

0 13
4310

MURPHY H. BAXTER

814 BUILDING OF THE SOUTHWEST
MIDLAND, TEXAS 79701

October 2, 1970

Oil Conservation Commission
State of New Mexico
P.O. Box 2088
Santa Fe, New Mexico 87501

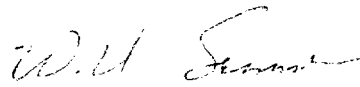
Re: North E K Queen Unit
Lea County, New Mexico

Gentlemen:

Pursuant to your Order No. R-4008 dated August 12, 1970, we have enclosed one executed counterpart of the Unit Agreement for the above unit. The effective date of this Unit was October 1, 1970.

If there is any change the unit area, counterparts of the Unit Agreement reflecting this change will be filed with the Commission.

Very truly yours,



W. U. Sumner

WUS/mj

13
OCT 5 1970

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

NORTH E K QUEEN UNIT

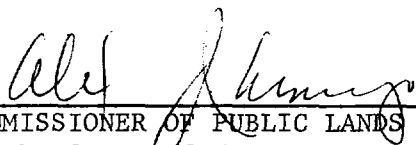
LEA COUNTY, NEW MEXICO

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 **December 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 **28th.** day of **September**, 19**70**.



COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

43925

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE

NORTH EK QUEEN UNIT

LEA COUNTY, NEW MEXICO

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
NORTH EK QUEEN UNIT
LEA COUNTY, NEW MEXICO

TABLE OF CONTENTS

<u>Section</u>		<u>page</u>
	Preliminary Recitals	1
1	Definitions	1
	(a) Commission	1
	(b) Commissioner	1
	(c) Unit Operator	2
	(d) Unit Manager	2
	(e) Working Interest	2
	(f) Working Interest Owner	2
	(g) Royalty Interest	2
	(h) Royalty Owner	2
	(i) Unitized Formation	2
	(j) Unitized Substances	2
	(k) Unit Area	2
	(l) Tract	2
	(m) Cumulative Oil Production from Tract	2
	(n) Unit Participation	3
	(o) Tract Participation	3
	(p) Unit Operating Agreement	3
	(q) Unit Operations	3
	(r) Unit Expense	3
	(s) Unit Equipment	3
	(t) Paying Quantities	3
	(u) Usable Well	3
2	Unit Area and Participation	3
3	Unitized Substances and Rights	5
4	Unit Operator	5
5	Resignation or Removal of Unit Operator	5
6	Successor Unit Operator	6
7	Accounting Provisions and Unit Operating Agreement	6
8	Rights and Obligations of Unit Operator	6
9	Plan of Operations	6
10	Tract Participation	7
11	Tracts Qualified for Unit Participation	7
12	Allocation of Unitized Substances	9
13	Royalty Settlement	10
14	Oil in Lease Tanks of Effective Date	11

15 Reports 12

16 Rental Settlement 12

17 Conservation 12

18 Drainage 12

19 Leases and Contracts Conformed and Extended . 12

20 Mathematical Errors 13

21 Covenants Run with Land 13

22 Effective Date and Term 14

23 Rate of Production 15

24 Appearances 15

25 Notices 15

26 No Waiver of Certain Rights 15

27 Waiver of Rights to Partition 15

28 Unavoidable Delay 15

29 Loss of Title 15

30 Nonjoinder and Subsequent Joinder 16

31 Lien of Unit Operator 16

32 Creation of New Interest 16

33 Personal Property Excepted 16

34 No Partnership 17

35 Taxes 17

36 Counterparts 17

37 Joinder in Dual Capacity 17

Exhibits

- Exhibit A: Map of Unit Area
- Exhibit B: Leasehold Information and Tract Participations

Certificate of Approval - State of New Mexico

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE

NORTH EK QUEEN UNIT

LEA COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the first day of December, 1969, 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:

WHEREAS, the parties hereto are the owners of Working, Royalty, or other oil or gas interests in the Unit Area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 3, Chapter 88, Laws 1943 as amended by Section 1 of Chapter 162, Laws of 1951) 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 (Section 7-11-39 et seq., New Mexico Statutes, 1953, Annotated) 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 terms of the unitized development and operation of State lands; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Article 111, Ch. 65, Vol. 9, Part 2, New Mexico Statutes 1953, Annotated) to approve this agreement, and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Unit Area subject to this agreement to give reasonable effective control of operation therein; and

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

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

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

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

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

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

(d) "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 6 hereof.

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

(f) "Working Interest Owner" means a party hereto who owns a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

(g) "Royalty Interest" means a right to or interest in any portion of the Unitized Substances or proceeds thereof other than Working Interest.

(h) "Royalty Owner" means a party hereto who owns a Royalty Interest.

(i) "Unitized Formation" is defined as the Queen Sand formation underlying the Unit Area, which occurs between the logged depths, measured from the Kelly bushing, of 4121 feet and 4210 feet, in the Cities Service Oil Co. - Cockburn "B" State No. 2 well located in SE/4 NE/4 of Section 1, T-18-S, R-33-E, N.M.P.M., Lea County, New Mexico.

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

(k) "Unit Area" means those lands described by Tracts in Exhibit B and shown on Exhibit A as to which this agreement becomes effective or to which it may be extended as herein provided.

(l) "Tract" means each parcel of land described as such and given a Tract Number in Exhibit B, attached hereto.

(m) "Cumulative Oil Production from Tract" is defined as and shall be that total amount of oil in barrels which has been produced from the Unitized Formation subsequent to the completion of the well or wells situated

on a tract, as determined by reference to the records of the Commission.

(n) "Unit Participation" of each Working Interest Owner means the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation of such Tract.

(o) "Tract Participation" means the percentage listed on Exhibit B.

(p) "Unit Operating Agreement" is defined as and shall mean the agreement entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 7 entitled "Unit Operating Agreement, North E K Queen Unit, Lea County, New Mexico", or any amendment or supplement thereto.

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

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

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

(t) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells completed in the Unitized Formation.

(u) "Usable Well" is defined as a well which has been drilled in the Unit Area to the depth of the Unitized Formation and has casing in the hole in condition for use as either a producing well or an injection well, and on which well there has been filed with the State of New Mexico, on or before the effective date of this agreement, a well record and Completion Report (Form C-105) or Request for Oil Allowable (Form C-104) and which well has produced some oil from the Unitized Formation and has had an allowable granted for it by the Oil Conservation Commission of the State of New Mexico.

2. UNIT AREA AND PARTICIPATION. The following described land is hereby designated and recognized as constituting the Unit Area as to which this agreement becomes effective, to wit:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

Township 17 South, Range 33 East, N.M.P.M.

Section 36: S/2 SE/4, NW/4 SE/4

Township 18 South, Range 33 East, N.M.P.M.

Section 1: Lots 1 and 2, S/2 NE/4,
NE/4 SE/4

Township 18 South, Range 34 East, N.M.P.M.

Section 6: Lots 4, 5, 6, and 7,
SE/4 NW/4, E/2 SW/4,
W/2 SE/4, SE/4 SE/4

Section 7: Lot 1, E/2 NW/4, NE/4

Exhibit A attached hereto is a map showing the Unit Area and the boundaries and identity of Tracts and leases in said Unit Area to the extent known to the Unit Operator. Exhibit B attached hereto is a schedule showing to the extent known to the Unit Operator the acreage comprising each Tract, percentage ownership of each Working Interest Owner in each Tract and the percentages of Unit Participation. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits A and B shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary. Two copies of such revision shall be filed with the Commissioner.

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 owner or owners of the Working Interest in and to any tract or tracts desiring to bring such tract or tracts into the Unit Area 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 participations to be assigned to such tract or tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise), if Working Interest Owners having eighty percent (80%) of the Unit Participation in the Unit Area agree to such tract or tracts being brought into the Unit Area, then Unit Operator shall, after preliminary concurrence by the Commissioner,

(1) 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 acreage, the unit participations to be assigned thereto and the proposed effective date thereof, preferably the first day of a month subsequent to the day of notice; and

(2) Deliver copies of said notice to the commissioner, each Working Interest Owner (mailing copy of such notice to the last known address of each such Working Interest Owner) and to the lessee and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objections to such proposed expansions; and

(3) File, upon the expiration of said thirty (30) day period as set out in Item 2 immediately above, with the Commissioner the following: evidence of mailing copies of said notice of expansion; an application for such expansion; and instrument containing the appropriate joinders in compliance with the

300K 200 100
participation requirement of Section 30, "Nonjoinder and Subsequent Joinder", infra; and copy of any objections received.

The expansion shall, after due consideration of all pertinent information and upon approval by the Commissioner, become effective as of 7:00 a.m. on the first day of the month following such approval unless otherwise agreed upon as provided in the notice of expansion.

3. UNITIZED SUBSTANCES AND RIGHTS. All Unitized Substances in or that may be produced from the Unitized Formation underlying the lands subject to this agreement are unitized under the terms of this agreement. The parties hereto, to the extent of their rights and interests, hereby grant to Working Interest Owners the right to use as much of the surface of the Unit Area as may reasonably be necessary for Unit Operations. Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas, and other minerals contained in or that may be produced from any formation other than the Unitized Formation.

4. UNIT OPERATOR. Murphy H. Baxter, whose office address is 814 Bldg. of the Southwest, Midland, Texas, 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 and development of the Unitized Formation for the production of Unitized Substances as herein provided. Whenever reference is made here 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 him. At the present time, Murphy H. Baxter does not personally own any working interest but has an indirect interest by virtue of being an officer, director and substantial stockholder in Wing Corporation, which corporation is a working interest owner under this agreement.

5. 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 three (3) months after notice of intention to resign has been served by Unit Operator on all Working Interest Owners and the Commissioner, and until all wells then subject hereto are placed in a satisfactory condition for suspension or abandonment, 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.

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

Working Interest Owners may remove Murphy H. Baxter as Unit Operator at any time by the affirmative vote of at least eighty percent (80%) of the voting interest remaining after excluding the voting interests of Murphy H. Baxter and Wing Corporation and may remove any other Unit Operator at any time by the affirmative vote of at least eighty percent (80%) of the voting interest remaining after excluding the voting interest of such other Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner.

In all such instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of 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.

JUNE 1962 100 01

The resignation or removal of Unit Operator, under this agreement, shall not terminate his right, title, or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, appurtenances, and any other assets, used in conducting the Unit Operations and owned by the Working Interest Owners 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.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, a successor Unit Operator shall be selected by Working Interest Owners. If the Unit Operator that is removed fails to vote or votes only to succeed itself, the successor Unit Operator may be selected by the affirmative vote of at least eighty percent (80%) of the unit participation remaining after excluding the voting interest of the Unit Operator that was removed. Such selection shall not become effective until (a) a Unit Operator so selected shall accept, in writing, the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commission. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the Commissioner, at his election, may declare this Unit Agreement terminated.

7. 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 agreement or agreements entered into (separately or collectively) by and between the Working Interest Owners. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by 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 Unit Agreement, and in case of any inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement, this Unit Agreement shall prevail. Two true copies of any Unit Operating Agreement executed pursuant to this section shall be filed with the Commissioner prior to approval of this agreement.

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

Upon request by Unit Operator, acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement, the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. 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 to 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 agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners and the Commissioner, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, and 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. Subject to like approval, the plan of operations may be revised as conditions may warrant. The initial plan of operation shall be filed with the Commissioner concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Commissioner may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation.

10. TRACT PARTICIPATION. The Tract Participation of each Tract is shown on Exhibit B.

Tract Participations shown in Exhibit B were determined in accordance with the following formula:

$$\begin{array}{rcl}
 90\% & \times & \frac{\text{Cumulative Oil Production from Tract Prior to 11-1-68}}{\text{Cumulative Oil Production from Unit Area Prior to 11-1-68}} \\
 & & \text{PLUS} \\
 5\% & \times & \frac{\text{Surface Acres in Tract}}{\text{Total Surface Acres in Unit Area}} \\
 & & \text{PLUS} \\
 5\% & \times & \frac{\text{Number of Useable Queen Wells on Tract}}{\text{Number of Useable Queen Wells on Unit Area}}
 \end{array}$$

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

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

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

(b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest

have become parties to this agreement, and as to which Royalty Owners owning less than seventy-five percent (75%) 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 inclusion of such Tract in the Unit Area, and as to which (2) seventy-five percent (75%) of the combined voting interests of Working Interest Owners in all Tracts that meet the requirements of Section (a) have voted in favor of the inclusion of such Tract. For the purpose of this Section (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 Section (a) bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Section (a).

(c) Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest have become parties to this agreement, regardless of the percentage of Royalty Interest therein that is committed hereto; and as to which (1) the Working Interest Owner who operates the Tract and all of the other Working Interest Owners in such Tract who have become parties to this agreement have joined in a request for inclusion of such Tract in the Unit Area, and have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners in the Unit Area, their successors and assigns, against all claims and demands that may be made by the owners of Working Interests in such Tract who are not parties to this agreement, and which arise out of the inclusion of the Tract in the Unit Area; and as to which (2) seventy-five percent (75%) of the combined voting interest of Working Interest Owners in all Tracts that meet the requirements of Sections (a) and (b) have voted in favor of the inclusion of such Tract and to accept the indemnity agreement. For the purpose of this Section (c), the voting interest of each Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Sections (a) and (b) bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Sections (a) and (b). Upon the inclusion of such a Tract in the Unit Area, Unit Participations that would have been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements, in proportion to their respective Working Interests in the Tract.

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, file therewith a schedule of those Tracts which have been committed and made subject to this agreement and are entitled to participate in the production from the Unit Area hereunder. Said schedule shall set forth opposite each such committed Tract, the lease number, assignment number, the owner of record and percentages of Unit Participation of

such Tract which shall be computed according to the participation formulas set out above. This schedule shall become revised Exhibit B and upon approval thereof by the Commissioner, 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 by the Commissioner.

12. 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 within the Unit Area 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 several 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 Exhibit B. 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.

Except in the case of production in excess of allowable as provided in the last paragraph of Section 14 hereof, nothing herein contained shall be construed as retroactively affecting the ownership of, or as requiring any retroactive adjustment for, oil or gas legally produced prior to the effective date of this agreement, or prior to the effective date of the joinder of any Tract, or the commitment of any interest hereto.

No Tract committed to this agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of the depletion of Unitized Substances.

If any Working Interest or Royalty Interest in any Tract is or becomes divided and owned in severalty as to different parts of the Tract, the percentage participation attributable to such interest, in the absence of a recordable instrument executed by the owners of the divided interest and furnished to the Unit Operator providing for a different division, shall be divided among the separate owners in proportion to the surface acres of their respective parts of the Tracts.

The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. 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. Such party shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided the same are so constructed, maintained, and operated not to interfere with operations carried on pursuant hereto. Subject to Section 13 hereof, "Royalty Settlement", any extra

expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind.

If any party fails to take in kind or separately dispose of its share of Unitized Substances, Unit Operator shall have the right, for the time being and subject to revocation at will by the party owning the share, to purchase for its own account or sell to others such share; provided that, all contracts of sale by Unit Operator of any other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any Working Interest Owner's share of gas production without first giving such other Working Interest Owner sixty (60) days notice of such intended sale. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owners for distribution to the parties 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 royalties, overriding royalties, oil payments, net profit contracts, and all payments out of or burdens on the lease or leases and Tracts contributed by it and received into the Unit Area and each such party shall hold each other party hereto harmless against all claims, demands, and causes of action for such royalties, overriding royalties, oil payments, net profit contracts, and other payments out of or burdens on the lease or leases and Tracts contributed by it to the Unit Area.

If, after the effective date of this agreement, there are any Tract or Tracts that are subsequently committed hereto, as provided in Section 2, "Unit Area and Participation", or any Tract or Tracts within the Unit Area not effectively 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 Exhibit B shall be revised by the Working Interest Owners to show the new percentage participation of all of the then effectively committed Tracts and the revised Exhibit B, upon approval by the Commissioner shall govern the allocation of Unitized Substances from and after the effective date thereof until a new schedule is so approved.

13. ROYALTY SETTLEMENT. The State of New Mexico and all Royalty Owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any Tract, shall hereafter be entitled to the right to take in kind their share of the Unitized Substances allocated to such Tract, and Unit Operator shall make deliveries of such Royalty Owners' 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, division orders, laws, and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases, except that such royalties shall be computed in accordance with the terms of this Unit

Agreement.

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

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

All royalties due the State of New Mexico 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.

Each Royalty Owner (other than the State of New Mexico) 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 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 affected parties shall be adjusted accordingly.

14. OIL IN LEASE TANKS ON EFFECTIVE DATE. Unit Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area in order to ascertain the amount of merchantable oil above the pipeline connection, in such tanks as of 7:00 A.M. on the effective date hereof. The amount of merchantable oil in power oil tanks shall be similarly determined. All such oil in lease, power oil and other tanks, which has been produced legally shall be and remain the property of the Working Interest Owners entitled thereto the same as if the Unit had not been formed; and such Working Interest Owners shall have the right to remove said oil from the Unit Area. Any such oil not promptly removed shall be sold by Unit Operator for the account of such Working Interest Owners, subject to the payment of all royalty to Royalty Owners under the terms and provisions of the applicable lease or leases and other contracts. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after the effective date hereof.

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

15. REPORTS. Unit Operator shall furnish the Commissioner, monthly, injection and production reports for each well in the Unit Area, as well as periodical reports of the development and operation of the Unit Area.

16. RENTAL SETTLEMENT. Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws, and regulations provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental 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.

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 State laws and regulations.

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

19. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, unit agreements, and other contracts relating to exploration, drilling, development, or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Commissioner shall, and by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, or royalty requirements of 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 land will be accepted and deemed to be performed upon and for the benefit of each and every Tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Commissioner, or his duly authorized representative, 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, unit agreement, 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 lands committed hereto, shall be segregated as to the land committed and as to the land not committed and the terms of such leases shall apply separately as 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 the lands embraced therein, so long thereafter as oil or gas in Paying Quantities is being produced from any portion of said lands.

20. MATHEMATICAL ERRORS. It is hereby agreed by all parties to this agreement that Unit Operator shall be empowered to correct any mathematical errors which might exist in the pertinent exhibits to this agreement upon approval of the Commissioner.

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 or 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, photostatic, or certified

copy of the instrument of transfer; and no assignment or transfer of any Royalty Interest subject thereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, photostatic, or certified copy of the instrument of transfer.

22. EFFECTIVE DATE AND TERM. This agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 A.M. on the first day of the calendar 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 the lands described in Section 2 of this agreement;

(b) The approval of this agreement by the Commissioner and the Commission;

(c) The filing of at least one counterpart of this agreement for the record in the records of Lea County, New Mexico, by Unit Operator; and provided further, that if (a), (b), and (c) are not accomplished on or before December 1, 1970, this agreement shall ipso facto terminate on said date (hereinafter called "termination 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 seventy-five percent (75%), and Working Interest Owners owning a combined Unit Participation of at least seventy-five percent (75%) committed to this agreement have decided to extend said termination date for a period not to exceed six (6) months. If said termination date is so extended and (a), (b), and (c) are not accomplished on or before said extended termination date and thereafter be of no further force or effect. Unit Operator shall, within thirty (30) days after the effective date of this agreement, file for the record in the office or 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 time 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) are prosecuted thereon without cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner hereinafter provided. This agreement may be terminated by Working Interest Owners of seventy-five (75%) Unit Participation whenever such Working Interest Owners determine that Unit Operations are no longer profitable, feasible, or in the interest of conservation, with the approval of the Commissioner. Notice of any such approval shall be given by Unit Operator to all parties hereto, and a certificate of termination filed with the office of the County Clerk of Lea County, New Mexico.

Upon termination of this agreement, the further development and operation of the Unit Area as a unit shall be abandoned,

Unit Operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate Tracts just as if this agreement had never been entered into.

If not otherwise covered by the leases unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of three (3) 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.

23. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

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

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

26. NO WAIVER OF CERTAIN RIGHTS. Nothing contained in this agreement shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the state wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

27. WAIVER OF RIGHTS TO PARTITION. Each party hereto covenants that, during the existence of this agreement, it will not resort to any action to partition the Unit Area or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

28. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce Unitized Substances from any of the lands covered by this agreement shall be suspended while, but only so long as the Unit Operator, despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable 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.

29. LOSS OF TITLE. In the event title to any Tract of

unitized land shall fail in whole or in part and the true owner does not elect to join this Unit Agreement, the interest to which title failed shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any Royalty, Working Interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided that as to state land or leases, no payments of funds due the State of New Mexico should be withheld, but such funds shall be deposited as directed by the Commissioner of Public Lands of the State of New Mexico, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

30. NONJOINDER AND SUBSEQUENT JOINDER. Any oil or gas interest in the Unitized Formation in lands within the Unit Area not committed hereto prior to submission of this agreement to the Commissioner for final approval, may thereafter be committed hereto upon compliance with the applicable provisions of Section 11 hereof, at any time up to the effective date hereof, on the same basis of participation as provided for in Section 10 by the owner or owners thereof subscribing 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 after 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 seventy-five percent (75%) of the Working Interest Owners based on Unit Participation. Such joinder by a Royalty Owner must be evidenced by his execution or ratification of this Unit 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 Royalty Owner. Except as may otherwise herein be 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 Commission and the Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any Tract to this agreement and approval by the Commissioner.

31. LIEN OF UNIT OPERATOR. Unit Operator shall have lien upon the interests of Working Interest Owners in the Unit Area to the extent provided in the Unit Operating Agreement.

32. CREATION OF NEW INTEREST. If any Working Interest Owner shall, after executing this agreement, create any overriding royalty, production payments, or similar interests, hereafter referred to as "new interests", out of its interest subject to this agreement, such new interest shall be subject to all terms and provisions of this agreement and Section 18.1 of the Unit Operating Agreement.

33. PERSONAL PROPERTY EXCEPTED. All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners. The rights and interests therein as among Working Interest

Owners are covered by the Unit Operating Agreement.

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

35. 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 Unit Area; provided, however, that if it is required or if it be determined that the Unit Operator or the 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 share of the Unitized Substances. No such taxes shall be charged to the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

36. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all 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.

37. JOINDER IN DUAL CAPACITY. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests that may be owned or controlled by such party.

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

WORKING INTEREST OWNERS

Date: _____

Murphy H. Baxter

Address: 814 Bldg. of the Southwest
Midland, Texas 79701

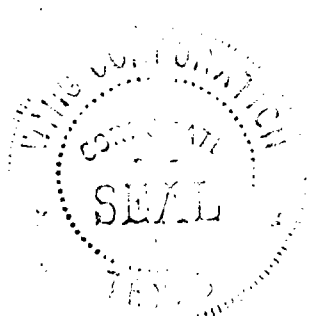
WING CORPORATION

Attest:

Secretary

By Murphy H. Baxter, President

Address: 814 Bldg. of the Southwest
Midland, Texas 79701



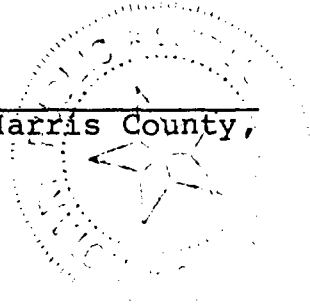
STATE OF TEXAS X
 X
COUNTY OF HARRIS X

CORPORATION ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this
_____ day of _____, 19____, by MURPHY H. BAXTER, President
of WING CORPORATION, a corporation on behalf of said corporation.

Notary Public in and for Harris County,
Texas

My Commission Expires:



STATE OF TEXAS X
 X
COUNTY OF HARRIS X

INDIVIDUAL ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me on
this _____ day of _____, 19____, by MURPHY H. BAXTER.

Notary Public in and for Harris County,
Texas

My Commission Expires:



RATIFICATION OF AGREEMENTS ENTITLED
 "UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
 NORTH E K QUEEN UNIT
 LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned owner (whether one or more) of royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement," North E K Queen Unit, Lea County, New Mexico, dated December 1, 1969, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement," North E K Queen Unit, dated December 1, 1969, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to said Unit Agreement, identify the tracts which may become a part of the North E K Queen Unit as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said agreement; and

WHEREAS, the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE, the undersigned owner of royalty interests only desires to and does hereby ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE: _____ (SIGN HERE) *[Signature]*
 DATE: _____
 ATTEST: _____ BY: _____
 _____ ITS: _____

 TO BE COMPLETED BY A NOTARY PUBLIC
 (INDIVIDUAL ACKNOWLEDGMENT)

STATE OF *Texas*
 COUNTY OF *Harrison*

BEFORE ME, the undersigned authority, on this day personally appeared *[Signature]*, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this *11* day of *April*, 19*70*.

[Signature]
 NOTARY PUBLIC in and for

Harrison County, *Texas*

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
NORTH E K QUEEN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned owner (whether one or more) of royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement," North E K Queen Unit, Lea County, New Mexico, dated December 1, 1969, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement," North E K Queen Unit, dated December 1, 1969, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to said Unit Agreement, identify the tracts which may become a part of the North E K Queen Unit as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said agreement; and

WHEREAS, the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE, the undersigned owner of royalty interests only desires to and does hereby ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE: December 18, 1969

(SIGN HERE)

David A. McMahon

DATE: _____

ATTEST: _____

BY: _____

ITS: _____

TO BE COMPLETED BY A NOTARY PUBLIC
(INDIVIDUAL ACKNOWLEDGMENT)

STATE OF TEXAS

COUNTY OF TARRANT

BEFORE ME, the undersigned authority, on this day personally appeared David A. McMahon, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 18th day of December, 1969.

Lydia S. Williams
NOTARY PUBLIC in and for

Tarrant County, Texas

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
NORTH E K QUEEN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned owner (whether one or more) of royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement," North E K Queen Unit, Lea County, New Mexico, dated December 1, 1969, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement," North E K Queen Unit, dated December 1, 1969, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to said Unit Agreement, identify the tracts which may become a part of the North E K Queen Unit as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said agreement; and

WHEREAS, the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE, the undersigned owner of royalty interests only desires to and does hereby ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE: December 18, 1969

(SIGN HERE)

Dick Lowe

DATE: _____

ATTEST: _____

BY: _____

ITS: _____

TO BE COMPLETED BY A NOTARY PUBLIC
(INDIVIDUAL ACKNOWLEDGMENT)

STATE OF TEXAS

COUNTY OF TARRANT

BEFORE ME, the undersigned authority, on this day personally appeared Dick Lowe, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 18th day of December, 1969.

Leola D. Williams
NOTARY PUBLIC in and for

Tarrant County, Texas

RATIFICATION OF AGREEMENTS ENTITLED
 "UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
 NORTH E K QUEEN UNIT
 LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned owner (whether one or more) of royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement," North E K Queen Unit, Lea County, New Mexico, dated December 1, 1969, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement," North E K Queen Unit, dated December 1, 1969, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to said Unit Agreement, identify the tracts which may become a part of the North E K Queen Unit as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said agreement; and

WHEREAS, the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE, the undersigned owner of royalty interests only desires to and does hereby ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE: April 27, 1970 (SIGN HERE) *Ted Weiner*
 DATE: _____
 ATTEST: *D. Lamon Smith* BY: _____
 ITS: _____

 TO BE COMPLETED BY A NOTARY PUBLIC
 (INDIVIDUAL ACKNOWLEDGMENT)

STATE OF TEXAS
 COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared TED WEINER, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 27th day of April, 1970.

Ruth Wheeler RUTH WHEELER
 NOTARY PUBLIC in and for
 Harris County, Texas
 _____ County, _____

RATIFICATION OF AGREEMENTS ENTITLED
 "UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
 NORTH E K QUEEN UNIT
 LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned owner (whether one or more) of royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement," North E K Queen Unit, Lea County, New Mexico, dated December 1, 1969, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement," North E K Queen Unit, dated December 1, 1969, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to said Unit Agreement, identify the tracts which may become a part of the North E K Queen Unit as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said agreement; and

WHEREAS, the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE, the undersigned owner of royalty interests only desires to and does hereby ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE: 2/2/70

(SIGN HERE)

Don C. Wiley

DATE: _____

ATTEST: _____

BY: _____

ITS: _____

 TO BE COMPLETED BY A NOTARY PUBLIC
 (INDIVIDUAL ACKNOWLEDGMENT)

STATE OF LOUISIANA
 Parish
 COUNTY OF LAFAYETTE

BEFORE ME, the undersigned authority, on this day personally appeared Don C. Wiley, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 2nd day of Feb, 19 70.

Elaine L. Deane
 NOTARY PUBLIC in and for
Lafayette Parish, Louisiana

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
NORTH E K QUEEN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned owner (whether one or more) of royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement," North E K Queen Unit, Lea County, New Mexico, dated December 1, 1969, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement," North E K Queen Unit, dated December 1, 1969, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to said Unit Agreement, identify the tracts which may become a part of the North E K Queen Unit as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said agreement; and

WHEREAS, the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

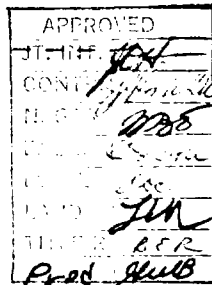
NOW, THEREFORE, the undersigned owner of royalty interests only desires to and does hereby ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE: 7-15-70 (SIGN HERE) J. H. Allure
DATE: _____
ATTEST: _____ BY: _____
ITS: Attorney-in-Fact

TO BE COMPLETED BY A NOTARY PUBLIC
(INDIVIDUAL ACKNOWLEDGMENT)

STATE OF _____
COUNTY OF _____



BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 19__.

NOTARY PUBLIC in and for

County, _____

TO BE COMPLETED BY A NOTARY PUBLIC
(CORPORATE ACKNOWLEDGMENT)

STATE OF Texas

COUNTY OF Midland

BEFORE ME, the undersigned authority, on this day personally appeared J. H. Kerne, known to me to be the person who executed the foregoing instrument as Attorney-in-Fact of Marble Oil Corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed; as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 5th day of July, 1970.

Doris B. Hines
 NOTARY PUBLIC in and for

Midland County, Texas

DORIS B. HINES Notary Public
 in and for Midland County, Texas

My commission expires
 June 1, 1971

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
NORTH E K QUEEN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned owner (whether one or more) of royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement," North E K Queen Unit, Lea County, New Mexico, dated December 1, 1969, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement," North E K Queen Unit, dated December 1, 1969, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to said Unit Agreement, identify the tracts which may become a part of the North E K Queen Unit as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said agreement; and

WHEREAS, the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE, the undersigned owner of royalty interests only desires to and does hereby ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE: January 5, 1970

(SIGN HERE)

William L. McCoy

DATE: January 5, 1970

Beverly H. McCoy

ATTEST:

BY:

ITS:

TO BE COMPLETED BY A NOTARY PUBLIC
(INDIVIDUAL ACKNOWLEDGMENT)

STATE OF

New Mexico

COUNTY OF

Chaves

BEFORE ME, the undersigned authority, on this day personally appeared William L. McCoy, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 5th day of January, 1970.

Harold H. Gentry
NOTARY PUBLIC in and for

Chaves County, New Mexico

My Commission Expires Aug. 22, 1972

RATIFICATION OF AGREEMENTS ENTITLED
 "UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
 NORTH E K QUEEN UNIT
 LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned owner (whether one or more) of royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement," North E K Queen Unit, Lea County, New Mexico, dated December 1, 1969, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement," North E K Queen Unit, dated December 1, 1969, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to said Unit Agreement, identify the tracts which may become a part of the North E K Queen Unit as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said agreement; and

WHEREAS, the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE, the undersigned owner of royalty interests only desires to and does hereby ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE: December 19, 1969

(SIGN HERE)



DATE: _____

Norman L. Stevens, Jr.

ATTEST: _____

BY: _____

ITS: _____

 TO BE COMPLETED BY A NOTARY PUBLIC
 (INDIVIDUAL ACKNOWLEDGMENT)

STATE OF NEW MEXICO

COUNTY OF CHAVES

BEFORE ME, the undersigned authority, on this day personally appeared Norman L. Stevens, Jr., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 22nd day of December, 19 69.


 NOTARY PUBLIC in and for

Chaves County, New Mexico

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
NORTH E K QUEEN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned owner (whether one or more) of royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement," North E K Queen Unit, Lea County, New Mexico, dated December 1, 1969, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement," North E K Queen Unit, dated December 1, 1969, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to said Unit Agreement, identify the tracts which may become a part of the North E K Queen Unit as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said agreement; and

WHEREAS, the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE, the undersigned owner of royalty interests only desires to and does hereby ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE: _____

(SIGN HERE)

MARATHON OIL COMPANY

DATE: JANUARY 7th 1970

~~ATTEST:~~

BY:

L. H. Shearer
L. H. SHEARER

John G. [unclear]

ITS: Division Operations Manager

TO BE COMPLETED BY A NOTARY PUBLIC
(INDIVIDUAL ACKNOWLEDGMENT)

STATE OF _____

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 19____.

NOTARY PUBLIC in and for

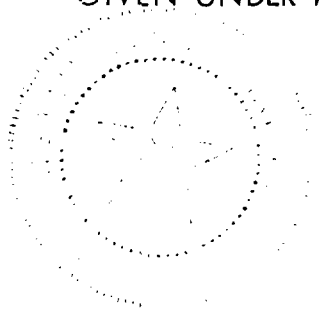
County, _____

TO BE COMPLETED BY A NOTARY PUBLIC
(CORPORATE ACKNOWLEDGMENT)

STATE OF TEXAS
COUNTY OF HARRIS

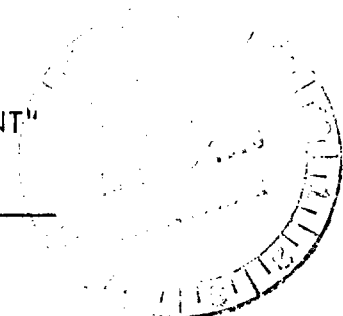
BEFORE ME, the undersigned authority, on this day personally appeared L. H. SHEARER, known to me to be the person who executed the foregoing instrument as Division Operations Manager of MARATHON OIL COMPANY, and acknowledged to me that he executed the same for the purposes and consideration therein expressed; as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 7th day of January, 1970.



Jack McElroy
NOTARY PUBLIC in and for
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1971
Harris County, Texas

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
NORTH E K QUEEN UNIT
LEA COUNTY, NEW MEXICO



KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned owner (whether one or more) of royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement," North E K Queen Unit, Lea County, New Mexico, dated December 1, 1969, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement," North E K Queen Unit, dated December 1, 1969, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to said Unit Agreement, identify the tracts which may become a part of the North E K Queen Unit as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said agreement; and

WHEREAS, the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE, the undersigned owner of royalty interests only desires to and does hereby ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE: 4/22/70 (SIGN HERE) Stanley L. Spero
DATE: _____
ATTEST: _____ BY: _____
ITS: _____

TO BE COMPLETED BY A NOTARY PUBLIC
(INDIVIDUAL ACKNOWLEDGMENT)

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

BEFORE ME, the undersigned authority, on this day personally appeared STANLEY L. SPERO, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 22ND day of APRIL, 1970.



Gerald T. Greenberg
NOTARY PUBLIC in and for
LOS ANGELES County, CALIF.

RATIFICATION OF AGREEMENTS ENTITLED
 "UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
 NORTH E K QUEEN UNIT
 LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned owner (whether one or more) of royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement," North E K Queen Unit, Lea County, New Mexico, dated December 1, 1969, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement," North E K Queen Unit, dated December 1, 1969, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to said Unit Agreement, identify the tracts which may become a part of the North E K Queen Unit as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said agreement; and

WHEREAS, the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE, the undersigned owner of royalty interests only desires to and does hereby ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE: _____

(SIGN HERE)

Norval E. Whittinghill

DATE: _____

ATTEST: _____

BY: _____

ITS: _____

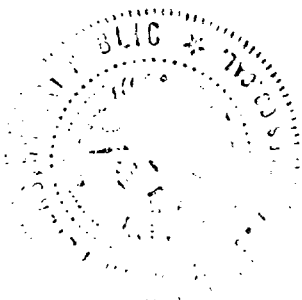
 TO BE COMPLETED BY A NOTARY PUBLIC
 (INDIVIDUAL ACKNOWLEDGMENT)

STATE OF California

COUNTY OF Los Angeles

BEFORE ME, the undersigned authority, on this day personally appeared Norval E. Whittinghill known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 7th day of January, 1970.



Lueth Peters
 NOTARY PUBLIC in and for

Los Angeles County, California

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
NORTH E K QUEEN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned owner (whether one or more) of royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement," North E K Queen Unit, Lea County, New Mexico, dated December 1, 1969, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement," North E K Queen Unit, dated December 1, 1969, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to said Unit Agreement, identify the tracts which may become a part of the North E K Queen Unit as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said agreement; and

WHEREAS, the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE, the undersigned owner of royalty interests only desires to and does hereby ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE: _____

(SIGN HERE)

E. F. Lovering

DATE: _____

ATTEST: _____

FOR: ~~XXX~~ Phillips Petroleum Company

ITS: Attorney-in-Fact

Charles M. Dwyer

JCD

TO BE COMPLETED BY A NOTARY PUBLIC
(CORPORATE ACKNOWLEDGMENT)

STATE OF Texas

COUNTY OF Ector

BEFORE ME, the undersigned authority, on this day personally appeared E. F. Lovering, known to me to be the person who executed the foregoing instrument as Attorney in fact of Phillips Petroleum Company and acknowledged to me that he executed the same for the purposes and consideration therein expressed; as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 18th. day of March, 19 70.

J. C. Minott

(J. C. Minott)

NOTARY PUBLIC in and for

Ector

County, Texas

RATIFICATION OF AGREEMENT ENTITLED
 "UNIT AGREEMENT NORTH E K QUEEN UNIT
LEA COUNTY, NEW MEXICO"

KNOW ALL MEN BY THESE PRESENTS:

THAT, WHEREAS, the undersigned acknowledges receipt of a true copy of the "Unit Agreement North E K Queen Unit, Lea County, New Mexico", dated December 1, 1969, hereinafter referred to as the "Unit Agreement"; and

WHEREAS, Exhibits "A" and "B", attached to said Unit Agreement, identify the tracts which may become a part of the North E K Queen Unit as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said agreement; and

WHEREAS, the undersigned is the record owner of State of New Mexico Oil and Gas Lease E-8714 which constitutes Tract 4 of the unit area identified in said Exhibits "A" and "B", but the undersigned does not own any working interest in the Unitized Formation identified in said Unit Agreement; and

WHEREAS, in order to comply with applicable statutes of the State of New Mexico, the undersigned, acting solely as record owner of said Oil and Gas Lease, desires to ratify the Unit Agreement.

NOW, THEREFORE, the undersigned does hereby ratify and confirm said Unit Agreement with respect to its record ownership of said Tract 4.

IN WITNESS WHEREOF, this instrument is executed this 28 day of

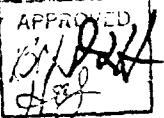
August, 1970.

ATTEST:

Harry P. Hickman
 Assistant Secretary

PAN AMERICAN PETROLEUM CORPORATION

By C. F. Bedford
 Attorney in Fact



STATE OF TEXAS)
)
 COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this 28 day of August, 1970, by C. F. BEDFORD, as Attorney in Fact on behalf of PAN AMERICAN PETROLEUM CORPORATION.

My Commission Expires:

June 1, 1971

Thora Prater THORA PRATER
 Notary Public in and for
 Tarrant County, Texas

2001 292 66

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
NORTH E K QUEEN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned owner (whether one or more) of royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement," North E K Queen Unit, Lea County, New Mexico, dated December 1, 1969, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement," North E K Queen Unit, dated December 1, 1969, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to said Unit Agreement, identify the tracts which may become a part of the North E K Queen Unit as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said agreement; and

WHEREAS, the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE, the undersigned owner of royalty interests only desires to and does hereby ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE: June 4, 1970 (SIGN HERE) Cities Service Oil Company

DATE: _____

ATTEST: _____

BY: [Signature]

ITS: Vice President

[Signature]
ASS'T SECRETARY

TO BE COMPLETED BY A NOTARY PUBLIC
(INDIVIDUAL ACKNOWLEDGMENT)

STATE OF _____

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 19____.

NOTARY PUBLIC in and for

County, _____

TO BE COMPLETED BY A NOTARY PUBLIC
(CORPORATE ACKNOWLEDGMENT)

STATE OF OKLAHOMA

COUNTY OF TULSA

BEFORE ME, the undersigned authority, on this day personally appeared D. L. Kastner, known to me to be the person who executed the foregoing instrument as Vice President of Cities Service Oil Company, and acknowledged to me that he executed the same for the purposes and consideration therein expressed; as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 4th day of June, 19 70.

My Commission expires
October 21, 1973.

Michael J. [Signature]
NOTARY PUBLIC in and for
Tulsa County, Oklahoma

1945

82-2365-170

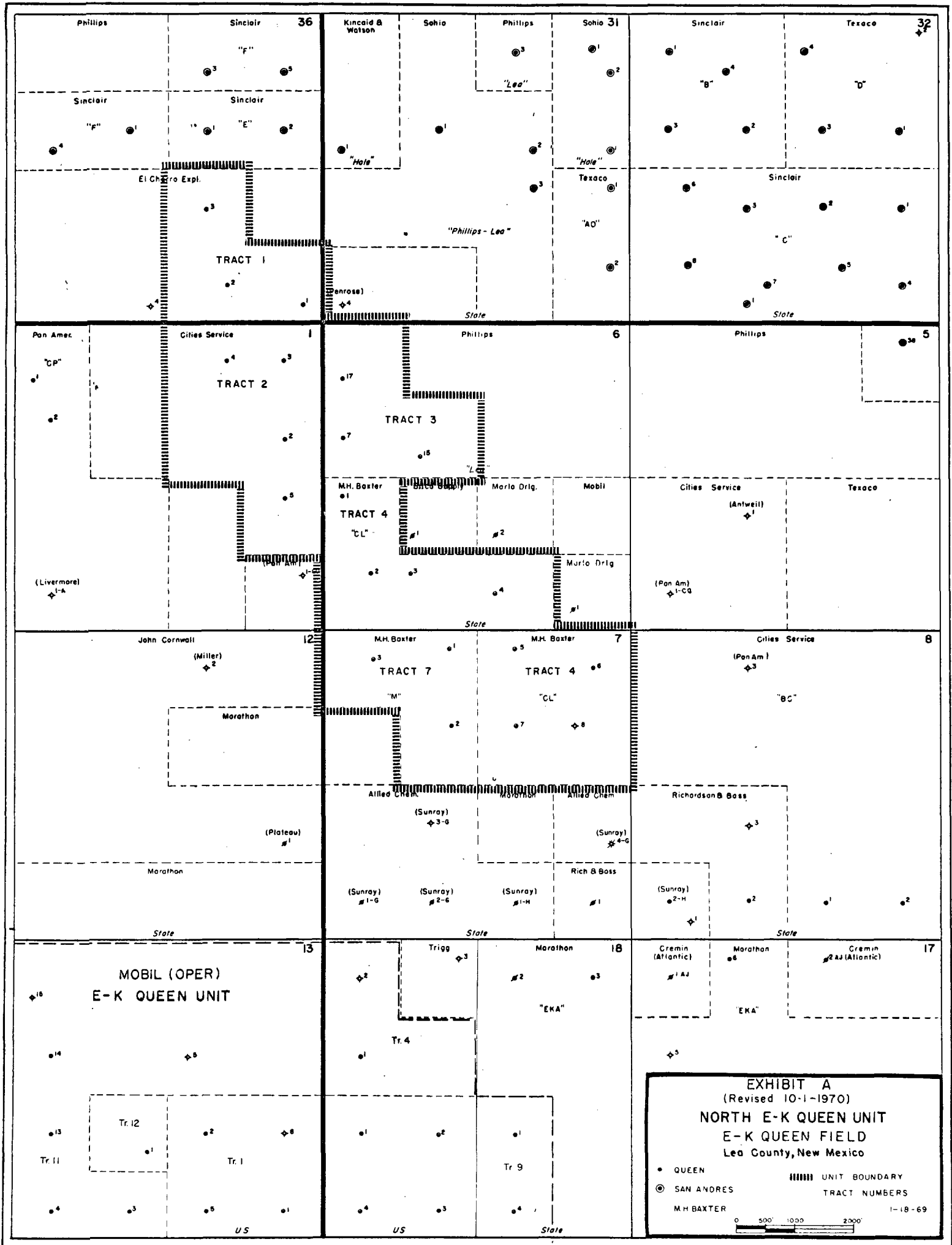
1990

TRACT NO.	SURFACE ACRES	N.M. STATE LEASE NO.	TRACT PARTICIPATION %	WORKING INTEREST OWNER	% WORKING INTEREST IN TRACT	% OF TOTAL UP PARTICIPATION

TRACT NO.	LAND DESCRIPTION	SURFACE ACRES	N.M. STATE LEASE NO.	LESSEE OF RECORD	TRACT PARTICIPATION %	WORKING INTEREST OWNER	% WORKING INTEREST IN TRACT	% OF TOTAL UP PARTICIPATION
1	S/2 SE/4, NW/4 SE/4 Sec. 36, T-17-S, R-33-E	120.00	E-1571	Mobil Oil Corporation	18.9944	Ted Weiner Don C. Wiley Dick Lowe J. L. Pollan David A. McMahon	25.000 41.667 14.583 4.167 14.583 <u>100.000</u>	4.7486 7.9144 2.7700 .7915 2.7699 <u>18.9944</u>
2	Lots 1 and 2, S/2 NE/4, NE/4 SE/4 Sec. 1, T-18-S, R-33-E	200.07	E-2439-4	Cities Service Oil Company	34.2389	Cities Service Oil Company	100.000	34.2389
3	Lots 4 and 5, SE/4 NW/4 Sec. 6, T-18-S, R-34-E	111.04	B-4118	Phillips Petroleum Company	7.1415	Phillips Petroleum Company	100.000	7.1415
4	Lots 6 and 7, SE/4 SW/4 SW/4 SE/4, Sec. 6, and NE/4 Sec. 7, T-18-S, R-34-E	311.45	E-8714	Pan American Petroleum Corporation	32.3053	Wing Corporation	100.000	32.3053
7	Lot 1, E/2 NW/4, Sec. 7, T-18-S, R-34-E	115.88	OG-2414-4	Wing Corporation	7.3199	Wing Corporation Stanley L. Spero Noral E. Whittinghill	90.000 5.000 5.000 <u>100.000</u>	6.5879 .3660 .3660 <u>7.3199</u>
TOTAL								100.0000

R-33-E

R-34-E



Case 4390

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
NORTH EK QUEEN UNIT
LEA COUNTY, NEW MEXICO

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
NORTH EK QUEEN UNIT
LEA COUNTY, NEW MEXICO

TABLE OF CONTENTS

<u>Section</u>		<u>page</u>
	Preliminary Recitals	1
1	Definitions	1
	(a) Commission	1
	(b) Commissioner	1
	(c) Unit Operator	2
	(d) Unit Manager	2
	(e) Working Interest	2
	(f) Working Interest Owner	2
	(g) Royalty Interest	2
	(h) Royalty Owner	2
	(i) Unitized Formation	2
	(j) Unitized Substances	2
	(k) Unit Area	2
	(l) Tract	2
	(m) Cumulative Oil Production from Tract	2
	(n) Unit Participation	3
	(o) Tract Participation	3
	(p) Unit Operating Agreement	3
	(q) Unit Operations	3
	(r) Unit Expense	3
	(s) Unit Equipment	3
	(t) Paying Quantities	3
	(u) Usable Well	3
2	Unit Area and Participation	3
3	Unitized Substances and Rights	5
4	Unit Operator	5
5	Resignation or Removal of Unit Operator	5
6	Successor Unit Operator	6
7	Accounting Provisions and Unit Operating Agreement	6
8	Rights and Obligations of Unit Operator	6
9	Plan of Operations	6
10	Tract Participation	7
11	Tracts Qualified for Unit Participation	7
12	Allocation of Unitized Substances	9
13	Royalty Settlement	10
14	Oil in Lease Tanks of Effective Date	11

15	Reports	12
16	Rental Settlement	12
17	Conservation	12
18	Drainage	12
19	Leases and Contracts Conformed and Extended .	12
20	Mathematical Errors	13
21	Covenants Run with Land	13
22	Effective Date and Term	14
23	Rate of Production	15
24	Appearances	15
25	Notices	15
26	No Waiver of Certain Rights	15
27	Waiver of Rights to Partition	15
28	Unavoidable Delay	15
29	Loss of Title	15
30	Nonjoinder and Subsequent Joinder	16
31	Lien of Unit Operator	16
32	Creation of New Interest	16
33	Personal Property Excepted	16
34	No Partnership	17
35	Taxes	17
36	Counterparts	17
37	Joinder in Dual Capacity	17

Exhibits

Exhibit A: Map of Unit Area

Exhibit B: Leasehold Information and Tract
Participations

Certificate of Approval - State of New Mexico

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE

NORTH EK QUEEN UNIT

LEA COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the first day of December, 1969, 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:

WHEREAS, the parties hereto are the owners of Working, Royalty, or other oil or gas interests in the Unit Area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 3, Chapter 88, Laws 1943 as amended by Section 1 of Chapter 162, Laws of 1951) 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 (Section 7-11-39 et seq., New Mexico Statutes, 1953, Annotated) 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 terms of the unitized development and operation of State lands; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Article 111, Ch. 65, Vol. 9, Part 2, New Mexico Statutes 1953, Annotated) to approve this agreement, and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Unit Area subject to this agreement to give reasonable effective control of operation therein; and

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

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

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

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

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

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

(d) "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 6 hereof.

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

(f) "Working Interest Owner" means a party hereto who owns a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

(g) "Royalty Interest" means a right to or interest in any portion of the Unitized Substances or proceeds thereof other than Working Interest.

(h) "Royalty Owner" means a party hereto who owns a Royalty Interest.

(i) "Unitized Formation" is defined as the Queen Sand formation underlying the Unit Area, which occurs between the logged depths, measured from the Kelly bushing, of 4121 feet and 4210 feet, in the Cities Service Oil Co. - Cockburn "B" State No. 2 well located in SE/4 NE/4 of Section 1, T-18-S, R-33-E, N.M.P.M., Lea County, New Mexico.

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

(k) "Unit Area" means those lands described by Tracts in Exhibit B and shown on Exhibit A as to which this agreement becomes effective or to which it may be extended as herein provided.

(l) "Tract" means each parcel of land described as such and given a Tract Number in Exhibit B, attached hereto.

(m) "Cumulative Oil Production from Tract" is defined as and shall be that total amount of oil in barrels which has been produced from the Unitized Formation subsequent to the completion of the well or wells situated

on a tract, as determined by reference to the records of the Commission.

(n) "Unit Participation" of each Working Interest Owner means the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation of such Tract.

(o) "Tract Participation" means the percentage listed on Exhibit B.

(p) "Unit Operating Agreement" is defined as and shall mean the agreement entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 7 entitled "Unit Operating Agreement, North E K Queen Unit, Lea County, New Mexico", or any amendment or supplement thereto.

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

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

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

(t) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells completed in the Unitized Formation.

(u) "Usable Well" is defined as a well which has been drilled in the Unit Area to the depth of the Unitized Formation and has casing in the hole in condition for use as either a producing well or an injection well, and on which well there has been filed with the State of New Mexico, on or before the effective date of this agreement, a well record and Completion Report (Form C-105) or Request for Oil Allowable (Form C-104) and which well has produced some oil from the Unitized Formation and has had an allowable granted for it by the Oil Conservation Commission of the State of New Mexico.

2. UNIT AREA AND PARTICIPATION. The following described land is hereby designated and recognized as constituting the Unit Area as to which this agreement becomes effective, to wit:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

Township 17 South, Range 33 East, N.M.P.M.

Section 36: S/2 SE/4, NW/4 SE/4

Township 18 South, Range 33 East, N.M.P.M.

Section 1: Lots 1 and 2, S/2 NE/4,
NE/4 SE/4

Township 18 South, Range 34 East, N.M.P.M.

Section 6: Lots 4, 5, 6, and 7,
SE/4 NW/4, E/2 SW/4,
W/2 SE/4, SE/4 SE/4

Section 7: Lot 1, E/2 NW/4, NE/4

Exhibit A attached hereto is a map showing the Unit Area and the boundaries and identity of Tracts and leases in said Unit Area to the extent known to the Unit Operator. Exhibit B attached hereto is a schedule showing to the extent known to the Unit Operator the acreage comprising each Tract, percentage ownership of each Working Interest Owner in each Tract and the percentages of Unit Participation. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits A and B shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary. Two copies of such revision shall be filed with the Commissioner.

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 owner or owners of the Working Interest in and to any tract or tracts desiring to bring such tract or tracts into the Unit Area 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 participations to be assigned to such tract or tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise), if Working Interest Owners having eighty percent (80%) of the Unit Participation in the Unit Area agree to such tract or tracts being brought into the Unit Area, then Unit Operator shall, after preliminary concurrence by the Commissioner,

(1) 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 acreage, the unit participations to be assigned thereto and the proposed effective date thereof, preferably the first day of a month subsequent to the day of notice; and

(2) Deliver copies of said notice to the commissioner, each Working Interest Owner (mailing copy of such notice to the last known address of each such Working Interest Owner) and to the lessee and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objections to such proposed expansions; and

(3) File, upon the expiration of said thirty (30) day period as set out in Item 2 immediately above, with the Commissioner the following: evidence of mailing copies of said notice of expansion; an application for such expansion; and instrument containing the appropriate joinders in compliance with the

participation requirement of Section 30, "Nonjoinder and Subsequent Joinder", infra; and copy of any objections received.

The expansion shall, after due consideration of all pertinent information and upon approval by the Commissioner, become effective as of 7:00 a.m. on the first day of the month following such approval unless otherwise agreed upon as provided in the notice of expansion.

3. UNITIZED SUBSTANCES AND RIGHTS. All Unitized Substances in or that may be produced from the Unitized Formation underlying the lands subject to this agreement are unitized under the terms of this agreement. The parties hereto, to the extent of their rights and interests, hereby grant to Working Interest Owners the right to use as much of the surface of the Unit Area as may reasonably be necessary for Unit Operations. Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas, and other minerals contained in or that may be produced from any formation other than the Unitized Formation.

4. UNIT OPERATOR. Murphy H. Baxter, whose office address is 814 Bldg. of the Southwest, Midland, Texas, 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 and development of the Unitized Formation for the production of Unitized Substances as herein provided. Whenever reference is made here 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 him. At the present time, Murphy H. Baxter does not personally own any working interest but has an indirect interest by virtue of being an officer, director and substantial stockholder in Wing Corporation, which corporation is a working interest owner under this agreement.

5. 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 three (3) months after notice of intention to resign has been served by Unit Operator on all Working Interest Owners and the Commissioner, and until all wells then subject hereto are placed in a satisfactory condition for suspension or abandonment, 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.

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

Working Interest Owners may remove Murphy H. Baxter as Unit Operator at any time by the affirmative vote of at least eighty percent (80%) of the voting interest remaining after excluding the voting interests of Murphy H. Baxter and Wing Corporation and may remove any other Unit Operator at any time by the affirmative vote of at least eighty percent (80%) of the voting interest remaining after excluding the voting interest of such other Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner.

In all such instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of 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 his right, title, or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, appurtenances, and any other assets, used in conducting the Unit Operations and owned by the Working Interest Owners 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.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, a successor Unit Operator shall be selected by Working Interest Owners. If the Unit Operator that is removed fails to vote or votes only to succeed itself, the successor Unit Operator may be selected by the affirmative vote of at least eighty percent (80%) of the unit participation remaining after excluding the voting interest of the Unit Operator that was removed. Such selection shall not become effective until (a) a Unit Operator so selected shall accept, in writing, the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commission. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the Commissioner, at his election, may declare this Unit Agreement terminated.

7. 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 agreement or agreements entered into (separately or collectively) by and between the Working Interest Owners. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by 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 Unit Agreement, and in case of any inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement, this Unit Agreement shall prevail. Two true copies of any Unit Operating Agreement executed pursuant to this section shall be filed with the Commissioner prior to approval of this agreement.

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

Upon request by Unit Operator, acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement, the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. 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 to 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 agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners and the Commissioner, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, and 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. Subject to like approval, the plan of operations may be revised as conditions may warrant. The initial plan of operation shall be filed with the Commissioner concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Commissioner may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation.

10. TRACT PARTICIPATION. The Tract Participation of each Tract is shown on Exhibit B.

Tract Participations shown in Exhibit B were determined in accordance with the following formula:

$$\begin{array}{rcl}
 90\% & \times & \frac{\text{Cumulative Oil Production from Tract Prior to 11-1-68}}{\text{Cumulative Oil Production from Unit Area Prior to 11-1-68}} \\
 & & \text{PLUS} \\
 5\% & \times & \frac{\text{Surface Acres in Tract}}{\text{Total Surface Acres in Unit Area}} \\
 & & \text{PLUS} \\
 5\% & \times & \frac{\text{Number of Useable Queen Wells on Tract}}{\text{Number of Useable Queen Wells on Unit Area}}
 \end{array}$$

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

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

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

(b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest

have become parties to this agreement, and as to which Royalty Owners owning less than seventy-five percent (75%) 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 inclusion of such Tract in the Unit Area, and as to which (2) seventy-five percent (75%) of the combined voting interests of Working Interest Owners in all Tracts that meet the requirements of Section (a) have voted in favor of the inclusion of such Tract. For the purpose of this Section (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 Section (a) bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Section (a).

(c) Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest have become parties to this agreement, regardless of the percentage of Royalty Interest therein that is committed hereto; and as to which (1) the Working Interest Owner who operates the Tract and all of the other Working Interest Owners in such Tract who have become parties to this agreement have joined in a request for inclusion of such Tract in the Unit Area, and have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners in the Unit Area, their successors and assigns, against all claims and demands that may be made by the owners of Working Interests in such Tract who are not parties to this agreement, and which arise out of the inclusion of the Tract in the Unit Area; and as to which (2) seventy-five percent (75%) of the combined voting interest of Working Interest Owners in all Tracts that meet the requirements of Sections (a) and (b) have voted in favor of the inclusion of such Tract and to accept the indemnity agreement. For the purpose of this Section (c), the voting interest of each Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Sections (a) and (b) bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Sections (a) and (b). Upon the inclusion of such a Tract in the Unit Area, Unit Participations that would have been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements, in proportion to their respective Working Interests in the Tract.

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, file therewith a schedule of those Tracts which have been committed and made subject to this agreement and are entitled to participate in the production from the Unit Area hereunder. Said schedule shall set forth opposite each such committed Tract, the lease number, assignment number, the owner of record and percentages of Unit Participation of

such Tract which shall be computed according to the participation formulas set out above. This schedule shall become revised Exhibit B and upon approval thereof by the Commissioner, 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 by the Commissioner.

12. 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 within the Unit Area 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 several 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 Exhibit B. 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.

Except in the case of production in excess of allowable as provided in the last paragraph of Section 14 hereof, nothing herein contained shall be construed as retroactively affecting the ownership of, or as requiring any retroactive adjustment for, oil or gas legally produced prior to the effective date of this agreement, or prior to the effective date of the joinder of any Tract, or the commitment of any interest hereto.

No Tract committed to this agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of the depletion of Unitized Substances.

If any Working Interest or Royalty Interest in any Tract is or becomes divided and owned in severalty as to different parts of the Tract, the percentage participation attributable to such interest, in the absence of a recordable instrument executed by the owners of the divided interest and furnished to the Unit Operator providing for a different division, shall be divided among the separate owners in proportion to the surface acres of their respective parts of the Tracts.

The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. 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. Such party shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided the same are so constructed, maintained, and operated not to interfere with operations carried on pursuant hereto. Subject to Section 13 hereof, "Royalty Settlement", any extra

expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind.

If any party fails to take in kind or separately dispose of its share of Unitized Substances, Unit Operator shall have the right, for the time being and subject to revocation at will by the party owning the share, to purchase for its own account or sell to others such share; provided that, all contracts of sale by Unit Operator of any other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any Working Interest Owner's share of gas production without first giving such other Working Interest Owner sixty (60) days notice of such intended sale. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owners for distribution to the parties 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 royalties, overriding royalties, oil payments, net profit contracts, and all payments out of or burdens on the lease or leases and Tracts contributed by it and received into the Unit Area and each such party shall hold each other party hereto harmless against all claims, demands, and causes of action for such royalties, overriding royalties, oil payments, net profit contracts, and other payments out of or burdens on the lease or leases and Tracts contributed by it to the Unit Area.

If, after the effective date of this agreement, there are any Tract or Tracts that are subsequently committed hereto, as provided in Section 2, "Unit Area and Participation", or any Tract or Tracts within the Unit Area not effectively 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 Exhibit B shall be revised by the Working Interest Owners to show the new percentage participation of all of the then effectively committed Tracts and the revised Exhibit B, upon approval by the Commissioner shall govern the allocation of Unitized Substances from and after the effective date thereof until a new schedule is so approved.

13. ROYALTY SETTLEMENT. The State of New Mexico and all Royalty Owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any Tract, shall hereafter be entitled to the right to take in kind their share of the Unitized Substances allocated to such Tract, and Unit Operator shall make deliveries of such Royalty Owners' 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, division orders, laws, and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases, except that such royalties shall be computed in accordance with the terms of this Unit

Agreement.

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

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

All royalties due the State of New Mexico 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.

Each Royalty Owner (other than the State of New Mexico) 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 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 affected parties shall be adjusted accordingly.

14. OIL IN LEASE TANKS ON EFFECTIVE DATE. Unit Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area in order to ascertain the amount of merchantable oil above the pipeline connection, in such tanks as of 7:00 A.M. on the effective date hereof. The amount of merchantable oil in power oil tanks shall be similarly determined. All such oil in lease, power oil and other tanks, which has been produced legally shall be and remain the property of the Working Interest Owners entitled thereto the same as if the Unit had not been formed; and such Working Interest Owners shall have the right to remove said oil from the Unit Area. Any such oil not promptly removed shall be sold by Unit Operator for the account of such Working Interest Owners, subject to the payment of all royalty to Royalty Owners under the terms and provisions of the applicable lease or leases and other contracts. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after the effective date hereof.

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

15. REPORTS. Unit Operator shall furnish the Commissioner, monthly, injection and production reports for each well in the Unit Area, as well as periodical reports of the development and operation of the Unit Area.

16. RENTAL SETTLEMENT. Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws, and regulations provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental 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.

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 State laws and regulations.

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

19. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, unit agreements, and other contracts relating to exploration, drilling, development, or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Commissioner shall, and by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, or royalty requirements of 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 land will be accepted and deemed to be performed upon and for the benefit of each and every Tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Commissioner, or his duly authorized representative, 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, unit agreement, 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 lands committed hereto, shall be segregated as to the land committed and as to the land not committed and the terms of such leases shall apply separately as 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 the lands embraced therein, so long thereafter as oil or gas in Paying Quantities is being produced from any portion of said lands.

20. MATHEMATICAL ERRORS. It is hereby agreed by all parties to this agreement that Unit Operator shall be empowered to correct any mathematical errors which might exist in the pertinent exhibits to this agreement upon approval of the Commissioner.

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 or 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, photostatic, or certified

copy of the instrument of transfer; and no assignment or transfer of any Royalty Interest subject thereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, photostatic, or certified copy of the instrument of transfer.

22. EFFECTIVE DATE AND TERM. This agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 A.M. on the first day of the calendar 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 the lands described in Section 2 of this agreement;

(b) The approval of this agreement by the Commissioner and the Commission;

(c) The filing of at least one counterpart of this agreement for the record in the records of Lea County, New Mexico, by Unit Operator; and provided further, that if (a), (b), and (c) are not accomplished on or before December 1, 1970, this agreement shall ipso facto terminate on said date (hereinafter called "termination 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 seventy-five percent (75%), and Working Interest Owners owning a combined Unit Participation of at least seventy-five percent (75%) committed to this agreement have decided to extend said termination date for a period not to exceed six (6) months. If said termination date is so extended and (a), (b), and (c) are not accomplished on or before said extended termination date and thereafter be of no further force or effect. Unit Operator shall, within thirty (30) days after the effective date of this agreement, file for the record in the office or 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 time 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) are prosecuted thereon without cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner hereinafter provided. This agreement may be terminated by Working Interest Owners of seventy-five (75%) Unit Participation whenever such Working Interest Owners determine that Unit Operations are no longer profitable, feasible, or in the interest of conservation, with the approval of the Commissioner. Notice of any such approval shall be given by Unit Operator to all parties hereto, and a certificate of termination filed with the office of the County Clerk of Lea County, New Mexico.

Upon termination of this agreement, the further development and operation of the Unit Area as a unit shall be abandoned,

Unit Operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate Tracts just as if this agreement had never been entered into.

If not otherwise covered by the leases unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of three (3) 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.

23. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

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

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

26. NO WAIVER OF CERTAIN RIGHTS. Nothing contained in this agreement shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the state wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

27. WAIVER OF RIGHTS TO PARTITION. Each party hereto covenants that, during the existence of this agreement, it will not resort to any action to partition the Unit Area or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

28. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce Unitized Substances from any of the lands covered by this agreement shall be suspended while, but only so long as the Unit Operator, despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable 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.

29. LOSS OF TITLE. In the event title to any Tract of

unitized land shall fail in whole or in part and the true owner does not elect to join this Unit Agreement, the interest to which title failed shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any Royalty, Working Interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided that as to state land or leases, no payments of funds due the State of New Mexico should be withheld, but such funds shall be deposited as directed by the Commissioner of Public Lands of the State of New Mexico, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

30. NONJOINDER AND SUBSEQUENT JOINDER. Any oil or gas interest in the Unitized Formation in lands within the Unit Area not committed hereto prior to submission of this agreement to the Commissioner for final approval, may thereafter be committed hereto upon compliance with the applicable provisions of Section 11 hereof, at any time up to the effective date hereof, on the same basis of participation as provided for in Section 10 by the owner or owners thereof subscribing 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 after 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 seventy-five percent (75%) of the Working Interest Owners based on Unit Participation. Such joinder by a Royalty Owner must be evidenced by his execution or ratification of this Unit 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 Royalty Owner. Except as may otherwise herein be 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 Commission and the Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any Tract to this agreement and approval by the Commissioner.

31. LIEN OF UNIT OPERATOR. Unit Operator shall have lien upon the interests of Working Interest Owners in the Unit Area to the extent provided in the Unit Operating Agreement.

32. CREATION OF NEW INTEREST. If any Working Interest Owner shall, after executing this agreement, create any overriding royalty, production payments, or similar interests, hereafter referred to as "new interests", out of its interest subject to this agreement, such new interest shall be subject to all terms and provisions of this agreement and Section 18.1 of the Unit Operating Agreement.

33. PERSONAL PROPERTY EXCEPTED. All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners. The rights and interests therein as among Working Interest

Owners are covered by the Unit Operating Agreement.

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

35. 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 Unit Area; provided, however, that if it is required or if it be determined that the Unit Operator or the 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 share of the Unitized Substances. No such taxes shall be charged to the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

36. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all 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.

37. JOINDER IN DUAL CAPACITY. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests that may be owned or controlled by such party.

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

WORKING INTEREST OWNERS

Date: December 12, 1964

Murphy H. Baxter

Address: 814 Bldg. of the Southwest
Midland, Texas 79701

WING CORPORATION

Attest:

Leo R. Rine
Secretary

By Murphy H. Baxter, President

Address: 814 Bldg. of the Southwest
Midland, Texas 79701

STATE OF TEXAS X
 X
COUNTY OF HARRIS X

CORPORATION ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this
19th day of September, 1961, by MURPHY H. BAXTER, President
of WING CORPORATION, a corporation on behalf of said corporation.

Notary Public in and for Harris County,
Texas

My Commission Expires:

June 1, 1961

STATE OF TEXAS X
 X
COUNTY OF HARRIS X

INDIVIDUAL ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me on
this 19th day of September, 1961, by MURPHY H. BAXTER.

Notary Public in and for Harris County,
Texas

My Commission Expires:

June 1, 1961

CERTIFICATE OF APPROVAL
COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
NORTH UNIT, LEA COUNTY, NEW MEXICO
EK QUEEN WATERFLOOD PROJECT

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 December 1, 1969, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this _____ day of _____, 19____.

COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

R- 34-E

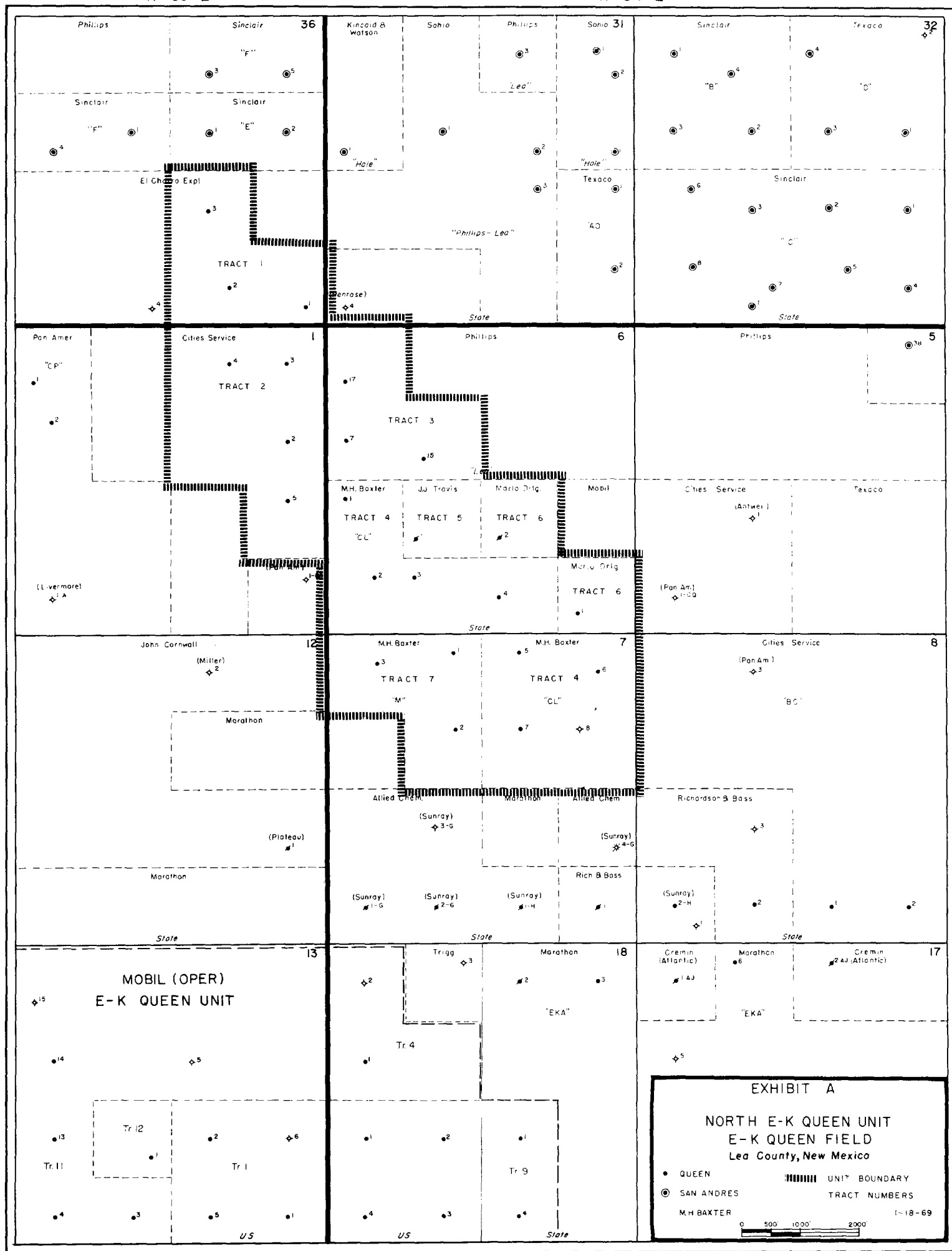


EXHIBIT "B"
TO UNIT AGREEMENT
NORTH E K QUEEN UNIT
LEA COUNTY, NEW MEXICO

SCHEDULE OF TRACT NUMBERS, ACREAGE,
OWNERSHIP AND PARTICIPATION

TRACT NO.	LAND DESCRIPTION	SURFACE ACRES	N. M. STATE LEASE NO.	LESSEE OF RECORD	TRACT PARTICIPA- TION %
1	S/2 SE/4, NW/4 SE/4 Sec. 36, T-17-S, R-33-E	120.00	E-1571	Mobil Oil Corporation	17.9865
2	Lots 1 and 2, S/2 NE/4, NE/4 SE/4 Sec. 1, T-18-S, R-33-E	200.07	E-2439	Cities Service Oil Company	32.4220
3	Lots 4 and 5, SE/4 NW/4 Sec. 6, T-18-S, R-34-E	111.04	B-4118	Phillips Petroleum Company	6.7625
4	Lots 6 and 7, SE/4 SW/4, SW/4 SE/4 Sec. 6, and NE/4 Sec. 7, T-18-S, R-34-E	311.45	E-8714	Pan American Petroleum Corporation	30.5910
5	NE/4 SW/4 Sec. 6, T-18-S, R-34-E	40.00	E-5014	Richardson Oils, Inc. & P. R. Bass	2.0675
6	NW/4 SE/4 and SE/4 SE/4 Sec. 6, T-18-S, R-34-E	80.00	OG-4767	Mobil Oil Corporation	3.2390
7	Lot 1, E/2 NW/4, Sec. 7, T-18-S, R-34-E	115.88	OG-2414	DOB Oil Properties, Inc.	6.9315
		<u>978.44</u>			<u>100.0000</u>

TRACT NO.	WORKING INTEREST OWNER	% WORKING INTEREST IN TRACT	% OF TOTAL UNIT PARTICIPATION
1	Ted Weiner	25.000	4.4966
	Don C. Wiley	41.667	7.4944
	Dick Lowe	14.583	2.6230
	J. L. Pollan	4.167	.7495
	David A. McMahon	<u>14.583</u>	<u>2.6230</u>
		100.000	17.9865
2	Cities Service Oil Company	100.000	32.4220
3	Phillips Petroleum Company	100.000	6.7625
4	Wing Corporation	100.000	30.5910
5	Bilco Supply Company, Inc.	100.000	2.0675
6	L. C. Neatherlin	100.000	3.2390
7	Wing Corporation	90.000	6.2383
	Stanley L. Spero	5.000	.3466
	Noral E. Whittinghill	<u>5.000</u>	<u>.3466</u>
		100.000	6.9315

TOTAL 100.0000