

UNIT AGREEMENT

ROBINSON - JACKSON UNIT

EDDY COUNTY, NEW MEXICO

BEFORE EXAMINED MATTER	
OIL CONSERVATION BOARD	
SDC	EXAMINER'S NAME <u>1</u>
CASE NO. <u>4926</u>	

CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of Interior as to Federal Lands, under the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey (33 F.R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the Robinson-Jackson Unit, Eddy County, New Mexico.

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

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

Dated \_\_\_\_\_

\_\_\_\_\_  
Oil and Gas Supervisor,  
UNITED STATES GEOLOGICAL SURVEY

Contract Number: \_\_\_\_\_

UNIT AGREEMENT  
ROBINSON-JACKSON UNIT  
EDDY COUNTY, NEW MEXICO

*Unitized  
Form P. 3*

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UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION OF THE  
ROBINSON-JACKSON UNIT  
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of July, 1972, 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 Mineral Leasing Act of February 25, 1920 (41 Stat. 437, as amended 30 U.S.C. Sections 181 et seq.) authorizes Federal Lessees and their representatives to unite with each other or jointly or separately with others in collectively adopting and operating a unit plan of development or operation of any oil or gas pool, field or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Art. 3, Ch. 65, Vol. 9, Part 2, 1953 Stat. Anno.) to approve this agreement, and the conservation provisions hereof; and

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

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

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

#### ARTICLE I

##### ENABLING ACT AND REGULATIONS

1.1 The Mineral Leasing Act of February 25, 1920, as amended, supra., and all valid, pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder and valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement.

#### ARTICLE II

##### DEFINITIONS

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

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

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

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

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

(e) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey for the region in which the Unit Area is situated,

(f) "Unitized Formation" means all of the Grayburg and a portion of the San Andres formations underlying the Unit Area; said interval having been heretofore found to occur in Sinclair Oil & Gas Company's Robinson "B" Well No. 32 (located 1980 feet from the south line and 1830 feet from the west line of Section 27, Township 17 South, Range 29 East, Eddy County, New Mexico) at an indicated depth of from 2178 feet to 3480 feet, as recorded on the Pan Geo Atlas Corporation Gamma Ray Neutron Laterolog Survey taken July 28, 1960, said log being measured from a ground level elevation of 3527 feet above sea level.

(g) "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.

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

(i) "Tract Participation" is defined as the percentage of participation as is shown on Exhibit "B" for allocating Unitized Substances to a Tract under this agreement,

(j) "Unit Participation" as used herein shall mean the sum of the Tract Participations as shown by Tracts for each Working Interest Owner in Exhibit "B" to the Unit Agreement.

(k) "Working Interest" is defined as the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease or otherwise held. Any interest in Unitized Substances which is a Working Interest as of the date the owner thereof executes or ratifies this agreement, or which at any time thereafter becomes a Working Interest, shall thenceforth be treated as a Working Interest for all purposes of this agreement.

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

(m) "Royalty Interest" or "Royalty" is defined as an interest other than a Working Interest in or right to receive a portion of the Unitized Substances or the proceeds thereof and includes the

Royalty Interest reserved by the lessor by an oil and gas lease and any overriding royalty interest, oil payment interest, net profit contracts, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.

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

(o) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Article IX infra., and shall be styled "Unit Operating Agreement, Robinson-Jackson Unit, Eddy County, New Mexico."

(p) "Unit Manager" is defined as the person or corporation appointed by the Unit Working Interest Owners, upon resignation or removal of the Unit Operator, to perform the duties of the Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Article VIII hereof.

(q) "Oil and Gas Rights" is defined as the right to explore, develop and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

(r) "Unit Area" is defined as the lands described by tracts in Exhibits "A" and "B".

(s) "Unit Operator" is defined as 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.

(t) "Record Owner" is defined as the holder of the record title to a lease covering Federal lands according to the applicable records of the Department of the Interior of the United States of America.

### ARTICLE III

#### UNIT AREA AND EXHIBITS

3.1 The following described land is hereby designated as constituting the Unit Area, all of said land being situated in Eddy County, New Mexico, to-wit:

Township 17 South, Range 29 East, N.M.P.M.

Section 27 -  $NE\frac{1}{4}$ ,  $E\frac{1}{2}NW\frac{1}{4}$ ,  $SE\frac{1}{4}$ ,  $E\frac{1}{2}SW\frac{1}{4}$

Section 34 -  $NE\frac{1}{4}$ ,  $NE\frac{1}{4}NW\frac{1}{4}$ ,  $NE\frac{1}{4}SE\frac{1}{4}$ .

Section 35 -  $N\frac{1}{2}$ ,  $N\frac{1}{2}SE\frac{1}{4}$ ,  $NE\frac{1}{4}SW\frac{1}{4}$

- containing 1160.00 acres, more or less.

3.2 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 percentage of participation each Tract has in the Unit Area.

However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary, or when requested by the Supervisor, and the required number of copies of such revision shall be filed with the Supervisor.

3.3 The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership prior to the effective date hereof, should be divided into more than one Tract, or that any mechanical miscalculation has been made, Unit Operator, with the approval of Working Interest Owners and the Supervisor, may correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation. Any such revision of an exhibit shall be effective at 7:00 A.M. on the effective date of this agreement.

## ARTICLE IV

### EXPANSION OF UNIT AREA

4.1 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 to conform with the purposes of this agreement. Such expansion shall be effected in the following manner:

(a) The working interest owner or owners of a tract or tracts desiring to bring such tract or tracts into this Unit shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice of the proposed expansion to each Working Interest Owner in the Unit and in the tract proposed to be included in the Unit, setting out the basis for admission, the Unit Participation to be assigned to each tract in the enlarged Unit and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if Working Interest Owners having in the aggregate seventy-five percent (75%) Unit Participation have agreed to such tract or tracts being brought into the Unit, then Unit Operator shall, after preliminary concurrence by the Director:

(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 Tract or Tracts, the Unit Participation to be assigned thereto and the

effective date thereof; and

(2) Deliver copies of said notice to the Commission, the Supervisor, each 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 objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above, with the Commission and Supervisor the following: (a) Evidence of mailing or delivering copies of said notice of expansion; (b) An application for such expansion; (c) An instrument containing the appropriate joinders in compliance with the participation requirements of Article XIV (Tracts Qualified for Unit Participation); and (d) Copy of any objections received.

(4) There shall be no retroactive allocation or adjustment of Unit expense or of interests in the Unitized Substances produced, or proceeds thereof prior to the effective date of expansion and qualification under Article XIV; however, this limitation shall not prevent an adjustment of investment by reason of the enlargement.

4.2 The expansion shall, after due consideration of all pertinent information and approval by the Commission and the Supervisor, become effective as of the date prescribed in the notice thereof, preferably the first day of a month subsequent to the date of notice.

4.3 In any approved expansion of the Unit Area the revised Tract Participations of those Tracts which were committed prior to each such expansion shall remain in the same ratio one to another.

#### ARTICLE V

##### UNITIZED LAND AND UNITIZED SUBSTANCES

5.1 All land committed to this agreement as to the Unitized Formation shall constitute land referred to herein as "Unitized Land" or "land subject to this agreement". 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 lands committed to this agreement as to the Unitized Formation are unitized under the terms of this agreement and herein are called "Unitized Substances". 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 as above described.

#### ARTICLE VI

##### UNIT OPERATOR

6.1 Shenandoah Oil Corporation is hereby designated the Unit Operator, and by signing this instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized

Substances, and the term "Working Interest Owner" when used herein shall include or refer to the Unit Operator as the owner of a Working Interest when such an interest is owned by it.

## ARTICLE VII

### RESIGNATION OR REMOVAL OF UNIT OPERATOR

7.1 If the Unit Operator is not the sole Working Interest Owner, Unit Operator shall have the right to resign at any time, but such resignation shall not become effective as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, the Commission and the Supervisor, and until all Unit wells are placed in a condition satisfactory to the Supervisor for suspension, abandonment or operations, whichever is intended by the Unit Manager, 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.

7.2 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.

7.3 The Unit Operator shall be subject to removal by Working Interest Owners having in the aggregate sixty-five percent (65%) Unit participation. Such removal shall be effective upon notice thereof to the Supervisor.

7.4 In all such instances of effective resignation or removal, until a successor to 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.

7.5 The resignation or removal of Unit Operator under this agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, books and records, materials, appurtenances and any other assets, used in connection with 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 the removal of any material, equipment or appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator who resigns or is removed hereunder from any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

#### ARTICLE VIII

##### SUCCESSOR UNIT OPERATOR

8.1 Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the

Working Interest Owners shall select a successor Unit Operator as herein provided. 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 Supervisor. If no successor Unit Operator is selected and qualified as herein provided, the Director may declare this agreement terminated.

8.2 In selecting a successor Unit Operator the affirmative vote of Working Interest Owners having a total of sixty-five percent (65%) or more of the total voting interest in the Unit shall prevail.

#### ARTICLE IX

##### ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT

9.1 If the Unit Operator is not the sole Working Interest Owner, then costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated 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 agreement and in case of any inconsistency or conflict between this agreement and the Unit Operating Agreement, this Unit Agreement shall prevail. Copies of any Unit Operating Agreement executed pursuant to this Article shall be filed with the Supervisor as required prior to approval of this agreement.

## ARTICLE X

### RIGHTS AND OBLIGATIONS OF UNIT OPERATOR

10.1 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.

## ARTICLE XI

### PLAN OF OPERATIONS

11.1 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 additional recovery of Unitized Substances, prevent waste and conserve natural resources consistent with good engineering practices expected of a prudent operator. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Supervisor and the Commission, inject into the Unitized Formation through any well or wells completed therein, brine, water, air, gas, oil, liquid petroleum gases and any one or more other substances or combinations of substances whether produced from the Unitized Formation or not, and that the location of input wells and the rate of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. The Working Interest Owners, the Supervisor and the Commission shall be furnished periodical reports on the progress of the plan of operation and any revision or changes thereto; provided, however, that any major revision of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners, the Supervisor and the Commission.

11.2 The initial plan of operation shall be filed with the Supervisor and the Commission 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

Supervisor and the commission 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.

11.3 The parties hereto subject to prior rights, if any, grant to the Unit Operator the use of brine or water or both from any formation in and under the Unit Area for injection into the Unitized Formation insofar as these rights are granted by the oil and gas leases.

## ARTICLE XII

### EASEMENTS OR USE OF SURFACE

12.1 The parties hereto, to the extent of their rights and interest, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may reasonably be necessary for Unit operations, including the free use of water from the Unit Area for Unit operations, except water from any well, lake, pond or irrigation ditch of Royalty Owners, provided that, nothing herein shall be construed as leasing or otherwise conveying to Working Interest Owners a site for a water, gas injection, processing or other plant or camp site.

## ARTICLE XIII

### TRACT PARTICIPATION

13.1 In Exhibit "B" attached hereto there are listed and numbered the various Tracts within the Unit Area, and set forth opposite each tract are figures which represent the percentage of

participation allocated to each Tract in the Unit Area.

13.2 Beginning at 7:00 A.M. on the effective date hereof, the Tract Participation of each Tract shall be as shown within Exhibit "B" and shall be determined from the following formula:

Tract Participation percentage equals;

$$90\% \frac{A}{B} \text{ plus } 10\% \frac{C}{D}$$

Where: A equals the estimated quantity of oil recoverable from the Unitized Formation underlying each such Tract by primary recovery operations as agreed upon by the Working Interest Owners.

B equals the summation of the estimated quantity of oil recoverable from the Unitized Formation underlying all such Tracts by primary recovery operations as agreed upon by the Working Interest Owners.

C equals the surface acres assigned to each such Tract.

D equals the summation of the surface acres assigned to all such Tracts.

13.3 In the event less than all Tracts are committed on the effective date hereof, the Tract Participations shall be calculated on the basis of all committed Tracts rather than all Tracts in the Unit Area and Exhibit "C" shall be prepared by the Unit Operator, see Sec. 14.2 hereof, to show the percentage of participation of each Tract.

## ARTICLE XIV

### TRACTS QUALIFIED FOR UNIT PARTICIPATION

14.1 As the objective of this agreement is to have lands in the Unit Area operated and entitled to participation under the terms hereof, it is agreed that, notwithstanding anything else herein, no joinder shall be considered a commitment to this agreement unless the Tract involved is qualified under this Article. On and after the effective date hereof, the Tracts within the Unit Area which shall be entitled to participation (as provided in Article XIII hereof) in the production of Unitized Substances therefrom shall be those Tracts within the Unit Area as shown on Exhibit "A" and described in Exhibit "B" that corner or have a common boundary and which are otherwise qualified as follows:

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

(b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest therein have become parties hereto and as to which Royalty Owners owning less than seventy-five percent (75%) of the Royalty Interest therein have become parties hereto and, further, as to which:

(1) All Working Interest Owners in any such Tract have joined in a request for the qualifications of such Tract, and

(2) Eighty-five percent (85%) of the combined voting interests of Working Interest Owners in all Tracts meeting the requirements of paragraph (a) hereof have voted in favor of qualifying such Tract.

For the purpose of this paragraph (b), a Working Interest Owner's "voting interest" shall be equal to the ratio (expressed in percent) which its aggregate Unit Participation in all Tracts qualifying under paragraph (a) bears to the total Unit Participation of all Working Interest Owners in all Tracts qualifying under paragraph (a).

(c) Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest therein have become parties hereto, regardless of the percentage of Royalty Interest therein which is committed hereto and, further, as to which:

(1) The Working Interest Owner operating any such Tract and all of the other Working Interest Owners in such Tract who have become parties hereto have joined in a request for qualification of such Tract and at least 85% of such parties have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners in the Unit, their successors and assigns, against all claims and demands which arise out of the qualification of such Tract, which may be made by the owners of Working Interest in such Tract who are not parties hereto; and

(2) Eighty-five percent (85%) of the combined voting interest of Working Interest Owners in all Tracts meeting the requirements of paragraph (a) and (b) have voted in favor of the qualification of such Tract and acceptance of the indemnity Agreement.

For the purpose of this paragraph (c), a Working Interest Owner's voting interest shall be equal to the ratio (expressed in percent) which its aggregate Unit Participation in all Tracts qualifying under paragraphs (a) and (b) bears to the total Unit Participation of all Working Interest Owners in all Tracts qualifying under paragraphs (a) and (b). Upon qualification of such a Tract, the Unit Participation which 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.

14.2 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 Commission and the Supervisor, file therewith, or as soon as practicable, a schedule of those Tracts which have been committed and made subject to this agreement and are entitled to participate in the production of Unitized Substances. Said schedule

shall set forth opposite each such committed Tract the lease number or assignment number, the owner of record of the lease and the percentage participation of such Tract which shall be computed according to the participation formula set out in Article XIII (Tract Participation) above. This schedule of participation shall be referred to as Exhibit "C" and upon approval thereof by the Supervisor, shall become a part of this agreement and shall govern the allocation of production of Unitized Substances until the effective date of a new schedule approved by the Supervisor.

#### ARTICLE XV

##### ALLOCATION OF UNITIZED SUBSTANCES

15.1 All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on Unitized Land for drilling, operating, camp and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed Tracts within the Unit Area in accordance with the respective Tract Participation effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation. The amount of Unitized Substances so allocated to each Tract (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.

15.2 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 proportion, 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.

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

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

15.5 The Unitized Substances allocated to each Tract shall be delivered in kind to the respective Working Interest Owners and 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. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on Unitized Land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Article XVI hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party responsible therefor. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner whose Working Interest is subject to such Royalty Interest shall be entitled to take in kind such share of the Unitized Substances.

15.6 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 sell or otherwise dispose of such production to itself or to others on a day to day basis at not less than the prevailing market price in the area for like production. The proceeds of the Unitized Substances so disposed of by Unit

Operator shall be paid to the party entitled thereto.

15.7 Notwithstanding the foregoing, the Unit Operator shall not make a sale into interstate commerce of any Working Interest Owner's share of gas production without first giving such Working Interest Owner sixty (60) days notice of such intended sale.

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

15.9 If, after the effective date of this agreement, there is any Tract or Tracts that are subsequently committed hereto, as provided in Article IV (Expansion of Unit Area) hereof, or any Tract or Tracts within the Unit Area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Article XXXII (Non-Joinder and Subsequent Joinder) or if any Tract is excluded from the Unit Area as provided for in Article XXX (Loss of Title), the schedule of participation, Exhibit "C", subject to Article XIII (Tract Participation), and Article XIV (Tracts Qualified for Unit Participation), shall be revised by the Unit Operator and distributed to the Working Interest

Owners and the Supervisor to show the revised Tract Participation of all the committed Tracts; and the revised Exhibit "C", upon approval by the Supervisor, shall govern all the allocation of production of Unitized Substances from and after the effective date thereof until a revised schedule is approved as hereinabove provided.

15.10 Working Interest Owners may use as much of the Unitized Substances as may reasonably be deemed necessary for the operation and development of the Unitized Lands including but not limited to the injection of Unitized Substances into the Unitized Formation, provided such usage is in accordance with the approved plans of operation.

15.11 No Royalty shall be payable upon or with respect to Unitized Substances used or consumed in the operation or development of the Unit Area or which may be otherwise unavoidably lost or consumed in the production, handling, treating, transportation or storing of Unitized Substances.

#### ARTICLE XVI

##### ROYALTY SETTLEMENT

16.1 The United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances produced from any Tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such Tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interest not taken in kind shall be

made by Working Interest Owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall be computed on Unitized Substances as allocated to each Tract in accordance with the terms of this Unit Agreement. With respect to those Federal leases committed hereto on which the royalty rate depends upon the daily average production per well, such average production shall be determined in accordance with the operating regulations as though the committed Tracts were included in a single consolidated lease.

16.2 If the amount of production or the proceeds thereof accruing to any Royalty Owner (except the United States of America) in a Tract depends upon the average production per well or the average pipeline runs per well from such Tract during any period of time, then such production shall be determined from and after the effective date hereof by dividing the quantity of Unitized Substances allocated hereunder to such Tract during such period of time by the number of wells located thereon capable of producing as of the effective date hereof, provided, however, any Tract without a producible well on said effective date shall, for the purposes herein contained, be considered as having one such well thereon.

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

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

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

and the interest of all parties shall be adjusted accordingly.

## ARTICLE XVII

### RENTAL SETTLEMENT

17.1 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 or minimum Royalty for lands of the United States of America subject to this agreement shall be paid at the rate specified in the respective leases from the United States of America, unless rental or minimum Royalty is waived, suspended or reduced by law or by approval of the Secretary or his duly authorized representative.

## ARTICLE XVIII

### CONSERVATION

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

## ARTICLE XIX

### DRAINAGE

19.1 The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from Unitized

Land by wells on land not subject to this agreement.

## ARTICLE XX

### LEASES AND CONTRACTS CONFORMED AND EXTENDED

20.1 The terms, conditions and provisions of all leases, sub-leases 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 Secretary 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 and Royalty requirements of Federal leases committed hereto and the regulations of Federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement.

20.2 Without limiting the generality of the foregoing, all leases, sub-leases 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 opera-



tions performed hereunder upon any Tract of Unitized Lands shall be accepted and deemed to be performed upon and for the benefit of each and every Tract of Unitized Land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on land therein embraced.

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

20.3 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.

## ARTICLE XXI

### COVENANTS RUN WITH LAND

21.1 All terms and conditions herein contained shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in title until

this agreement terminates, and any grant, transfer, conveyance or any passage of any interest in land or leases subject hereto, no matter how accomplished, shall be and hereby is conditioned upon the assumption of all privileges and obligations by such successor in interest. By way of illustration, but not limitation, if any Working Interest Owner shall, after executing this agreement, create any overriding royalty, production payment or any similar interest out of its interest, the new owner, or owners, of such interest or interests, shall be bound by the terms of this agreement and the Unit Operating Agreement. No assignment or transfer of any Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of a Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

## ARTICLE XXII

### EFFECTIVE DATE AND TERM

22.1 This agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 a.m. of the first day of the calendar month next following:

(a) The execution or ratification of this agreement and the Unit Operating Agreement, if appropriate, by Working Interest Owners of Tracts comprising eighty percent (80%) or more, on a surface acreage basis, of the Unit Area as shown on the original Exhibit "B" and which are qualified under the provisions of Article XIV.

(b) The approval of this agreement by the Commission and the Supervisor.

(c) The filing of at least one counterpart of this agreement for record in the office of the County Clerk of Eddy County, New Mexico, by the Unit Operator; and provided further that if (a), (b) and (c) above are not accomplished on or before July 1, 1973, this agreement shall ipso facto expire on said date (hereinafter called "expiration date") and thereafter be of no further force or effect unless prior thereto this agreement has been executed or ratified by Working Interest Owners owning a combined Unit Participation of at least eighty percent (80%), and that Working Interest Owners owning in the aggregate sixty-five percent (65%) or more of the total Unit Participation committed to this agreement have decided to extend said expiration date for a period not to exceed six months (hereinafter called "extended expiration date"). If said expiration date is so extended and (a), (b) and (c) are not accomplished on or before said extended expiration date and thereafter be of no further force or effect.

22.2 Unit Operator shall, within thirty (30) days after the effective date of this agreement, file for record in the office 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.

22.3 The term of this agreement shall be for and during the time that Unitized Substances are produced in quantities sufficient to pay for the cost of producing same from wells on the Unitized Land and so long thereafter as diligent drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, and so long thereafter as Unitized Substances are produced as aforesaid.

22.4 This agreement may be terminated at any time for any other reason with the approval of the Supervisor by Working Interest Owners owning seventy-five percent (75%) Unit Participation. Notice of any such termination shall be given to all parties hereto and a copy filed by Unit Operator in the office of the County Clerk of Eddy County, New Mexico.

22.5 Upon termination of this agreement, 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.

22.6 If not otherwise covered by the leases unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of six 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.

#### ARTICLE XXIII

##### RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION

23.1 All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from

time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided, further, that no such alteration or modification shall be effective as to any privately-owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

23.2 Powers in this Article vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen days from notice, and thereafter subject to administrative appeal before becoming final.

#### ARTICLE XXIV

##### NON-DISCRIMINATION

24.1 In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all of the provisions of Section 202 (1) to (7), inclusive, of Executive Order 11246, (30 F.R. 12319), which are hereby incorporated by reference in this agreement.

#### ARTICLE XXV

##### APPEARANCES

25.1 Unit Operator, after notice to other parties affected, shall have the right to appear for or on behalf of any and all

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

#### ARTICLE XXVI

##### NOTICES

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

#### ARTICLE XXVII

##### NO WAIVER OF CERTAIN RIGHTS

27.1 Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said Unitized Lands are located, or

of the United States or the rules or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

#### ARTICLE XXVIII

##### PERSONAL PROPERTY EXCEPTED

28.1 If the Unit Operator is not the sole Working Interest Owner, then it is agreed that each of the Working Interest Owners hereto has heretofore individually placed in or on the wells drilled by such Working Interest Owner on its leases or interests and in or on the land covered by said leases or interests certain casing, casing flanges, tubing, rods, pipes, tanks as well as other lease and well equipment or other personal property (to all of which the provisions hereof are applicable whether similar or dissimilar in nature to the foregoing enumeration). As to all of such equipment, the installing Working Interest Owner has the contractual right in and under its respective leases to remove same from the premises, and the installation thereof by said Working Interest Owner was with the intention and understanding that all of such equipment would be and remain personal property and that no part thereof would be or become fixtures to the realty. The Working Interest Owners hereto have dealt separately among themselves and do hereby make a separate agreement with each other with respect to such lease and well equipment and all other such personal property located in or on the well or their respective leases, on the one hand, and the realty, leasehold estates, and the wells (exclusive of all equipment in or on

said wells) located on and the Unitized Substances underlying the Unit Area, on the other hand. To that end, the Working Interest Owners have severed, and do hereby sever for all purposes of this agreement, all such lease and well equipment and other such personal property which may be located in or on the respective leases or in or on the wells thereon from the real leasehold estates, and the wells located on and the Unitized Substances underlying the Unit Area. To conform their respective investments in such equipment, Working Interest Owners have made a separate agreement with each other with respect thereto.

#### ARTICLE XXIX

##### UNAVOIDABLE DELAY

29.1 All obligations under this agreement requiring the Unit Operator to commence or continue secondary recovery operations or to operate on or produce Unitized Substances from any of the lands covered by this agreement shall be suspended while, but only so long as 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 agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

#### ARTICLE XXX

##### LOSS OF TITLE

30.1 If any Tract of Unitized Land ceases to have sufficient



Working Interest or Royalty Interest committed to this agreement to meet the conditions of Article XIV because of failure of title to any party hereto, such Tract shall be regarded as not committed hereto as of 7:00 a.m. on the first day of the calendar month in which such failure of title is finally determined; provided, however, that no such Tract shall be so regarded if same can be requalified under said Article XIV within ninety (90) days after the date on which such title failure was finally determined. If any such Tract cannot be so requalified, Unit Operator shall recompute the Tract Participation of each Tract of Unitized Land remaining subject to this agreement so that such Tract Participation shall remain in the same ratio one to another. Thereafter, Unit Operator shall revise Exhibit "C" conformably with such recomputation. Each such revised exhibit shall be effective at 7:00 a.m. on the first day of the calendar month in which such failure of title is finally determined. If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of such failure shall be governed by the Unit Operating Agreement if appropriate. If title to a Royalty Interest fails, but the Tract to which it relates remains committed to this agreement, the Royalty Owner whose title failed shall not be entitled to participate hereunder insofar as its participation is based on such lost Royalty Interest. In the event of a dispute as to the title of any Working or Royalty Interest or other interest subject hereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to

Federal land or leases, no payments of funds due the United States of America shall be withheld, but such funds shall be deposited as directed by the Supervisor 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.

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

#### ARTICLE XXXI

##### BORDER AGREEMENTS

31.1 Subject to the approval of the Supervisor, the Unit Operator upon the concurrence of Working Interest Owners owning at least sixty-five percent (65%) of Unit Participation may enter into a border-protection agreement or agreements with the Working Interest Owners of lands adjacent to the committed Tracts with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

#### ARTICLE XXXII

##### JOINDER IN DUAL CAPACITY

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

#### ARTICLE XXXIII

##### NON-JOINDER AND SUBSEQUENT JOINDER

33.1 Joinder by any Royalty and Record Owner, at any time,

must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty and Record Owner to be regarded as committed. Joinder to the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement, if appropriate, in order for such interest to be regarded as committed to this Unit Agreement.

33.2 Any oil or gas interest in the Unitized Formation not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this Article and of Article XIV (Tracts Qualified for Unit Participation) hereof, at any time up to the effective date hereof on the same basis of participation as provided in said Article XIV, by the owner or owners thereof subscribing, ratifying or consenting in writing to this agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement, if appropriate.

33.3 It is understood and agreed, however, that from and after the effective date hereof the right of subsequent joinder as provided in this Article shall be subject to such requirements or approvals and on such basis as may be agreed upon by Working Interest Owners having not less than eighty percent (80%) Unit Participation, and approved by the Supervisor. Such subsequent joinder by a proposed Working Interest Owner must be evidenced by his execution or ratification of this agreement and the Unit Operating Agreement, if appropriate. Such joinder by a proposed Royalty Owner must be evidenced by his

execution, ratification or consent of this agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such proposed Royalty Owner. Except as may be otherwise herein provided, subsequent joinder to this agreement shall be effective at 7:00 a.m. as of the first day of the month following the filing with the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of any Tract or interest to this agreement, unless objection to such joinder by the Supervisor is duly made within sixty (60) days after such filing.

#### ARTICLE XXXIV

##### TAXES

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

ARTICLE XXXV

CONFLICT OF SUPERVISION

35.1 Neither the Unit Operator nor the Working Interest Owners, nor any of them, shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof, to the extent that the said Unit Operator or the Working Interest Owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority vested in the Commission in and by any provisions of this agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

ARTICLE XXXVI

NO PARTNERSHIP

36.1 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.

#### ARTICLE XXXVII

##### PRODUCTION AS OF THE EFFECTIVE DATE

37.1 Unit Operator shall make a proper and timely gauge of all lease and other tanks on Unitized Land 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 oil that is a part of the prior allowable of the wells from which it was produced shall be and remain the property of the Working Interest Owner entitled thereto, the same as if the Unit had not been formed; and such Working Interest Owner shall promptly remove said oil from Unitized Land. Any such oil not so removed may be sold by Unit Operator for the account of such Working Interest Owner, subject to the payment of all Royalty to Royalty Owners under 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 effective date hereof.

37.2 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.

ARTICLE XXXVIII

COUNTERPARTS

38.1 This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and may be ratified or consented to by separate instruments 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 land within the above described Unit Area.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the dates shown opposite their respective signatures

ATTEST:

SHENANDOAH OIL CORPORATION

Mary D. Semmler  
Asst. Secretary

DATED: February 28, 1973

By

T. P. Bates  
Vice President

SOLE WORKING INTEREST OWNER

~~ATTEST:~~

ATLANTIC RICHFIELD COMPANY

Secretary

DATED: March 6, 1973

By

J. L. Smith

LESSEE OF RECORD

APPROVED	
FORM SUBSTANCE	<u>[Signature]</u>
	<u>[Signature]</u>
	<u>[Signature]</u>

THE STATE OF TEXAS

COUNTY OF TARRANT

The foregoing instrument was acknowledged before me this  
28th day of February, 1973, by L. P. Bates,  
Vice President of Shenandoah Oil Corporation, a Texas corporation.

Conner L. Bulmer

Notary Public

My commission expires:

June 1, 1973

THE STATE OF Texas

COUNTY OF Midland

The foregoing instrument was acknowledged before me this  
6th day of March, 1973, by S. L. Smith,  
Attorney in Fact for Atlantic Richfield Company, a  
Pennsylvania corporation.

Yvonne Brooks Yvonne Brooks

Notary Public

My commission expires:

June 1, 1973



APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by

NEW MEXICO OIL CONSERVATION COMMISSION

By \_\_\_\_\_

EXHIBIT "B"  
UNIT AGREEMENT  
ROBINSON-JACKSON UNIT  
EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY		OVERRIDING ROYALTY		WORKING INTEREST OWNER & PERCENTAGE
				OWNER & PERCENTAGE	LESSEE OF RECORD	OWNER & PERCENTAGE		
1	T-17S, R-29E Sec. 27: SE/4 Sec. 34: NW/4 NE/4, S/2 NE/4.	280.00	LC 028775(a) Aug. 31, 1979	USA - All 12%	Atlantic Richfield Company	Univ. of New Mex., .18125% Albuquerque Natl. Bank .23147% Selma E. Andrews Agency #1335 .26852% Boys Club of Am., .18125% Elks Natl. Fund, .18125% Glenn B. Haines, .16667% Higgins Trust, Inc., 1.31250% Velma Smith Jones, .93750% Corinne Smith Lanning .93750% Patrick J. Leonard, .30208% Robert J. Leonard, .30208% Timothy J. Leonard, .30209% Marshall & Winston, Inc. .50000% Nancy Ruth Marshall Hunter .041665% Marjorie Ann Marshall Dunlop .041665% James W. Poole, Jr. .041665% "Jimmy" Poole, .041665% New Mex. Boys Ranch, Inc. .18125% Mrs. C. A. Russell, 1.00000% Shattuck School, .18125% H. B. Tigner, .16667%		Shenandoah Oil Corporation 100%

TRACT NO.	DESCRIPTION OF LAND	NO.OF ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY		LESSEE OF RECORD	OVERRIDING ROYALTY		WORKING INTEREST OWNER & PERCENTAGE
				OWNER & PERCENTAGE	PERCENTAGE		OWNER & PERCENTAGE	PERCENTAGE	
1A	T-17S, R-29E Sec.34: NE/4 NE/4 Sec.35: W/2 NW/4	120.00	LC 028775(a) Aug. 31, 1979	USA - All 12½ - 25% Sliding Scale Schedule C	Atlantic Richfield Company		Univ. of New Mex., .18125%		Shenandoah Oil Corporation 100%
							Albuquerque Natl. Bank		
							.23147%		
							Selma E.Andrews Agency #1335		
							.26852%		
							Boys Club of Am., .18125%		
							Elks Natl. Fund, .18125%		
							Glenn B. Haines, .16667%		
							Higgins Trust, Inc., 1.31250%		
							Velma Smith Jones, .93750%		
							Corinne Smith Lanning		
							.93750%		
							Patrick J.Leonard, .30208%		
							Robert J.Leonard, .30208%		
							Timothy J.Leonard, .30209%		
Marshall & Winston, Inc.									
.50000%									
Nancy Ruth Marshall Hunter									
.041665%									
Marjorie Ann Marshall Dunlop									
.041665%									
James W. Poole, Jr.									
.041665%									
"Jimmy" Poole, .041665%									
New Mex.Boys Ranch, Inc.									
.18125%									
Mrs. C.A.Russell, 1.00000%									
Shattuck School, .18125%									
H. B. Tigner, .16667%									
2	T-17S, R-29E Sec.27: S/2 NE/4, SE/4 NW/4. Sec.35: N/2 SE/4, NE/4 SW/4.	240.00	LC 028775(b) May 31, 1976	USA - All 12½%	Atlantic Richfield Company		None		Shenandoah Oil Corporation 100%

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY		OVERRIDING ROYALTY		WORKING INTEREST OWNER & PERCENTAGE
				OWNER & PERCENTAGE	LESSEE OF RECORD	OWNER & PERCENTAGE		
2A	<u>T-17S, R-29E</u>	440.00	LC 028775(b) May 31, 1976	USA - All	Atlantic Richfield Company	None	Shenandoah Oil Corporation 100%	
	<u>Sec. 27: N/2 NE/4, NE/4 NW/4, E/2 SW/4.</u>			12½ - 25% Sliding Scale Schedule D				
	<u>Sec. 35: NE/4, E/2 NW/4.</u>							
3	<u>T-17S, R-29E</u>	40.00	LC 067910 April 30, 1974	USA - All	Atlantic Richfield Company	None	Shenandoah Oil Corporation 100%	
	<u>Sec. 34: NE/4 SE/4</u>			12½ - 33-1/3% Sliding Scale Schedule D				
4	<u>T-17S, R-29E</u>	40.00	LC 069147 April 30, 1974	USA - All	Atlantic Richfield Company	None	Shenandoah Oil Corporation 100%	
	<u>Sec. 34: NE/4 NW/4</u>			12½ - 33-1/3% Sliding Scale Schedule D				

Federal Tracts 1160 acres, or 100% of unit.

EXHIBIT "C"  
UNIT AGREEMENT  
ROBINSON-JACKSON UNIT  
EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. & EXPIRATION DATE	% TRACT PARTICIPATION
1	<u>T-17S, R-29E</u> <u>Sec.27: SE/4</u> Sec.34: NW/4 NE/4, S/2 NE/4	280.00	LC 028775(a), Sept. 1, 1979	23.32615
1A	<u>T-17S, R-29E</u> <u>Sec.34: NE/4 NE/4</u> Sec.35: W/2 NW/4	120.00	LC 028775(a), Sept. 1, 1979	9.08772
2	<u>T-17S, R-29E</u> <u>Sec.27: S/2 NE/4,</u> SE/4 NW/4 Sec.35: N/2 SE/4, NE/4 SW/4	240.00	LC 028775(b), June 1, 1976	17.77729
2A	<u>T-17S, R-29E</u> <u>Sec.27: N/2 NE/4,</u> NE/4 NW/4, E/2 SW/4 Sec.35: NE/4, E/2 NW/4	440.00	LC 028775(b), June 1, 1976	47.71098
3	<u>T-17S, R-29E</u> <u>Sec.34: NE/4 SE/4</u>	40.00	LC 067910, May 1, 1974	1.75303
4	<u>T-17S, R-29E</u> <u>Sec.34: NE/4 NW/4</u>	40.00	LC 069147, May 1, 1974	<u>0.34483</u>
				100.00000

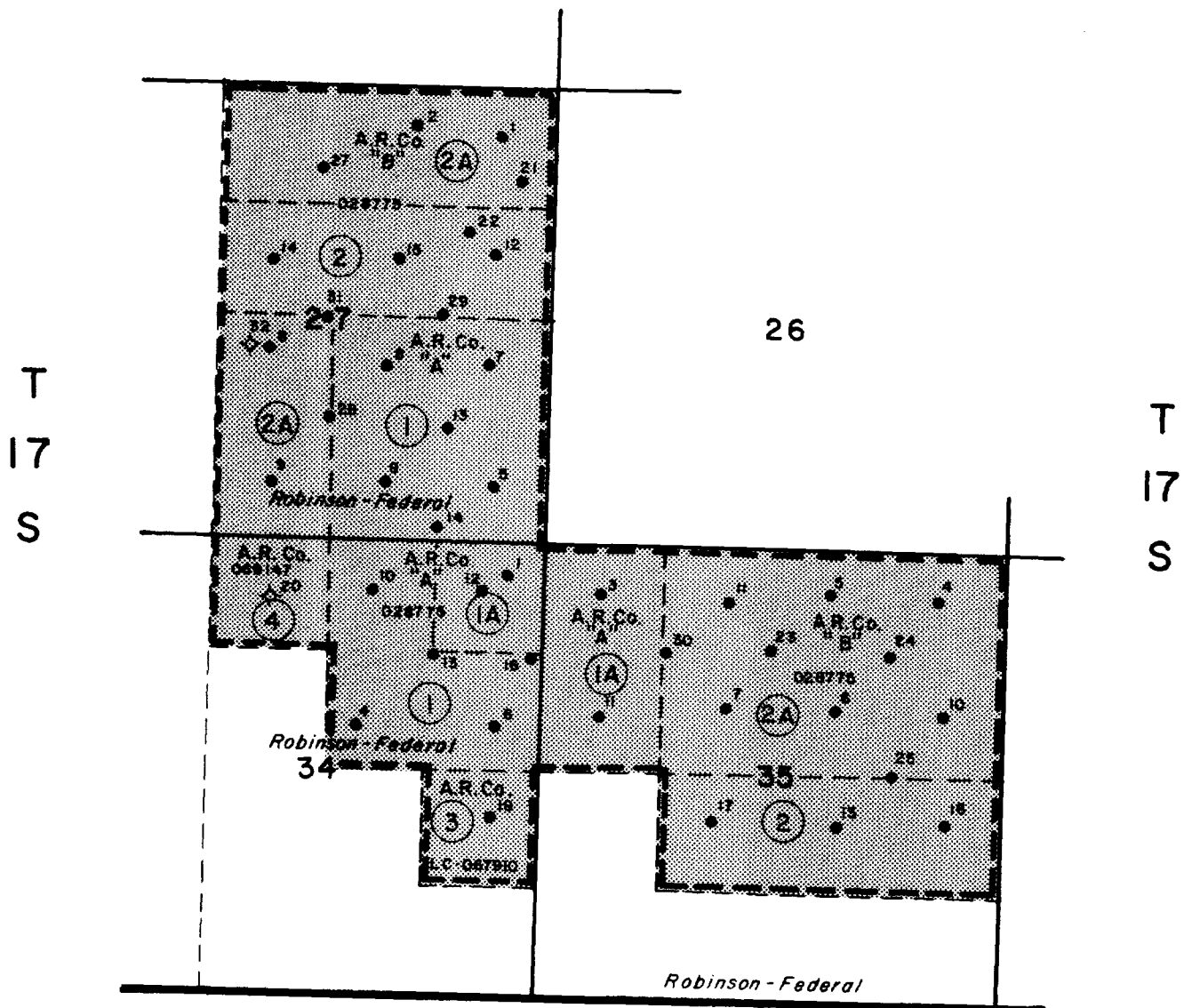
6 Federal Tracts 1160 acres, or 100% of Unit.

EXHIBIT "A"

ROBINSON - JACKSON UNIT

T-17-S, R-29-E, EDDY CO., N.M.

R - 29 - E



LEGEND

--- UNIT OUTLINE

② TRACT NUMBER

■ FEDERAL ACREAGE