

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
EAST RED LAKE UNIT AREA
EDDY COUNTY, NEW MEXICO

4-54

I N D E X

rec'd 5/25/70

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STATE LAND OFFICE
SANTA FE, N.M.

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W I T N E S S E T H:

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Laws 1943, as amended by Sec. 1, Ch. 176, Laws of 1961) (N.M.S.A., 1953 Comp.), to consent to and approve the development or operation of State lands under agreements with lessees of State land jointly or severally with other persons where such agreements provide for the unit operation and development of part of or all of any oil or gas pool, field or lease; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Ch. 88, Laws 1943 as amended by Sec. 1, Ch. 162, Laws 1951) (Sec. 7-11-41 N.M.S.A., 1953 Comp.), to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development

1 of part or all of any oil or gas pool, field or area; and

2 WHEREAS, the Oil Conservation Commission of the State
3 of New Mexico (hereinafter referred to as the "Commission") is
4 authorized by an Act of the Legislature (Sec. 12, Ch. 72, Laws
5 1935, as amended, Sec. 65-3-14 N.M.S.A., 1953 Comp.) to approve
6 this agreement and the conservation provisions hereof; and

7 WHEREAS, the parties hereto hold sufficient interests
8 in the East Red Lake Unit Area covering the land hereinafter
9 described to give reasonably effective control of operations
10 therein; and

11 WHEREAS, it is the purpose of the parties hereto to
12 enable institution and consummation of secondary recovery opera-
13 tions, to conserve natural resources, prevent waste and secure
14 other benefits obtainable through development and operation
15 of the Penrose sand subject to this agreement under the terms,
16 conditions and limitations herein set forth;

17 NOW, THEREFORE, in consideration of the premises and
18 the promises herein contained, the parties hereto commit to
19 this agreement their respective interests in the Penrose sand
20 in the below defined unit area, and agree severally among them-
21 selves as follows:

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

24 Township 16 South, Range 28 East, N.M.P.M.

25 Section 35 - $SE\frac{1}{4}SE\frac{1}{4}$

Section 36 - $SW\frac{1}{4}$

26 Township 17 South, Range 28 East, N.M.P.M.

Section 1 - Lots 3 and 4 ($N\frac{1}{2}NW\frac{1}{4}$), $S\frac{1}{2}NW\frac{1}{4}$

Section 2 - Lots 1 and 2 ($N\frac{1}{2}NE\frac{1}{4}$), $S\frac{1}{2}NE\frac{1}{4}$

27 containing 517.68 acres, more or less

28 Exhibit "A" attached hereto is a map showing the unit
29 area and the boundaries and identity of tracts and leases in

1 said area to the extent known to the unit operator. Exhibit "B"
2 attached hereto is a schedule showing to the extent known to the
3 unit operator the acreage, percentage and kind of ownership of
4 oil and gas interests in all lands in the unit area. However,
5 nothing herein or in said schedule or map shall be construed as
6 a representation by any party hereto as to the ownership of any
7 interest other than such interest or interests as are shown on
8 said map or schedule as owned by such party. Exhibits "A" and
9 "B" shall be revised by the unit operator whenever changes in
10 ownership in the unit area render such revisions necessary or
11 when requested by the Commissioner of Public Lands, hereinafter
12 referred to as "Commissioner".

13 2. UNITIZED LANDS AND UNITIZED SUBSTANCES: All oil
14 and gas in the Penrose sand of the Queen formation underlying
15 the unit area are herein called Unitized Substances and, to-
16 gether with the surface rights incident to the ownership thereof,
17 are unitized under the terms of this agreement. All land com-
18 mitted to this agreement with respect to the Penrose sand of
19 the Queen formation shall constitute land referred to herein
20 as "Unitized Land" or "land subject to this agreement".

21 The Penrose sand of the Queen formation is defined to
22 mean the sand and reservoir encountered between the subsurface
23 depths of 1550 feet and 1585 feet, in the Kincaid & Watson
24 Drilling Company, Resler and Sheldon No. 1 well located in the
25 SE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 2, Township 17 South, Range 28 East, N.M.P.M.

26 3. UNIT OPERATOR: Kincaid & Watson Drilling Company,
27 a New Mexico corporation, whose address is 300 Booker Building,
28 Artesia, New Mexico, is hereby designated as unit operator and
29 by signature hereto commits to this agreement all interest in

1 Unitized Substances vested in it as set forth in Exhibit "B",
2 and agrees and consents to accept the duties and obligations
3 of unit operator for the discovery, development and production
4 of Unitized Substances as herein provided. Whenever reference
5 is made herein to the unit operator, such reference means the
6 unit operator acting in that capacity and not as an owner of
7 interests in Unitized Substances; and the term "working interest
8 owner" when used herein shall include or refer to unit operator
9 as the owner of a working interest when such an interest is
10 owned by it.

11 4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit
12 operator shall have the right to resign at any time but such
13 resignation shall not become effective until a successor unit
14 operator has been selected and approved in the manner provided
15 for in Section 5 of this agreement. The resignation of the
16 unit operator shall not release the unit operator from any
17 liability or any default by it hereunder occurring prior to the
18 effective date of its resignation.

19 Unit operator may, upon default or failure in the per-
20 formance of its duties or obligations hereunder, be subject to
21 removal by the same percentage vote of the owners of working
22 interests determined in like manner as herein provided for the
23 selection of a new unit operator. Such removal shall be effec-
24 tive upon notice thereof to the Commissioner.

25 The resignation or removal of the unit operator under
26 this agreement shall not terminate its right, title or interest
27 as the owner of a working interest or other interest in Unitized
28 Substances, but upon the resignation or removal of unit operator
29 becoming effective, such unit operator shall deliver possession

1 of all equipment, materials and appurtenances used in conducting
2 the unit operations and owned by the working interest owners to
3 the new duly qualified successor unit operator, or to the owners
4 thereof if no such new unit operator is elected, to be used for
5 the purpose of conducting unit operations hereunder. Nothing
6 herein shall be construed as authorizing removal of any material,
7 equipment and appurtenances needed for the preservation of any
8 wells.

9 5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator
10 shall resign as unit operator or shall be removed as hereinabove
11 provided, the owners of the working interests, according to
12 their respective participating interests in all Unitized Land,
13 shall, by a majority vote of the remaining owners of the working
14 interest, select a successor unit operator; provided that, if
15 a majority but less than seventy-five percent (75%) of the
16 participating working interest qualified to vote is owned by
17 one party to this agreement, a concurring vote of sufficient
18 additional parties, so as to constitute in the aggregate not
19 less than seventy-five percent (75%) of the total (excluding
20 the unit operator) participating working interests, shall be
21 required to select a new operator. Such selection shall not
22 become effective until (a) a unit operator so selected shall
23 accept in writing the duties and responsibilities of unit
24 operator, and (b) the selection shall have been approved by
25 the Commissioner. If no successor unit operator is selected
26 and qualified as herein provided, the Commissioner at his
27 election may declare this unit agreement terminated.

28 6. ACCOUNTING PROVISIONS: The unit operator shall pay
29 in the first instance all costs and expenses incurred in conducting

1 unit operations hereunder, and such costs and expenses and the
2 working interest benefits accruing hereunder shall be apportioned,
3 among the owners of the unitized working interests in accordance
4 with an Operating Agreement entered into by and between the unit
5 operator and the owners of such interests, whether one or more,
6 separately or collectively. Any agreement or agreements entered
7 into between the working interest owners and the unit operator
8 as provided in this section, whether one or more, are herein
9 referred to as the "Operating Agreement". No such agreement
10 shall be deemed either to modify any of the terms and conditions
11 of this unit agreement or to relieve the unit operator of any
12 right or obligation established under this unit agreement and
13 in case of any inconsistencies or conflict between this unit
14 agreement and the Operating Agreement, this unit agreement shall
15 prevail.

16 7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except
17 as otherwise specifically provided herein, the exclusive right,
18 privilege and duty of exercising any and all rights of the
19 parties hereto which are necessary or convenient for prospecting
20 for, producing, storing, allocating and distributing the Unitized
21 Substances are hereby delegated to and shall be exercised by
22 the unit operator as herein provided. Acceptable evidence of
23 title to said rights shall be deposited with said unit operator
24 and, together with this agreement, shall constitute and define
25 the rights, privileges and obligations of unit operator. Nothing
26 herein, however, shall be construed to transfer title to any
27 land or to any lease or operating agreement, it being understood
28 that under this agreement the unit operator, in its capacity as
29 unit operator, shall exercise the rights of possession and use

1 vested in the parties hereto only for the purposes herein speci-
2 fied.

3 8. PLAN OF OPERATIONS: The initial plan of operation
4 shall be filed with the Commissioner and the Commission concur-
5 rently with the filing of this unit agreement for final approval.
6 Said initial plan of operation and all revisions thereof shall
7 be as complete and adequate as the Commissioner and the Commission
8 may determine to be necessary for timely operation consistent
9 herewith. Reasonable diligence shall be exercised in complying
10 with the obligations of the approved plan of operation.

11 It is recognized and agreed by the parties hereto that
12 all of the land subject to this agreement is reasonably proved
13 to be productive of Unitized Substances in paying quantities
14 and that the object and purpose of this agreement is to formu-
15 late and to put into effect a secondary recovery project in
16 order to effect additional recovery of Unitized Substances,
17 prevent waste and conserve natural resources. The parties hereto
18 agree that the unit operator may, subject to the consent and
19 approval of a plan of operation by the working interest owners,
20 the Commissioner and the Commission, inject into the unitized
21 formation, through any well or wells completed therein, brine,
22 water, air, gas, liquefied petroleum gases and any one or more
23 other substances or combination of substances whether produced
24 from the unit area or not, and that the location of input wells,
25 the rates of injection therein and the rate of production shall
26 be governed by standards of good geologic and petroleum engineer-
27 ing practices and conservation methods. Subject to like approval
28 the plan of operation may be revised as conditions may warrant.

29 9. TRACT PARTICIPATION: In Exhibit "B" attached hereto,

1 there are listed and numbered the various tracts within the
2 unit area and set forth opposite each tract is a figure which
3 represents the percentage of participation allocated to such
4 tract calculated on one hundred percent tract commitment.

5 The percentage of participation of each tract was deter-
6 mined in accordance with the following formula:

7 Percentage Participation of each Tract

8 EQUALS

9 75% X $\frac{\text{Cumulative Oil Production from Tract to December 1, 1966}}{\text{Cumulative Oil Production from Unit Area to December 1, 1966}}$
10

11 PLUS

12 25% X $\frac{\text{Surface Acres in Tract}}{517.68 \text{ Acres}}$
13

14 10. ALLOCATION OF UNITIZED SUBSTANCES: All Unitized
15 Substances produced and saved from the unit area (except any
16 part of such Unitized Substances used in conformity with good
17 operating practices on unitized land for drilling, operating,
18 camp and other production or development purposes and for
19 pressure maintenance or unavoidable loss) shall be apportioned
20 among and allocated to the committed tracts within the unit
21 area in accordance with the respective tract participation,
22 as set forth in the schedule of participation in Exhibit "B"
23 or any revision thereof. The amount of Unitized Substances so
24 allocated to each tract, and only that amount (regardless of
25 whether it be more or less than the amount of the actual pro-
26 duction of Unitized Substances from the well or wells, if any,
27 on such tract), shall for all intents and purposes be deemed
28 to have been produced from such tract.

29 The Unitized Substances allocated to each tract shall

1 be distributed among, or accounted for to, the parties executing,
2 consenting to or ratifying this agreement entitled to share in
3 the production from such tract in the same manner, in the same
4 proportions and upon the same conditions as they would have
5 participated and shared in the production from such tract had
6 this agreement not been entered into and with the same legal
7 force and effect.

8 No tract committed to this agreement shall be subse-
9 quently excluded from participation hereunder on account of
10 depletion of Unitized Substances, and nothing herein contained
11 shall be construed as requiring any retroactive adjustment for
12 production obtained prior to the effective date of the joinder
13 of any tract.

14 If the royalty, overriding or working interest in any
15 tract are divided with respect to separate parcels or portions of
16 such tract and owned severally by different persons, the per-
17 centage participation assigned to such tract shall, in the
18 absence of a recordable instrument executed by all owners and
19 furnished to unit operator fixing the divisions of ownership,
20 be divided among such parcels or portions in proportion to
21 the number of surface acres in each.

22 The Unitized Substances allocated to each tract shall
23 be delivered in kind to the working interest owners and parties
24 entitled thereto by virtue of the ownership of oil and gas
25 rights therein or by purchase from such owners. Each working
26 interest owner and the parties entitled thereto shall have
27 the continuing right to receive such production in kind at a
28 common point within the unit area and to sell or dispose of
29 the same as it sees fit. Any extra expenditure incurred by

1 unit operator by reason of the delivery in kind of any portion
2 of the Unitized Substances shall be borne by the party receiving
3 the same in kind. In the event any party hereto shall fail to
4 take or otherwise adequately dispose of its proportionate share
5 of the production from the unit area concurrently, as and when
6 produced, then so long as such conditions continue, unit operator,
7 for the account and at the expense of such party and in order to
8 avoid curtailing the operation of the unit area, may sell or
9 otherwise dispose of such production to itself or others on a
10 day-to-day basis at not less than the prevailing market price
11 in the area for like production, and the account of such party
12 shall be charged therewith as having received such production.
13 The net proceeds, if any, of the Unitized Substances so disposed
14 of by unit operator shall be paid to the party entitled thereto.

15 Any party receiving in kind or separately disposing of
16 all or any part of the Unitized Substances allocated to any
17 tract, shall be responsible for the payment of all royalty on
18 the lease or leases and tracts contributed by it and received
19 into the unit.

20 If there are any tracts within the unit area not com-
21 mitted hereto as of the effective date hereof but which are
22 subsequently committed hereto under the provisions of Section
23 22 (Subsequent Joinder), or if any tract is excluded from the
24 unit area as provided for in Section 21 (Loss of Title), the
25 schedule of participation as shown in Exhibit "B" shall be
26 revised by the unit operator and distributed to the working
27 interest owners and the Commissioner to show the new percentage
28 participation of all the then effectively committed tracts;
29 and the Revised Exhibit "B", upon approval by the Commissioner,

1 shall govern all the allocation of production from and after
2 the effective date thereof until a new revised Exhibit "B"
3 is filed and approved as hereinabove provided.

4 11. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING

5 ROYALTIES: All rentals due the State of New Mexico shall be
6 paid by the respective lease owners in accordance with the terms
7 of their leases.

8 All royalties due the State of New Mexico under the
9 terms of the leases committed to this agreement shall be computed
10 and paid on the basis of all Unitized Substances allocated to
11 the respective tracts by the formula established by Section 9
12 hereof; provided, however, the State shall be entitled to take
13 in kind its share of the Unitized Substances allocated to the
14 respective leases, and in such case the unit operator shall
15 make deliveries of such royalty oil in accordance with the terms
16 of the respective leases.

17 If any lease committed hereto is burdened with an over-
18 riding royalty, payment out of production or other charge in
19 addition to the usual royalty, the owner of each such lease
20 shall bear and assume the same out of the Unitized Substances
21 allocated to the lands embraced in each such lease as provided
22 herein.

23 Each overriding royalty owner who ratifies this agree-
24 ment represents and warrants that he is the owner of the interest
25 in a tract or tracts within the unit area as his interest appears
26 in Exhibit "B" attached hereto. If any such interest in a tract
27 or tracts should be lost by title failure or otherwise in whole
28 or in part during the term of this agreement then the overriding
29 royalty interest of the party representing himself to be the

1 owner thereof shall be reduced proportionately and the interest
2 of all parties shall be adjusted accordingly.

3 12. LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar
4 AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA: The terms,
5 conditions and provisions of all leases, subleases, operating
6 agreements and other contracts relating to the exploration, drilling,
7 development or operation for oil or gas of the lands committed
8 to this agreement, shall as of the effective date hereof, be
9 and the same are hereby expressly modified and amended insofar
10 as they apply to lands within the unit area to the extent neces-
11 sary to make the same conform to the provisions hereof and so
12 that the respective terms of said leases and agreements will be
13 extended insofar as necessary to coincide with the terms of this
14 agreement and the approval of this agreement by the Commissioner
15 and the respective lessees shall be effective to conform the
16 provisions and extend the terms of each such lease as to lands
17 within the unit area to the provisions and terms of this agree-
18 ment; but otherwise to remain in full force and effect. Each
19 lease, sublease or contract relating to the development and
20 operation for oil and gas of the lands within the unit area,
21 shall continue in force beyond the term provided therein as
22 long as this agreement remains in effect. Termination of this
23 agreement shall not affect any lease which pursuant to the terms
24 thereof or any applicable laws would continue in full force and
25 effect thereafter. Drilling, producing or secondary recovery
26 operations performed hereunder upon any tract of the unitized
27 lands shall be accepted and deemed to be performed on each of
28 the tracts committed to this agreement and operations or produc-
29 tion pursuant to this agreement shall be deemed to be operations

1 upon and production from each tract committed hereto. The
2 development and operation of the unitized lands under the terms
3 hereof shall be deemed full performance of all obligations for
4 development and operation with respect to each and every part
5 or separately owned tract within the unit area, regardless of
6 whether there is any development of any part or tract of the
7 unit area.

8 The leases embracing lands of the State of New Mexico
9 having only a portion of the land committed hereto, shall be
10 segregated as to that portion committed and that portion not com-
11 mitted, and the terms of such leases shall apply separately
12 to such segregated portions commencing as of the effective date
13 hereof. Notwithstanding any of the provisions of this agreement
14 to the contrary, any lease embracing lands of the State of New
15 Mexico having only a portion of its land committed hereto shall
16 continue in full force and effect beyond the term provided therein
17 as to all lands embraced in such lease (whether within or without
18 the unit area), (1) if, and for so long as oil or gas are capable
19 of being produced in paying quantities from some part of the
20 lands embraced in such lease committed to this agreement; or
21 (2) if, and for so long as some part of the lands embraced in
22 such lease committed to this agreement are allocated Unitized
23 Substances; or (3) if, at the expiration of the secondary term
24 the lessee or the unit operator is then engaged in bona fide
25 drilling or reworking operations on some part of the lands em-
26 braced therein and for so long as such operations are being
27 diligently prosecuted, and if they result in the production of
28 oil or gas said lease shall continue in full force and effect
29 as to all the lands embraced therein so long thereafter as oil

1 or gas in paying quantities is being produced from any portion
2 of said lands.

3 13. CONSERVATION: Operations hereunder and production
4 of Unitized Substances shall be conducted to provide for the
5 most economical and efficient recovery of said substances without
6 waste, as defined by or pursuant to state laws or regulations.

7 14. DRAINAGE: In the event a well or wells producing
8 oil or gas in paying quantities should be brought in on land
9 adjacent to the unit area draining Unitized Substances from the
10 lands embraced therein, unit operator shall drill such offset
11 well or wells as a reasonably prudent operator would drill
12 under the same or similar circumstances.

13 15. COVENANTS RUN WITH LAND: The covenants herein
14 shall be construed to be covenants running with the land with
15 respect to the interests of the parties hereto and their suc-
16 cessors in interest until this agreement terminates, and any
17 grant, transfer or conveyance of an interest in land or leases
18 subject hereto shall be and hereby is conditioned upon the
19 assumption of all privileges and obligations hereunder by the
20 grantee, transferee or other successor in interest. No assign-
21 ment or transfer of any working, royalty or other interest
22 subject hereto shall be binding upon unit operator until the
23 first day of the calendar month after the unit operator is
24 furnished with the original photostatic or certified copy of
25 the instrument of transfer.

26 16. EFFECTIVE DATE AND TERM: This agreement shall
27 become effective at 7:00 a.m. on the first day of the month
28 following approval by the Commissioner and shall remain in
29 effect so long as Unitized Substances are capable of being

1 produced in quantities sufficient to pay the costs of operation
2 and should production cease, so long thereafter as diligent
3 drilling, reworking or other operations (including secondary
4 recovery operations) are in progress on the unitized land and
5 so long thereafter as Unitized Substances so established or
6 restored can be produced as aforesaid. This agreement may
7 also be terminated at any time by not less than seventy-five
8 percent (75%) of the total participating working interests
9 signatory hereto with the approval of the Commissioner.

10 17. RATE OF PRODUCTION: All production and disposal
11 thereof shall be in conformity with allocations, allotments
12 and quotas made or fixed by the Commission and in conformity
13 with all applicable laws and lawful regulations.

14 18. APPEARANCES: Unit operator shall, after notice
15 to other parties affected, have the right to appear for and
16 on behalf of any and all interests affected hereby before the
17 Commissioner of Public Lands and the New Mexico Oil Conservation
18 Commission, and to appeal from orders issued under the regula-
19 tions of the Commissioner or Commission or to apply for relief
20 from any of said regulations or in any proceedings on its own
21 behalf relative to operations pending before the Commissioner
22 or the Commission; provided, however, that any other interested
23 party shall also have the right at his own expense to appear
24 and to participate in any such proceeding.

25 19. NOTICES: All notices, demands or statements
26 required hereunder to be given or rendered to the parties hereto
27 shall be deemed fully given, if given in writing and sent by
28 postpaid registered mail, addressed to such party or parties
29 at their respective addresses set forth in connection with the

1 signatures hereto or to the ratification or consent hereof or
2 to such other address as any such party may have furnished in
3 writing to party sending the notice, demand or statement.

4 20. UNAVOIDABLE DELAY: All obligations under this
5 agreement requiring the unit operator to commence or continue
6 secondary recovery operations or to operate on or produce
7 Unitized Substances from any of the lands covered by this agree-
8 ment shall be suspended while, but only so long as, the unit
9 operator despite the exercise of due care and diligence, is
10 prevented from complying with such obligations, in whole or in
11 part, by strikes, war, acts of God, federal, state or municipal
12 law or agencies, unavoidable accidents, uncontrollable delays
13 in transportation, inability to obtain necessary materials in
14 open market, or other matters beyond the reasonable control of
15 the unit operator whether similar to matters herein enumerated
16 or not.

17 21. LOSS OF TITLE: In the event title to any tract of
18 unitized land or substantial interest therein shall fail and
19 the true owner cannot be induced to join the unit agreement
20 so that such tract is not committed to this agreement or the
21 operation thereof hereunder becomes impracticable as a result
22 thereof, such tract may be eliminated from the unitized area,
23 and the interest of the parties readjusted as a result of such
24 tract being eliminated from the unitized area. In the event of
25 a dispute as to the title to any royalty, working or other
26 interest subject hereto, the unit operator may withhold payment
27 or delivery of the allocated portion of the Unitized Substances
28 involved on account thereof without liability for interest until
29 the dispute is finally settled, provided that no payments of

1 funds due the State of New Mexico shall be withheld. Unit
2 operator as such is relieved from any responsibility for any
3 defect or failure of any title hereunder.

4 22. SUBSEQUENT JOINDER. Joinder of any overriding
5 royalty or other similar nonoperating interest owner, at any
6 time, must be accompanied by joinder and consent of the corres-
7 ponding working interest owner in order for such overriding
8 royalty or other similar nonoperating interest to be regarded
9 as effectively committed hereto. Joinder of any working interest
10 owner, at any time, must be accompanied by his appropriate
11 joinder to the Operating Agreement in order for such interest
12 to be regarded as effectively committed hereto. A subsequent
13 joinder shall be effective as of the first day of the month
14 following the approval by the Commissioner and the filing with
15 the Commission of duly executed counterparts of the instrument
16 or instruments committing the interest of such owner to this
17 agreement.

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

28 IN WITNESS WHEREOF, the undersigned parties hereto have
29 caused this agreement to be executed as of the respective dates

1 set forth opposite their signatures.

ATTEST

KINCAID & WATSON DRILLING COMPANY

Nancy King
Assistant Secretary

By J. C. Watson
President

Date: November 5, 1969

Address: P. O. Box 498
Artesia, New Mexico 88210

UNIT OPERATOR AND WORKING INTEREST
OWNER

WORKING INTEREST OWNERS

ATTEST:

BOGLE & KEMPER OIL COMPANY, A JOINT VENTURE
COMPOSED OF BOGLE FARMS, INC. and
LONNIE KEMPER
By Lonnie Kemper
President Manager

Secretary

Date: _____

Address: Box 744
Roswell, New Mexico 88201

ATTEST:

PEARSON-SIBERT OIL COMPANY OF TEXAS

Secretary

By _____
President

Date: _____

Address: _____

ATTEST:

A. F. GILMORE COMPANY

Secretary

By _____
President

Date: _____

Address: _____

STATE OF NEW MEXICO)
COUNTY OF Eddy) : ss

The foregoing instrument was acknowledged before me this 5 day
of November 1969 by J. C. Watson, _____ President
of Kincaid & Watson Drilling Company, a New Mexico corporation, on
behalf of said corporation.

My Commission Expires:
8-8-72

Lonnie Kemper
Notary Public

STATE OF NEW MEXICO)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this 16th day of November 1969 by Lennice Kemper, Manager ~~President~~ of Bogle & Kemper Oil Company, a joint venture ~~corporation~~, on behalf of said ~~corporation~~ joint venture,

My Commission Expires:

June 1, 1971

Jean Hay
Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument ~~was~~ acknowledged before me this ____ day of _____ 1969 by _____, _____ President of Pearson-Sibert Oil Company of Texas, a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____ 1969 by _____, _____ President of A. F. Gilmore Company, a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

Tract No.	Description and Number of Acres	Lease No. & Date	Basic Royalty	Lessee of Record	Overriding Royalty and Production Payment Owners & Percentage	Working Interest Owner & Percentage	Participation of Tract
1	SW/4 Sec. 36, T. 16 S., R. 28 E. 160 acres	E-10068-3 5/15/56 HBP	State 12.5	General Western Petroleum Corp.	Casex Hinkle Development Company General Western Development Corp. 10.035163	Bogle & Kemper Oil Company 14.899 Dalevco Oils 4.964 A. F. Gilmore Co. 16.432 L. C. Harris 4.015 E. M. Jennings 6.692 Kincaid & Watson Drilling Co. 17.385 M. A. Kline 5.799 W. H. Openshaw 2.676 Pearson-Sibert Oil Co. of Texas 16.432 C. B. Read 4.015 C. A. Shuey 2.676 N. L. Stevens 4.015	29.615259
2	SE/4SE/4 Sec. 35, T. 16 S., R. 28 E. 40 acres	OG-4659 10/21/58 HBP	State 12.5	Lonnie Kemper	Lonnie Kemper 3.5	Kincaid & Watson Drilling Co. 35.000 Durham, Inc. 25.000 Bogle & Kemper Oil Company 30.000 Dalevco Oils 10.000	5.383838
3	Lots 1 and 2 (N/2NE/4), S/2NE/4 Sec. 2, T. 17 S., R. 28 E., 158.64 acres	E-9782-1 2/21/56 HBP	State 12.5	Dale Resler & Vilas P. Sheldon dba Resler & Sheldon	Dale Resler & Vilas P. Sheldon Up to 25 bpd Above 25 bpd Lonnie Kemper 6.250 12.500 3.125	Durham, Inc. 12.50 Kincaid & Watson Drilling Co. 17.50 Pearson-Sibert Oil Co. of Texas 21.25 Dalevco Oils 5.00 Bogle & Kemper Oil Company 15.00 A. F. Gilmore Co. 21.25 M. A. Kline 7.50	28.106353

Tract No.	Description and Number of Acres	Lease No. & Date	Basic Royalty	Lessee of Record	Overriding Royalty and Production Payment		Working Interest Owner & Percentage	Percent Participatio- of Tract
					Owners & Percentage			
4	Lots 3 & 4 (N/2NW/4) Sec. 1, T. 17 S., R. 28 E. - 79.04 acres	E-9510 11/15/55 HBP	State 12.5	Atlantic Rich- field Company	Atlantic Richfield Company Bogle & Kemper Oil Company Joanne Garlinger Van Winkle	6.25000 .46875 2.65825	Durham, Inc Kincaid & Watson Drilling Co. Pearson-Sibert Oil Co. of Texas Dalevco Oils Bogle & Kemper Oil Company A. F. Gilmore Co. M. A. Kline	12.50 17.50 21.25 5.00 15.00 21.25 7.50 19.307438
5	S/2NW/4 Sec. 1 T. 17 S., R. 28 E. - 80 acres	E-9510 11/15/55 HBP	State 12.5	Atlantic Rich- field Company	Atlantic Richfield Company	12.5	L. C. Harris R. R. Boice E. M. Jennings W. G. McCoy W. H. Openshaw C. B. Read C. A. Shuey N. L. Stevens	12.500 12.500 20.834 12.500 8.333 12.500 8.333 12.500 17.587112

CONSENT AND RATIFICATION
EAST RED LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of royalty or other interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said unit agreement or counterparts thereof.

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

ATTEST:

Miss Park
Asst. Secretary

GENERAL WESTERN PETROLEUM CORPORATION

By *Clarence E. Hinkle*
President

ATTEST:

Miss Park
Asst. Secretary

HINKLE DEVELOPMENT COMPANY

By *Clarence E. Hinkle*
President

STATE OF NEW MEXICO)
: ss
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 19th day of November, 1969 by Clarence E. Hinkle President of General Western Petroleum Corporation, a Texas corporation, on behalf of said corporation.

My Commission Expires:
7/3/73

Charlotte Sanders
Notary Public

STATE OF NEW MEXICO)
: ss
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 19th day of November, 1969 by Clarence E. Hinkle President of Hinkle Development Company, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:
7/3/73

Charlotte Sanders
Notary Public

CONSENT AND RATIFICATION
EAST RED LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of royalty or other interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said unit agreement or counterparts thereof.

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

CASEX, A LIMITED PARTNERSHIP

By Howard E. Davenport
General Partner

STATE OF TEXAS)
COUNTY OF Tarrant) : ss

The foregoing instrument was acknowledged before me this 11th day of November 1969 by Howard E. Davenport, a general partner of Casex, a Limited Partnership, on behalf of said partnership.

My Commission Expires:
June 1, 1971

E. J. Jett
Notary Public

STATE OF _____)
COUNTY OF _____) : ss

The foregoing instrument was acknowledged before me this _____ day of _____ 1969 by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
EAST RED LAKE UNIT AGREEMENT AND
UNIT OPERATING AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, together with a copy of the Unit Operating Agreement in connection therewith, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof and of the unit operating agreement exactly the same as if the undersigned had executed the original of said unit agreement and unit operating agreement or counterparts thereof.

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

Attest:

James King
Assistant Secretary

Kincaid & Watson Drilling Company

J. C. Watson
President
21-2-3-4

STATE OF New Mexico)
: ss
COUNTY OF Eddy)

The foregoing instrument was acknowledged before me this 18
day of February 1969 by J. C. Watson, president of
70

Kincaid & Watson Drilling Company

My Commission Expires:

LOUIS C. BAKER, NOTARY PUBLIC

MY COMMISSION EXPIRES APRIL 2, 1970

Louis C. Baker
Notary Public

STATE OF _____)
: ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____
day of _____ 1969 by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
EAST RED LAKE UNIT AGREEMENT AND
UNIT OPERATING AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, together with a copy of the Unit Operating Agreement in connection therewith, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof and of the unit operating agreement exactly the same as if the undersigned had executed the original of said unit agreement and unit operating agreement or counterparts thereof.

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

DALEVCO OILS, a Partnership

By

Oran C. Dale, Partner

21-2-3-4

STATE OF New Mexico)

COUNTY OF Chavez) : ss

The foregoing instrument was acknowledged before me this 6th day of March 1969 by Oran C. Dale, partner, on behalf of Dalevco Oils, a Partnership.

My Commission Expires:

July 3, 1973

Charlotte Sanders
Notary Public

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____ 1969 by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
EAST RED LAKE UNIT AGREEMENT AND
UNIT OPERATING AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, together with a copy of the Unit Operating Agreement in connection therewith, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof and of the unit operating agreement exactly the same as if the undersigned had executed the original of said unit agreement and unit operating agreement or counterparts thereof.

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

BOGLE & KEMBER OIL COMPANY

By

Lonnie Kemper

201-2-3-4

STATE OF New Mexico)

COUNTY OF Chaves) : ss

The foregoing instrument was acknowledged before me this 26th day of February 1969 by Lonnie Kemper, Manager of Bogle & Kemper Oil Company.
70

My Commission Expires:
July 3, 1973

Charlotte Lindsey
Notary Public

STATE OF _____)

COUNTY OF _____) : ss

The foregoing instrument was acknowledged before me this _____ day of _____ 1969 by _____

My Commission Expires:

Notary Public

EDDY COUNTY, NEW MEXICO

unit operating agreement or counterparts thereof.

as of the date set forth in their respective acknowledgments.

Wm. R. Aubert
Secretary

PEARSON-SIBERT OIL CO. OF TEXAS

W. V. Sibert Pres.

7-2-4

STATE OF California)
 : ss
COUNTY OF Los Angeles)

The foregoing instrument was acknowledged before me this 19th
day of November 1969 by Robert V. Sibert

My Commission Expires:
March 16, 1970

A. M. Neal
Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____ 1969 by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
EAST RED LAKE UNIT AGREEMENT AND
UNIT OPERATING AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, together with a copy of the Unit Operating Agreement in connection therewith, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof and of the unit operating agreement exactly the same as if the undersigned had executed the original of said unit agreement and unit operating agreement or counterparts thereof.

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

ATTEST: M. B. Hartman
Feb 25, 1970
Secretary

A. F. GILMORE COMPANY
By John B. Gostovich
President
160 South Fairfax Avenue
Los Angeles, California 90036

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES : ss

The foregoing instrument was acknowledged before me this 25th day of February 1970 by John B. Gostovich, President of A. F. Gilmore Company, a California corporation, on behalf of said corporation.

My Commission Expires: 2-4-73
Elizabeth Hansen
Notary Public

STATE OF _____)
COUNTY OF _____ : ss

The foregoing instrument was acknowledged before me this _____ day of _____ 1969 by _____

My Commission Expires: _____
Notary Public

CONSENT AND RATIFICATION

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, together with a copy of the Unit Operating Agreement in connection therewith, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof and of the unit operating agreement exactly the same as if the undersigned had executed the original of said unit agreement and unit operating agreement or counterparts thereof.

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

Mortimer A. Kline

7 1-3-4

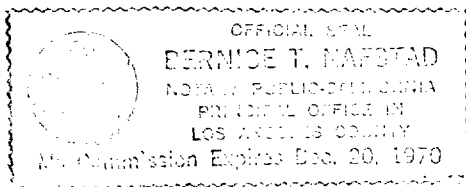
STATE OF CALIFORNIA)
 : ss
COUNTY OF LOS ANGELES)

The foregoing instrument was acknowledged before me this 28th
day of November, 1969 by Mortimer A. Kline

My Commission Expires:

Bernice T. Hafstad
Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)



The foregoing instrument was acknowledged before me this _____ day of _____ 1969 by _____

My Commission Expires:

Notary Public

EDDY COUNTY, NEW MEXICO

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

STATE OF New Mexico)
COUNTY OF Chaves) ss

My Commission Expires:
February 10, 1972

Florence Olanow
Notary Public

STATE OF New Mexico)
COUNTY OF Chaves) ss

The foregoing instrument was acknowledged before me this 31st
day of December 1969 by _____

My Commission Expires:
February 10, 1972

Notary Public

EDDY COUNTY, NEW MEXICO

unit operating agreement or counterparts thereof.

as of the date set forth in their respective acknowledgments.

DURHAM, INC.

President

STATE OF TEXAS)

: SS

Inc., a Texas corporation, on behalf of said corporation.

Notary Public

STATE OF)

: SS

day of _____ 1969 by _____

Notary Public

LEDD COUNTY, NEW MEXICO

unit operating agreement or counterparts thereof.

James K. Paul

Charles B. Kent

STATE OF NEW MEXICO)
 : ss
COUNTY OF CHAVES)

day of January 1976 by Charles D. Read and wife, Jean Read.

Notary Public

SECRET 01 _____

2025 RELEASE UNDER E.O. 14176

Notary Public

EDDY COUNTY, NEW MEXICO

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

Notary Public

CONSENT AND RATIFICATION
EAST RED LAKE UNIT AGREEMENT AND
UNIT OPERATING AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, together with a copy of the Unit Operating Agreement in connection therewith, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof and of the unit operating agreement exactly the same as if the undersigned had executed the original of said unit agreement and unit operating agreement or counterparts thereof.

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

STATE OF NEW MEXICO)
COUNTY OF CHAVES) : ss

The foregoing instrument was acknowledged before me this 23rd day of February ~~1968~~ 1970 by L. C. Harris and Marion V. Harris, his wife.

My Commission Expires:
August 2, 1970

Elizabeth B. Gorman
Notary Public

STATE OF _____)
COUNTY OF _____) : ss

The foregoing instrument was acknowledged before me this _____ day of _____ 1969 by _____

My Commission Expires:

Notary Public

EDDY COUNTY, NEW MEXICO

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

Notary Public

EDDY COUNTY, NEW MEXICO

IN WITNESS WHEREOF, this instrument is executed by the undersigned
as of the 14 date set forth in their respective acknowledgments.

STATE OF NEW MEXICO)
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____ 1969 by W. Herbert Openshaw and Florence M. Openshaw, his wife.

My Commission Expires:
Aug. 22, 1972

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this ____ day of _____ 1969 by _____

My Commission Expires:

CONSENT AND RATIFICATION
EAST RED LAKE UNIT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Francis Kemper

STATE OF New Mexico
COUNTY OF Chavez : ss)

2. 2-3

The foregoing instrument was acknowledged before me this 11th day of November 1969 by Francis Kemper a single man

My Commission Expires: June 1, 1971
Jean Day
Notary Public

STATE OF _____)
COUNTY OF _____ : ss)

The foregoing instrument was acknowledged before me this ____ day of _____ 1969 by _____

My Commission Expires: _____
Notary Public

CONSENT AND RATIFICATION
EAST RED LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of royalty or other interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said unit agreement or counterparts thereof.

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

Vilas P. Sheldon and Dale Resler, dba Resler

Vilas P. Sheldon

Dale Resler

STATE OF New Mexico)
COUNTY OF Eddy) : ss

The foregoing instrument was acknowledged before me this 1st day of November 1969 by Vilas P. Sheldon

My Commission Expires:

August 28 1970

Quinta D. Brown
Notary Public

STATE OF TEXAS)
COUNTY OF EL PASO) : ss

The foregoing instrument was acknowledged before me this 12th day of Nov. 1969 by Dale Resler

My Commission Expires:

August 1, 1971
In and for the County of El Paso, Texas
My commission expires June 1, 1971

Quinta D. Brown
Notary Public

CONSENT AND RATIFICATION
EAST RED LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of royalty or other interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said unit agreement or counterparts thereof.

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

Joanne D. Martinez Van Dinkle

STATE OF New Mexico)
COUNTY OF Chaves) ss

The foregoing instrument was acknowledged before me this 10th day of November 1969 by Joanne D. Martinez Van Dinkle

My Commission Expires:
June 1, 1971

Joanne D. Martinez
Notary Public

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____ 1969 by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
EAST RED LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of royalty or other interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said unit agreement or counterparts thereof.

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

Date: November 14, 1969

ATLANTIC RICHFIELD COMPANY

By:

S. L. Smith
Attorney-in-Fact

STATE OF NEW MEXICO)
: ss
COUNTY OF Chaves)

The foregoing instrument was acknowledged before me this 14th day of November 1969 by S. L. Smith, Attorney-in-Fact of Atlantic

Richfield Company

My Commission Expires:
July 14, 1971

Barthelme L. McGee
Notary Public

STATE OF _____)
: ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____ 1969 by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, together with a copy of the Unit Operating Agreement in connection therewith, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof and of the unit operating agreement exactly the same as if the undersigned had executed the original of said unit agreement and unit operating agreement or counterparts thereof.

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

STATE OF NEW MEXICO)
) ss
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this day of March 1968 by William G. McCoy and Beverly H.

McCoy, his wife.

My Commission Expires:
9-2-70

S. Kirby Ann Foxe
Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____ 1969 by _____

My Commission Expires:

Notary Public

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 4255
Order No. R-3881

APPLICATION OF KINCAID & WATSON DRILLING
COMPANY FOR A WATERFLOOD PROJECT, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 19, 1969, at Roswell, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 24th day of November, 1969, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Kincaid & Watson Drilling Company, seeks permission to institute a waterflood project in the East Red Lake Unit Area, East Red Lake Queen-Grayburg Pool, by the injection of water into the Queen formation through four injection wells in Section 36, Township 16 South, Range 28 East and Sections 1 and 2, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico.

(3) That the applicant further seeks an administrative procedure whereby said project could be expanded to include additional injection wells in said project as may be necessary in order to complete an efficient injection pattern; that said administrative procedure should provide for administrative

approval for conversion to water injection in exception to the well response requirements of Rule 701 E-5 of the Commission Rules and Regulations.

(4) That the wells in the project area are in an advanced state of depletion and should properly be classified as "stripper" wells.

(5) That the proposed waterflood project should result in the recovery of otherwise unrecoverable oil, thereby preventing waste.

(6) That the subject application should be approved and the project should be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations, provided however, that the showing of well response as required by Rule 701 E-5 shall not be necessary before obtaining administrative approval for the conversion of additional wells to water injection.

IT IS THEREFORE ORDERED:

(1) That the applicant, Kincaid & Watson Drilling Company, is hereby authorized to institute a waterflood project in the East Red Lake Unit Area, East Red Lake Queen-Grayburg Pool, by the injection of water into the Queen formation through the following-described wells in Eddy County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM

Injection wells:

General Western Petroleum Corp. State Well No. 2 -
Unit L - Section 36

General Western Petroleum Corp. State Well No. 3 -
Unit N - Section 36

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM

Injection wells:

Kincaid & Watson Drilling Co. Atlantic State "A"
Well No. 1 - Unit D - Section 1

Kincaid & Watson Drilling Co. Resler & Sheldon State
Well No. 1 - Unit H - Section 2

-3-

CASE No. 4255

Order No. R-3881

(2) That the subject waterflood project is hereby designated the East Red Lake Unit Waterflood Project and shall be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations;

PROVIDED HOWEVER, that the Secretary-Director of the Commission may approve expansion of the East Red Lake Unit Waterflood Project to include such additional injection wells in said project as may be necessary to complete an efficient water injection pattern; that the showing of well response as required by Rule 701 E-5 shall not be necessary before obtaining administrative approval for the conversion of additional wells to water injection.

(3) That monthly progress reports of the waterflood project herein authorized shall be submitted to the Commission in accordance with Rules 704 and 1120 of the Commission Rules and Regulations.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

esr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 4254
Order No. R-3880

APPLICATION OF KINCAID & WATSON DRILLING
COMPANY FOR APPROVAL OF THE EAST RED LAKE
UNIT AGREEMENT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 19, 1969, at Roswell, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 24th day of November, 1969, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Kincaid & Watson Drilling Company, seeks approval of the East Red Lake Unit Agreement covering 517.68 acres, more or less, of State lands described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 35: SE/4 SE/4
Section 36: SW/4

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 1: Lots 3 and 4 (N/2 NW/4) and
S/2 NW/4
Section 2: Lots 1 and 2 (N/2 NE/4) and
S/2 NE/4

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

IT IS THEREFORE ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

esr/

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

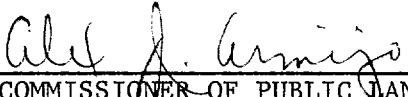
EAST RED LAKE UNIT
EDDY COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated **May 1, 1969**, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

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

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this **16th.** day of **March**, 19 **70**.



COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico