S/2 SE/4 Section 12 T-24S, R-28E	Anna Landrum	4.7250
11	W/2 NW/4 & NW/4 SW/4 Section 18 T-24S, R-29E	Ethel Skinner	8.6594
12	SW/4 SW/4 & SE/4 NW/4 Section 7 T-24S, R-29E	Valley Land Company	14.1167
13	N/2 SW/4 Section 7 T-24S, R-29E	Valley Land Company	8.6198

EXHIBIT "C" (CONT'D)
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

SUMMARY OF
WORKING INTEREST UNIT PARTICIPATION

	<u>TOTAL PARTICIPATION IN UNIT PERCENT</u>
Morris R. Antweil	69.4094
Bethol Corporation	1.4483
Consolidated Oil & Gas Co.	11.5861
Thomas C. Carlson	0.4827
Reserve Oil and Gas Co.	17.0735
	<u>-----</u>
	100.0000

CASE 3587: The Application of Morris R. Antweil for Approval of a Waterflood Project, Malaga Unit, Eddy County, New Mexico, May 24, 1967.

Morris R. Antweil, designated Unit Operator of the Malaga Unit, seeks authority for the Malaga Unit to institute a waterflood project by the injection of water into the Delaware Sand formation of the Malaga Field through seven injection wells located in Sections 12 and 13, T-24S, R-28E, and Section 18, T-24S, R-29E, Eddy County, New Mexico.

The "Plan of Waterflood Operations" for the Malaga Unit is attached. The plan sets forth the history of the Malaga Delaware Sand reservoir indicating that the solution gas drive reservoir energy has been depleted and the primary recovery is virtually complete. It is proposed to inject water into the Delaware Sand at a depth of approximately 2700 feet in sufficient quantities and under sufficient pressures to stimulate the secondary recovery of additional oil reserves from this reservoir. Water for injection purposes will be obtained from the shallow water sands underlying the Unit area. A water lease authorizing withdrawal from these sands, contained in the Carlsbad Underground Water Basin, has been obtained and a water supply well has been drilled. It is proposed to initiate injection into seven wells on a five-spot pattern in the southern portion of the Unit. Injection will be down tubing under a hookwall type packer. A diagrammatic sketch of the proposed injection wells showing the casing, cementing, completion, tubing and packer program was filed with the application. Injection volumes are anticipated to average 200 barrels of water per day per injection well.

The Malaga Unit requests authority to institute a waterflood project in the Malaga Field and approval to inject water into the following wells:

Well 4-1 - Unit B, Sec. 13-24S-28E

Well 5-1 - Unit J, Sec. 13-24S-28E

Well 7-1 - Unit P, Sec. 13-24S-28E

Well 9-2 - Unit H, Sec. 13-24S-28E

Well 10-2- Unit P, Sec. 12-24S-28E

Well 11-1- Unit D, Sec. 18-24S-29E

Well 11-3- Unit L, Sec. 18-24S-29E

It is anticipated that injection will begin as soon as the waterflood facilities can be installed after unitization of the Malaga Unit, which is expected to be made effective July 1, 1967.

PLAN OF WATERFLOOD OPERATIONS

FOR
MALAGA UNIT

EDDY COUNTY, NEW MEXICO

Submitted by:

MORRIS R. ANTWEIL
Unit Operator

May 1, 1967

I. HISTORY

The field discovery well, Southern California Petroleum Corporation's Valley Land Company No. 1-F, located in Unit F, SE/4 NW/4 Sec. 7, T-24-S, R-29-E, (now Reserve Oil and Gas Company's Valley Land No. 1) was completed on June 19, 1951, for 30 BOPD. By the close of 1952, a total of twenty (20) active wells and one (1) temporarily abandoned well were drilled and completed. The productive acreage in this field lies within Section 12 and 13, T-24-S, R-28-E and Section 7 and 18, T-24-S, R-29-E, both in Eddy County, New Mexico.

The drilling method used to develop the field consisted of cable tools to total depth with production casing set on top of the pay zone and hydraulic fractive treatment in the open hole. The casing program normally consisted of 8-5/8" or 10-3/4" OD surface casing to approximately 300 feet and approximately 2,740 feet of 5-1/2" or 7" OD casing as a production string. Table I presents other pertinent well completion data.

Initial production rates ranged from 26 to 94 BOPD following fracture treatment, with the average being 40 to 50 BOPD. Production followed the normal decline of a solution gas drive mechanism. Wells completed below +230 datum normally produced some water; however, no active water drive appears to have been present.

II. GEOLOGY

The producing horizon in the Malaga Field is the Delaware sand of the Guadalupe Series, Bell Canyon Group of the Permian System. The reservoir consists of a stratigraphic accumulation trending northeast-southwest along a local structural nose. The pay zone exists as a general blanket sand which is gray to green, fine to uniform grained, well sorted, calcareous cemented sandstone highly laminated into randomly alternating intervals of high oil saturation to low oil saturation, with accompanying high water saturation. The sand is encountered at an average depth of 2739 feet from the surface, some 10 to 15 feet below the Delaware limestone. Enclosed is a typical radioactivity well log for correlation purposes.

The average net oil pay thickness is estimated at 10 feet. The oil pay occurs in the middle zone of the Delaware sand, with the upper zone being a barren or low-pressure gas-bearing sand, which may conduct injected water under the proposed waterflood program. If this upper zone member proves to present an injection problem, it is proposed to control the injection into the oil pay by cementing liners through the open hole section and selectively perforating the oil zone. This method has been successfully employed in nearby Delaware sand floods.

III. ROCK AND FLUID CHARACTERISTICS

Average rock and fluid properties were reported in the New Mexico Geological Symposium Book, as follows:

Avg. Porosity	24%
Avg. Permeability	55 md (horizontal)
Saturations:	
Connate Water	38%
Remaining Oil	48%
Formation Volume	
Factor	1.10 est.
Pay Thickness, Avg.	10 ft.
Depth to Pay	2,730 ft.
Oil Gravity	42° API Sweet
Original Gas in	
Solution	420 SCF/bbl. est.

IV. PRIMARY RECOVERY AND PREDICTED SECONDARY RECOVERY

The cumulative primary oil production from the wells within the proposed Unit area as of January 1, 1967 has been 641,091 barrels. The solution gas drive reservoir energy has been depleted and the primary recovery is virtually complete with the majority of the wells operating near their economic limit.

The twenty (20) active wells in the field produced 942 barrels of oil during February, 1967, which is an average of 1.68 barrels per well per day, with a range from 0.04 to 6.2 barrels per well per day.

Predicted secondary oil recovery resulting from a successful waterflood venture is 591,000 barrels, based on an average secondary recovery for similar waterfloods of approximately 0.9 times primary recovery.

V. UNIT PARTICIPATION FORMULA

The Operator's Committee unanimously agreed that the most valid criterion for a participation formula for the Unit would be a formula based 100% on accumulative primary recovery to July 1, 1963. Primary recovery is the most revealing factor in ascertaining reservoir capacity and remaining reserves since few good primary producing fields, which were produced by solution gas drive, have failed under a waterflood program.

A volumetric type formula was discarded due to the peculiar productive nature of the Delaware Sand. Even where excellent log control is existent, leading reservoir analyst agree that net pay determinations are virtually impossible or at the best inconclusive. This basically is because of the noncorrelatable situation between porosity, permeability, and occurrence of commercial oil production. One authority, Core Laboratories, contends that net pay determinations are almost impossible to make and if so, are of questionable validity.

VI. UNIT AREA DESIGNATION

The attached map, Exhibit "A", depicts the limits of the proposed unit. The unit is contained partially in Sections 12 and 13, T-24-S, R-28-E and Sections 7 and 18, T-24-S, R-29-E, of Eddy County, New Mexico. All of the productive acreage in the Malaga Field is included in the proposed area.

VII. UNDEVELOPED TRACTS

The only undeveloped tract in the Unit, Tract 3, originally had a well drilled on it and produced oil from the subject Delaware Sand. It was a small commercial well and was plugged and abandoned in 1952. The tract has been included in the Unit since it could serve as an injection well under successful flood operations.

The participation formula appropriately accomodates the fact that no well currently exists and that only a small volume of primary oil was recovered from the well.

VIII. WATER SOURCE

Water for injection purposes will be obtained from the shallow water sands underlying the Unit area which produce for agriculatural use in the local area. A water lease authorizing withdrawal from these sands, contained in the Carlsbad Underground Water Basin, has been obtained and a water supply well has been drilled.

When produced water from the pay zone commences, it will be re-injected along with the above water.

IX. WATER STATION AND INJECTION EQUIPMENT

Development of the injection system and water station will be completed in one stage, at flood initiation. It is planned to utilize only one pressure pump for the project. Distribution of injection water is planned through a system of buried lines which will be internally and externally coated to control corrosion.

X. INJECTION PATTERN

A basic five-spot injection pattern has been selected for the Malaga Unit waterflood project. Such a pattern conforms well with the development configuration in the southern portion of the Unit area, but requires modification to meet the less extensive development in the northern portion of the Unit. The proposed injection pattern is shown on the attached map, Exhibit "A".

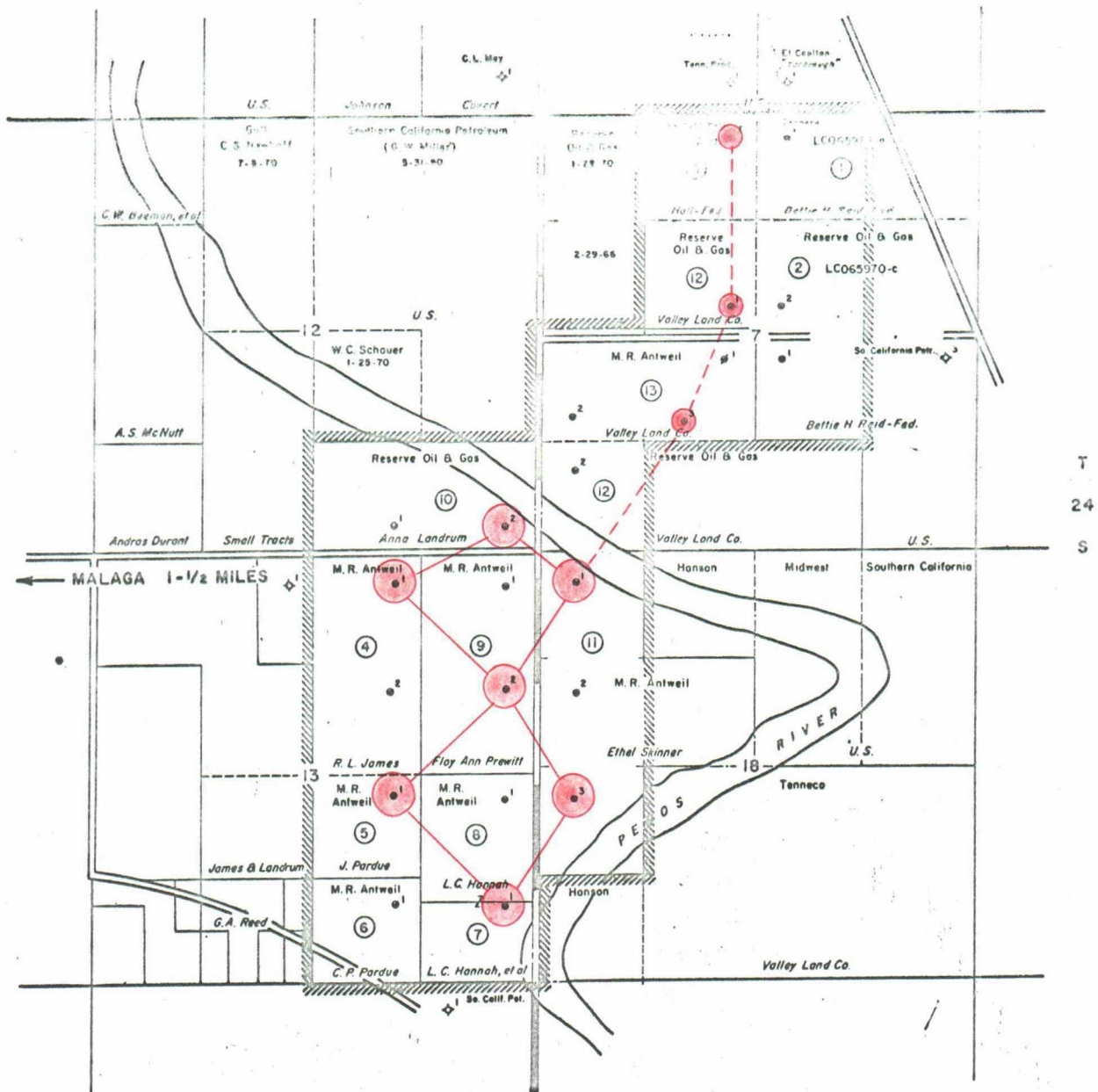
It is planned to initiate the waterflood with injection into the seven wells in the southern portion of the Unit shown on Exhibit "A" as proposed injection wells. The waterflood program will be expanded to the wells shown as future injection wells after results are obtained to indicate the waterflood program is successful in stimulating oil production.

XI. PRODUCTION EQUIPMENT

Pumping equipment, surface and subsurface, will be enlarged as necessary to adequately handle the production generated. Consolidation of individual tank batteries into a central location to facilitate and expedite handling of the produced fluids will be considered when a production response is realized. Provisions will be made to allow periodic production testing of all producing wells.

R - 28 - E

R - 29 - E



LEGEND

- Oil Well
- ✕ Plugged & Abandoned
- ◇ Dry & Abandoned
- == County Roads
- Tract No.
- Unit Boundary

● Proposed injection well

● Future injection well

MORRIS R. ANTWEIL

MALAGA UNIT
EDDY COUNTY, NEW MEXICO

EXHIBIT "A"

0 500 1000 2000 3000 4000
SCALE - FEET

DATE: 2-21-66

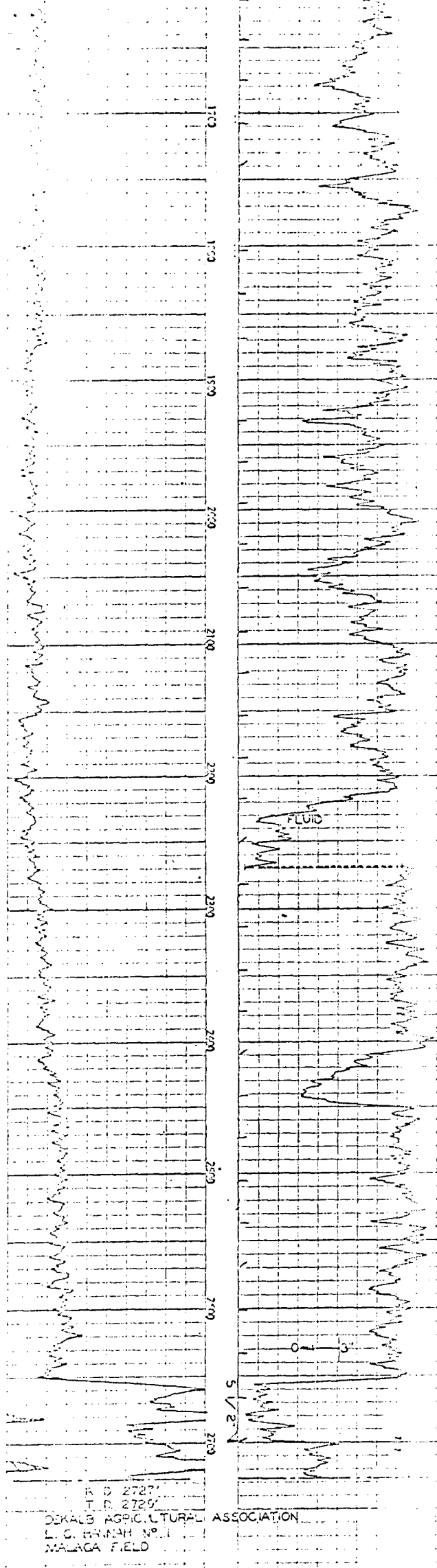
TABLE 1 -
MALAGA DELAWARE SAND UNIT - EDDY COUNTY, NEW MEXICO
WELL COMPLETION DATA

[illegible]

TABLE 1 (Cont'd)

Company & Lease Name	Well Comp. No.	Date	Elev.	T.D.	C A S I N G			Pay Section	Stimu-lation	Current Status
					Size	Depth	Cement			
Valley Land	1	5/16/51	2962	2779	10-3/4	127-	250	2774-79	Frac 750 g.	Producing
					8-5/8	1008-	0			
					7	484-				
						2555	40			
					5-1/2	2728	280			
Valley Land	2	6/ 8/52	2950	2737	10-3/4	294	350	2735-37	Frac 1500 g.	Producing
					5-1/2	2737	200			
Bettie H. Reid	1	8/23/51	2980	2792	13-3/8	152	98	2782-92	Frac 750 g.	Producing
					8-5/8	982	125			
					5-1/2	2765	147			
					13-3/8	173	96			
Bettie H. Reid	2	10/3/	2781	2791	5-1/2	2775	280	2783-91	Frac 750 g.	Producing
(Southern California)										
Hall-Federal	1	6/ 1/52	2979	2817	10-3/4	314	250	2813-17	Frac 1500 g.	P & A
(Now E.A.Hanson)					5-1/2	2793	550			
Manana Gas Company										
Ethel Skinner	1	6/18/52	2963	2755	9-5/8	275	400	2754-55	Frac 1500 g.	Producing
					5-1/2	2736	125			
Ethel Skinner	2	8/ 4/52	2951	2720	9-5/8	290	400	2715-20	Frac 3000 g.	Producing
					5-1/2	2712	125			
Ethel Skinner	3	8/19/52	2946	2734	10-3/4	278	300	2728-34	Frac 1500 g.	Producing
					7	2716	125			

now ~~Morris R. Antweil~~



TYPE LOG

DeKalb (now Morris R. Antweil)
L. C. Hannah #1

Located 330 fel and 2970 fnl
Section 13-24S-28E

Elevation 2449'

Delaware Sand
2710' - 2720'

R.D. 2727'
T.D. 2729'
DEKALB AGRICULTURAL ASSOCIATION
L. C. HANNAH NO. 1
MALAGA FIELD

EXHIBIT "A"

AMENDMENT OF UNIT AGREEMENT
MALAGA UNIT
EDDY COUNTY, NEW MEXICO

RECORDED
INDEXED

67 MAY 10 AM 8 24

Case 3586

The undersigned, ALAN J. ANTWEIL, Attorney-in-fact for MORRIS R. ANTWEIL, working interest owner and Unit Operator in the captioned unit which embraces certain lands in Eddy County, New Mexico, having entered into and confirmed the captioned Unit Agreement dated the 17th day of March, 1966, does hereby amend Section 13 "Tracts Qualified for Participation" of such Unit Agreement, making the amended Section 13 a counterpart of such Unit Agreement in words and figures, to-wit:

SECTION 13 - TRACTS QUALIFIED FOR PARTICIPATION: On and after the effective date hereof the Tracts within the Unit Area which shall be entitled to participation (as provided in Section 12 hereof) in the production of Unitized Substances therefrom shall be those Tracts more particularly described in said Exhibit "C" 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 otherwise qualify as follows:

- (a) Each tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement and as to which Royalty Owners owning eighty-five percent (85%) or more of the Royalty Interest have become parties to this agreement.
- (b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement, and as to which Royalty Owners owning less than eighty-five percent (85%) of the Royalty Interest have become parties to this agreement, and as to which (1) all Working interest Owners in such Tract have joined in a request for the acceptance of such Tract, and as to which (2) eighty percent (80%) of the combined voting interest of Working Interest Owners in all Tracts that meet the requirements of (a) have voted in favor of the acceptance of such Tract. For the purpose of this Subsection (b), the voting interest of a Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under (a) above bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under (a) above.


If, on the effective date of this Agreement, there are any Tract or Tracts in the Unit Area which have not been effectively committed to or made subject to this Agreement by qualifying as above provided, then such Tract or Tracts shall not be considered as unitized land and shall not be entitled to Tract Participation hereunder. Unit Operator, shall, when submitting this Agreement for final approval by the Commissioner and the Director, or as soon thereafter as practicable, file therewith a schedule of those Tracts which have been committed and made subject to this Agreement and are entitled

to participate in Unitized substances. Said schedule shall set forth opposite each such committed Tract the lease number or assignment number, the owner of record of the lease, and the Tract Participation of such Tract which shall be computed according to the participation formula set out in Section 12 (Tract Participation) above. This schedule of participation shall be a part of Exhibit "C" and upon approval thereof by the Commissioner and the Supervisor shall become a part of this Agreement and shall govern the allocation of production of Unitized Substances until a new schedule is filed and approved.

This instrument is executed and delivered this 13th day of April, 1967.

ATTEST:

R M Williams


Alan J. Antweil, Attorney-in-fact
for Morris R. Antweil
Unit Operator and Working Interest
Owner.

P. O. Box 2010
Hobbs, New Mexico 88240

STATE OF NEW MEXICO) ss
COUNTY OF LEA)

SUBSCRIBED and SWORN to before me, a Notary Public, in and for said county and state this 13th day of April, 1967.

Roberta L. Summers
Notary Public, Lea County,
New Mexico

My Commission Expires:

May 25, 1968