



September 7, 1973

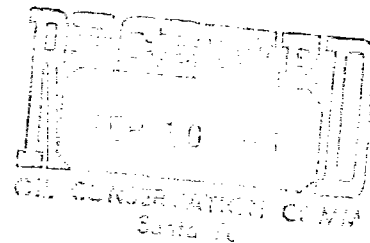
**Amoco Production Company**

500 Jefferson Building  
P.O. Box 3092  
Houston, Texas 77001

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

Gentlemen:

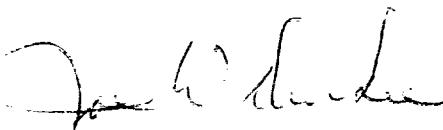
Subject: EA - 47,090  
Old Indian Draw Unit  
E. Carlsbad Area  
Eddy County, New Mexico



By your Order No. R-4606, you approved the Old Indian Draw Unit Agreement effective July 31, 1973. Enclosed for your file is one fully executed copy of the Unit Agreement. Also enclosed is copy of letter dated July 31, 1973 from the U. S. Geological Survey to Amoco, whereby the U.S.G.S. approved the Unit Agreement effective July 31, 1973.

Thanks very much for your cooperation in this endeavor.

Yours very truly,



Joe W. Durkee

Landman

JWD:pj

Attachments





# United States Department of the Interior

## GEOLOGICAL SURVEY

Drawer 1857  
Roswell, New Mexico 88201

July 31, 1973

Amoco Production Company  
Attention: Mr. C. N. Menninger  
P.O. Box 3092  
Houston, Texas 77001

Gentlemen:

The Old Indian Draw unit agreement, Eddy County, New Mexico, was approved on July 31, 1973. The agreement has been designated No. 14-08-0001-12405 and is effective as of the date of approval.

Enclosed are three copies of the approved agreement. We request that you furnish the New Mexico Oil Conservation Commission and any other interested principals with appropriate evidence of this approval.

Sincerely yours,

*Carl C. Traywick*  
CARL C. TRAYWICK  
Acting Area Oil and Gas Supervisor

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**CERTIFICATION--DETERMINATION**

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Area Oil and Gas Supervisors of the Geological Survey, I do hereby:

A. Approve the attached agreement for the development and operation of the \_\_\_\_\_ Unit Area, State of \_\_\_\_\_.

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 \_\_\_\_\_.

\_\_\_\_\_  
Area Oil and Gas Supervisor  
United States Geological Survey

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



UNIT AGREEMENT FOR THE DEVELOPMENT  
AND OPERATION OF THE OLD INDIAN DRAW UNIT AREA  
COUNTY OF EDDY, STATE OF NEW MEXICO

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Exhibit "A" (Map)

Exhibit "B" (Description of interests subject to agreement)



1 UNIT AGREEMENT  
2 FOR THE DEVELOPMENT AND OPERATION  
3 OF THE  
4 OLD INDIAN DRAW UNIT AREA  
5 COUNTY OF EDDY  
6 STATE OF NEW MEXICO  
7 NO. \_\_\_\_\_

8 THIS AGREEMENT, entered into as of the 25th day of  
9 June, 19 73, by and between the parties subscribing,  
10 ratifying, or consenting hereto, and herein referred to as the "parties  
11 hereto,"

12 WITNESSETH:

13 WHEREAS the parties hereto are the owners of working, royalty,  
14 or other oil and gas interests in the unit area subject to this agree-  
15 ment; and

16 WHEREAS the Mineral Leasing Act of February 25, 1920, 41 Stat.  
17 437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees  
18 and their representatives to unite with each other, or jointly or separately  
19 with others, in collectively adopting and operating a cooperative or unit  
20 plan of development or operation of any oil or gas pool, field, or like  
21 area, or any part thereof for the purpose of more properly conserving  
22 the natural resources thereof whenever determined and certified by the  
23 Secretary of the Interior to be necessary or advisable in the public  
24 interest; and

25 WHEREAS the Oil Conservation Commission of the State of New  
26 Mexico is authorized by an Act of the Legislature (Chapter 72, Laws of  
27 1935, as amended by Chapter 193, Laws of 1937; Chapter 166, Laws of  
28 1941; and Chapter 168, Laws of 1949) to approve this agreement and the  
29 conservation provisions hereof; and

30 WHEREAS the parties hereto hold sufficient interests in the  
31 Old Indian Draw Unit Area covering the land hereinafter described  
32 to give reasonably effective control of operations therein; and



1           WHEREAS, it is the purpose of the parties hereto to conserve  
2 natural resources, prevent waste, and secure other benefits obtainable  
3 through development and operation of the area subject to this agreement  
4 under the terms, conditions, and limitations herein set forth;

5           NOW, THEREFORE, in consideration of the premises and the promises  
6 herein contained, the parties hereto commit to this agreement their  
7 respective interests in the below-defined unit area, and agree severally  
8 among themselves as follows:

9           1.       ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of  
10 February 25, 1920, as amended, supra, and all valid pertinent regulations,  
11 including operating and unit plan regulations, heretofore issued thereunder  
12 or valid, pertinent, and reasonable regulations hereafter issued thereunder  
13 are accepted and made a part of this agreement as to Federal lands, pro-  
14 vided such regulations are not inconsistent with the terms of this agree-  
15 ment; and as to non-Federal lands, the oil and gas operating regulations  
16 in effect as of the effective date hereof governing drilling and producing  
17 operations, not inconsistent with the terms hereof or the laws of the  
18 State in which the non-Federal land is located, are hereby accepted and  
19 made a part of this agreement.

20           2.       UNIT AREA. The area specified on the map attached hereto  
21 marked Exhibit "A" is hereby designated and recognized as constituting  
22 the unit area, containing 3,117.82 acres, more or less.

23           Exhibit "A" shows, in addition to the boundary of the unit  
24 area, the boundaries and identity of tracts and leases in said area to  
25 the extent known to the Unit Operator. Exhibit "B" attached hereto is  
26 a schedule showing to the extent known to the Unit Operator the acreage,  
27 percentage, and kind of ownership of oil and gas interests in all land  
28 in the unit area. However, nothing herein or in said schedule or map  
29 shall be construed as a representation by any party hereto as to the  
30 ownership of any interest other than such interest or interests as are  
31 shown in said map or schedule as owned by such party. Exhibits "A"



1 and "B" shall be revised by the Unit Operator whenever changes in the  
2 unit area render such revision necessary, or when requested by the Oil  
3 and Gas Supervisor, hereinafter referred to as "Supervisor" and not less  
4 than five copies of the revised exhibits shall be filed with the  
5 Supervisor and one copy with the New Mexico Oil Conservation Commission,  
6 hereinafter referred to as "State Commission".

7 The above-described unit area shall when practicable be expanded  
8 to include therein any additional lands or shall be contracted to exclude  
9 lands whenever such expansion or contraction is deemed to be necessary  
10 or advisable to conform with the purposes of this agreement. Such expan-  
11 sion or contraction shall be effected in the following manner:

- 12 (a) Unit Operator, on its own motion or on demand of the  
13 Director of the Geological Survey, hereinafter referred  
14 to as "Director," after preliminary concurrence by the  
15 Director, shall prepare a notice of proposed expansion  
16 or contraction describing the contemplated changes in  
17 the boundaries of the unit area, the reasons therefor,  
18 and the proposed effective date thereof, preferably the  
19 first day of a month subsequent to the date of notice.
- 20 (b) Said notice shall be delivered to the Supervisor, and the  
21 State Commission and copies thereof mailed to the last known  
22 address of each working interest owner, lessee, and lessor  
23 whose interests are affected, advising that 30 days will be  
24 allowed for submission to the Unit Operator of any objections.
- 25 (c) Upon expiration of the 30-day period provided in the preceding  
26 item (b) hereof, Unit Operator shall file with the Supervisor  
27 and the State Commission evidence of mailing of the notice of  
28 expansion or contraction and a copy of any objections thereto  
29 which have been filed with the Unit Operator, together with an  
30 application in sufficient number, for approval of such  
31 expansion or contraction and with appropriate joinders.
- 32 (d) After due consideration of all pertinent information, the



1 expansion or contraction shall, upon approval by the Supervisor,  
2 become effective as of the date prescribed in the notice thereof.

3 (e) All legal subdivisions of lands (i.e., 40 acres by Government  
4 survey or its nearest lot or tract equivalent; in instances of  
5 irregular surveys unusually large lots or tracts shall be con-  
6 sidered in multiples of 40 acres or the nearest aliquot equiva-  
7 lent thereof), no parts of which are entitled to be in a  
8 participating area on or before the fifth anniversary of the  
9 effective date of the first initial participating area esta-  
10 blished under this unit agreement, shall be eliminated auto-  
11 matically from this agreement, effective as of said fifth  
12 anniversary, and such lands shall no longer be a part of  
13 the unit area and shall no longer be subject to this agree-  
14 ment, unless diligent drilling operations are in progress  
15 on unitized lands not entitled to participation on said  
16 fifth anniversary, in which event all such lands shall  
17 remain subject hereto for so long as such drilling operations  
18 are continued diligently, with not more than 90 days' time  
19 elapsing between the completion of one such well and the com-  
20 mencement of the next such well. All legal subdivisions of  
21 lands not entitled to be in a participating area within 10  
22 years after the effective date of the first initial partici-  
23 pating area approved under this agreement shall be auto-  
24 matically eliminated from this agreement as of said tenth  
25 anniversary. All lands proved productive by diligent drilling  
26 operations after the aforesaid 5-year period shall become  
27 participating in the same manner as during said 5-year  
28 period. However, when such diligent drilling operations  
29 cease, all nonparticipating lands shall be automatically  
30 eliminated effective as of the 91st day thereafter. The unit  
31 operator shall within 90 days after the effective date of  
32 any elimination hereunder, describe the area so eliminated



1 to the satisfaction of the Supervisor and promptly notify  
2 all parties in interest.

3 If conditions warrant extension of the 10-year period  
4 specified in this subsection 2(e), a single extension of not  
5 to exceed 2 years may be accomplished by consent of the  
6 owners of 90% of the working interests in the current non-  
7 participating unitized lands and the owners of 60% of the  
8 basic royalty interests (exclusive of the basic royalty  
9 interests of the United States) in nonparticipating unitized  
10 lands with approval of the Director, provided such extension  
11 application is submitted to the Director not later than 60  
12 days prior to the expiration of said 10-year period.

13 Any expansion of the unit area pursuant to this section  
14 which embraces lands theretofore eliminated pursuant to  
15 this subsection 2(e) shall not be considered automatic  
16 commitment or recommitment of such lands.

17 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to  
18 this agreement shall constitute land referred to herein as "unitized land"  
19 or "land subject to this agreement." All oil and gas in any and all  
20 formations of the unitized land are unitized under the terms of this agree-  
21 ment and herein are called "unitized substances."

22 4. UNIT OPERATOR. Amoco Production Company is  
23 hereby designated as Unit Operator and by signature hereto as Unit Operator  
24 agrees and consents to accept the duties and obligations of Unit Operator  
25 for the discovery, development, and production of unitized substances as  
26 herein provided. Whenever reference is made herein to the Unit Operator,  
27 such reference means the Unit Operator acting in that capacity and not  
28 as an owner of interest in unitized substances, and the term "working



1 interest owner" when used herein shall include or refer to Unit Operator  
2 as the owner of a working interest when such an interest is owned by it.

3 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall  
4 have the right to resign at any time prior to the establishment of a  
5 participating area or areas hereunder, but such resignation shall not  
6 become effective so as to release Unit Operator from the duties and  
7 obligations of Unit Operator and terminate Unit Operator's rights as such  
8 for a period of 6 months after notice of intention to resign has been  
9 served by Unit Operator on all working interest owners and the Supervisor,  
10 and until all wells then drilled hereunder are placed in a satisfactory  
11 condition for suspension or abandonment whichever is required by the  
12 Supervisor, unless a new Unit Operator shall have been selected and  
13 approved and shall have taken over and assumed the duties and obliga-  
14 tions of Unit Operator prior to the expiration of said period.

15 Unit Operator shall have the right to resign in like manner  
16 and subject to like limitations as above provided at any time a partici-  
17 pating area established hereunder is in existence, but, in all instances  
18 of resignation or removal, until a successor unit operator is selected  
19 and approved as hereinafter provided, the working interest owners shall  
20 be jointly responsible for performance of the duties of unit operator,  
21 and shall not later than 30 days before such resignation or removal  
22 becomes effective appoint a common agent to represent them in any  
23 action to be taken hereunder.

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

27 The Unit Operator may, upon default or failure in the perform-  
28 ance of its duties or obligations hereunder, be subject to removal by  
29 the same percentage vote of the owners of working interests as herein  
30 provided for the selection of a new Unit Operator. Such removal shall  
31 be effective upon notice thereof to the Supervisor.



1           The resignation or removal of Unit Operator under this  
2 agreement shall not terminate its right, title, or interest as the owner  
3 of a working interest or other interest in unitized substances, but upon  
4 the resignation or removal of Unit Operator becoming effective, such  
5 Unit Operator shall deliver possession of all wells, equipment, materials,  
6 and appurtenances used in conducting the unit operations to the new duly  
7 qualified successor Unit Operator or to the common agent, if no such  
8 new Unit Operator is elected, to be used for the purpose of conducting  
9 unit operations hereunder. Nothing herein shall be construed as authorizing  
10 removal of any material, equipment and appurtenances needed for the preserva-  
11 tion of any wells.

12           6.       SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall  
13 tender his or its resignation as Unit Operator or shall be removed as  
14 hereinabove provided, or a change of Unit Operator is negotiated by  
15 working interest owners, the owners of the working interests in the par-  
16 ticipating area or areas according to their respective acreage interests  
17 in such participating area or areas, or, until a participating area  
18 shall have been established, the owners of the working interest according  
19 to their respective acreage interests in all unitized land, shall by  
20 majority vote select a successor Unit Operator: Provided, That, if a  
21 majority but less than 75 percent of the working interests qualified to  
22 vote are owned by one party to this agreement, a concurring vote of one  
23 or more additional working interest owners shall be required to select  
24 a new operator. Such selection shall not become effective until:

25           (a) A Unit Operator so selected shall accept in writing the  
26               duties and responsibilities of Unit Operator, and

27           (b) The selection shall have been approved by the Supervisor.

28           If no successor Unit Operator is selected and qualified as  
29 herein provided, the Director at his election may declare this unit  
30 agreement terminated.



1           7.       ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the  
2 Unit Operator is not the sole owner of working interests, costs and  
3 expenses incurred by Unit Operator in conducting unit operations here-  
4 under shall be paid and apportioned among and borne by the owners of  
5 working interests, all in accordance with the agreement or agreements  
6 entered into by and between the Unit Operator and the owners of  
7 working interests, whether one or more, separately or collectively. Any  
8 agreement or agreements entered into between the working interest owners  
9 and the Unit Operator as provided in this section, whether one or more,  
10 are herein referred to as the "unit operating agreement." Such unit  
11 operating agreement shall also provide the manner in which the working  
12 interest owners shall be entitled to receive their respective proportionate  
13 and allocated share of the benefits accruing hereto in conformity with  
14 their underlying operating agreements, leases, or other independent con-  
15 tracts, and such other rights and obligations as between Unit Operator  
16 and the working interest owners as may be agreed upon by Unit Operator and  
17 the working interest owners; however, no such unit operating agreement  
18 shall be deemed either to modify any of the terms and conditions of  
19 this unit agreement or to relieve the Unit Operator of any right or  
20 obligation established under this unit agreement, and in case of any  
21 inconsistency or conflict between this unit agreement and the unit  
22 operating agreement, this unit agreement shall govern. Three true  
23 copies of any unit operating agreement executed pursuant to this section  
24 should be filed with the Supervisor, prior to approval of this unit  
25 agreement.

26           8.       RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise  
27 specifically provided herein, the exclusive right, privilege, and duty  
28 of exercising any and all rights of the parties hereto which are neces-  
29 sary or convenient for prospecting for, producing, storing, allocating,  
30 and distributing the unitized substances are hereby delegated to and shall



1 be exercised by the Unit Operator as herein provided. Acceptable evidence  
2 of title to said rights shall be deposited with said Unit Operator and,  
3 together with this agreement, shall constitute and define the rights,  
4 privileges, and obligations of Unit Operator. Nothing herein, however,  
5 shall be construed to transfer title to any land or to any lease or  
6 operating agreement, it being understood that under this agreement the  
7 Unit Operator, in its capacity as Unit Operator, shall exercise the rights  
8 of possession and use vested in the parties hereto only for the purposes  
9 herein specified.

10 9. DRILLING TO DISCOVERY. Within 6 months after the effective  
11 date hereof, the Unit Operator shall begin to drill an adequate test  
12 well at a location approved by the Supervisor, if on Federal land, unless  
13 on such effective date a well is being drilled conformably with the terms  
14 hereof, and thereafter continue such drilling diligently until all of the  
15 formations of Pennsylvanian Age have been tested or until at a  
16 lesser depth unitized substances shall be discovered which can be pro-  
17 duced in paying quantities (to wit: quantities sufficient to repay the  
18 costs of drilling, completing, and producing operations, with a reasonable  
19 profit) or the Unit Operator shall at any time establish to the satis-  
20 faction of the Supervisor, if on Federal land, that further drilling of  
21 said well would be unwarranted or impracticable, provided, however, that  
22 Unit Operator shall not in any event be required to drill said well to a  
23 depth in excess of 12,400 feet. Until the discovery of a deposit of  
24 unitized substances capable of being produced in paying quantities, the  
25 Unit Operator shall continue drilling diligently one well at a time,  
26 allowing not more than 6 months between the completion of one well and the  
27 beginning of the next well, until a well capable of producing unitized  
28 substances in paying quantities is completed to the satisfaction of said  
29 Supervisor, if it be on Federal land, or until it is reasonably proved  
30 that the unitized land is incapable of producing unitized substances in  
31 paying quantities in the formations drilled hereunder. Nothing in this



1 section shall be deemed to limit the right of the Unit Operator to resign  
2 as provided in Section 5, hereof, or as requiring Unit Operator to com-  
3 mence or continue any drilling during the period pending such resignation  
4 becoming effective in order to comply with the requirements of this  
5 section. The Supervisor may modify the drilling requirements of this  
6 section by granting reasonable extensions of time when, in his opinion,  
7 such action is warranted.

8 Upon failure to commence any well provided for in this section  
9 within the time allowed, including any extension of time granted by the  
10 Supervisor, this agreement will automatically terminate; upon failure to  
11 continue drilling diligently any well commenced hereunder, the Supervisor  
12 may, after 15-days' notice to the Unit Operator, declare this unit agree-  
13 ment terminated.

14 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months  
15 after completion of a well capable of producing unitized substances in  
16 paying quantities, the Unit Operator shall submit for the approval of  
17 the Supervisor an acceptable plan of development and operation for the  
18 unitized land which, when approved by the Supervisor, shall constitute  
19 the further drilling and operating obligations of the Unit Operator  
20 under this agreement for the period specified therein. Thereafter, from  
21 time to time before the expiration of any existing plan, the Unit Operator  
22 shall submit for the approval of the Supervisor a plan for an additional  
23 specified period for the development and operation of the unitized land.

24 Any plan submitted pursuant to this section shall provide for  
25 the exploration of the unitized area and for the diligent drilling  
26 necessary for determination of the area or areas thereof capable of  
27 producing unitized substances in paying quantities in each and every  
28 productive formation and shall be as complete and adequate as the Super-  
29 visor may determine to be necessary for timely development and proper  
30 conservation of the oil and gas resources of the unitized area and  
31 shall:



- 1 (a) specify the number and locations of any wells to be drilled  
2 and the proposed order and time for such drilling; and  
3 (b) to the extent practicable specify the operating practices  
4 regarded as necessary and advisable for proper conservation  
5 of natural resources.

6 Separate plans may be submitted for separate productive zones, subject  
7 to the approval of the Supervisor.

8 Plans shall be modified or supplemented when necessary to  
9 meet changed conditions or to protect the interests of all parties to  
10 this agreement. Reasonable diligence shall be exercised in complying  
11 with the obligations of the approved plan of development. The Super-  
12 visor is authorized to grant a reasonable extension of the 6-month  
13 period herein prescribed for submission of an initial plan of develop-  
14 ment where such action is justified because of unusual conditions or  
15 circumstances. After completion hereunder of a well capable of producing  
16 any unitized substance in paying quantities, no further wells, except  
17 such as may be necessary to afford protection against operations not  
18 under this agreement and such as may be specifically approved by the  
19 Supervisor, shall be drilled except in accordance with a plan of develop-  
20 ment approved as herein provided.

21 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well  
22 capable of producing unitized substances in paying quantities or as soon  
23 thereafter as required by the Supervisor, the Unit Operator shall submit  
24 for approval by the Supervisor a schedule, based on subdivisions of the  
25 public-land survey or aliquot parts thereof, of all land then regarded  
26 as reasonably proved to be productive in paying quantities; all lands in  
27 said schedule on approval of the Supervisor to constitute a participating  
28 area, effective as of the date of completion of such well or the effective  
29 date of this unit agreement, whichever is later. The acreages of both  
30 Federal and non-Federal lands shall be based upon appropriate computations  
31 from the courses and distances shown on the last approved public-land



1 survey as of the effective date of each initial participating area.  
2 Said schedule shall also set forth the percentage of unitized substances  
3 to be allocated as herein provided to each tract in the participating  
4 area so established, and shall govern the allocation of production com-  
5 mencing with the effective date of the participating area. A separate  
6 participating area shall be established for each separate pool or deposit  
7 of unitized substances or for any group thereof which is produced as a  
8 single pool or zone, and any two/or more participating areas so established  
9 may be combined into one, on approval of the Supervisor. When production  
10 from two or more participating areas, so established, is subsequently  
11 found to be from a common pool or deposit said participating areas shall  
12 be combined into one effective as of such appropriate date as may be  
13 approved or prescribed by the Supervisor. The participating area or  
14 areas so established shall be revised from time to time, subject to  
15 like approval, to include additional land then regarded as reasonably  
16 proved to be productive in paying quantities or necessary for unit  
17 operations, or to exclude land then regarded as reasonably proved not  
18 to be productive in paying quantities and the schedule of allocation  
19 percentages shall be revised accordingly. The effective date of any  
20 revision shall be the first of the month in which is obtained the knowledge  
21 or information on which such revision is predicated, provided, however,  
22 that a more appropriate effective date may be used if justified by the  
23 Unit Operator and approved by the Supervisor. No land shall be excluded  
24 from a participating area on account of depletion of the unitized substances,  
25 except that any participating area established under the provisions of  
26 this unit agreement shall terminate automatically whenever all completions  
27 in the formation on which the participating area is based are abandoned.

28 It is the intent of this section that a participating area shall  
29 represent the area known or reasonably estimated to be productive in paying  
30 quantities; but, regardless of any revision of the participating area,  
31 nothing herein contained shall be construed as requiring any retroactive



1 adjustment for production obtained prior to the effective date of the  
2 revision of the participating area.

3 In the absence of agreement at any time between the Unit Operator  
4 and the Supervisor as to the proper definition or redefinition of a partici-  
5 pating area, or until a participating area has, or areas have, been  
6 established as provided herein, the portion of all payments affected thereby  
7 shall be impounded in a manner mutually acceptable to the owners of working  
8 interests and the Supervisor. Royalties due the United States shall be  
9 determined by the Supervisor and the amount thereof shall be deposited,  
10 as directed by the Supervisor, to be held as unearned money until a  
11 participating area is finally approved and then applied as earned or  
12 returned in accordance with a determination of the sum due as Federal  
13 royalty on the basis of such approved participating area.

14 Whenever it is determined, subject to the approval of the  
15 Supervisor, that a well drilled under this agreement is not capable  
16 of production in paying quantities and inclusion of the land on which  
17 it is situated in a participating area is unwarranted, production from  
18 such well shall, for the purposes of settlement among all parties other  
19 than working interest owners, be allocated to the land on which the  
20 well is located unless such land is already within the participating  
21 area established for the pool or deposit from which such production is  
22 obtained. Settlement for working interest benefits from such a well  
23 shall be made as provided in the unit operating agreement.

24 12. ALLOCATION OF PRODUCTION. All unitized substances produced  
25 from each participating area established under this agreement, except any  
26 part thereof used in conformity with good operating practices within the  
27 unitized area for drilling, operating, camp and other production or  
28 development purposes, for repressuring or recycling in accordance with  
29 a plan of development approved by the Supervisor, or unavoidably lost,  
30 shall be deemed to be produced equally on an acreage basis from the  
31 several tracts of unitized land of the participating area established



1 for such production and, for the purpose of determining any benefits  
2 accruing under this agreement, each such tract of unitized land shall  
3 have allocated to it such percentage of said production as the number of  
4 acres of such tract included in said participating area bears to the  
5 total acres of unitized land in said participating area, except that  
6 allocation of production hereunder for purposes other than for settlement  
7 of the royalty, overriding royalty, or payment out of production obliga-  
8 tions of the respective working interest owners, shall be on the basis  
9 prescribed in the unit operating agreement whether in conformity with  
10 the basis of allocation herein set forth or otherwise. It is hereby  
11 agreed that production of unitized substances from a participating  
12 area shall be allocated as provided herein regardless of whether any  
13 wells are drilled on any particular part or tract of said participating  
14 area. If any gas produced from one participating area is used for repres-  
15 suring or recycling purposes in another participating area, the first  
16 gas withdrawn from such last-mentioned participating area for sale during  
17 the life of this agreement shall be considered to be the gas so transferred  
18 until an amount equal to that transferred shall be so produced for sale  
19 and such gas shall be allocated to the participating area from which  
20 initially produced as such area was last defined at the time of such  
21 final production.

22 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS.  
23 Any party hereto owning or controlling the working interest in any unitized  
24 land having thereon a regular well location may with the approval of the  
25 Supervisor, at such party's sole risk, costs, and expense, drill a well  
26 to test any formation for which a participating area has not been established  
27 or to test any formation for which a participating area has been established  
28 if such location is not within said participating area, unless within 90  
29 days of receipt of notice from said party of his intention to drill the  
30 well the Unit Operator elects and commences to drill such a well in like  
31 manner as other wells are drilled by the Unit Operator under this agreement.



1           If any well drilled as aforesaid by a working interest owner  
2 results in production such that the land upon which it is situated may  
3 properly be included in a participating area, such participating area  
4 shall be established or enlarged as provided in this agreement and the  
5 well shall thereafter be operated by the Unit Operator in accordance  
6 with the terms of this agreement and the unit operating agreement.

7           If any well drilled as aforesaid by a working interest owner  
8 obtains production in quantities insufficient to justify the inclusion of  
9 the land upon which such well is situated in a participating area, such  
10 well may be operated and produced by the party drilling the same subject  
11 to the conservation requirements of this agreement. The royalties in  
12 amount or value of production from any such well shall be paid as specified  
13 in the underlying lease and agreements affected.

14       14.     ROYALTY SETTLEMENT. The United States and any State and any  
15 royalty owner who, is entitled to take in kind a share of the substances  
16 now unitized hereunder shall hereafter be entitled to the right to take  
17 in kind its share of the unitized substances, and Unit Operator, or the  
18 working interest owner in case of the operation of a well by a working  
19 interest owner as herein provided for in special cases, shall make  
20 deliveries of such royalty share taken in kind in conformity with the  
21 applicable contracts, laws, and regulations. Settlement for royalty  
22 interest not taken in kind shall be made by working interest owners  
23 responsible therefor under existing contracts, laws and regulations, or  
24 by the Unit Operator on or before the last day of each month for unitized  
25 substances produced during the preceding calendar month; provided, however,  
26 that nothing herein contained shall operate to relieve the lessees of  
27 any land from their respective lease obligations for the payment of any  
28 royalties due under their leases.

29           If gas obtained from lands not subject to this agreement is  
30 introduced into any participating area hereunder, for use in repres-  
31 suring, stimulation of production, or increasing ultimate recovery, in



1 conformity with a plan of operations approved by the Supervisor, a like  
2 amount of gas, after settlement as herein provided for any gas transferred  
3 from any other participating area and with appropriate deduction for loss  
4 from any cause, may be withdrawn from the formation into which the gas  
5 is introduced, royalty free as to dry gas, but not as to any products  
6 which may be extracted therefrom; provided that such withdrawal shall be  
7 at such time as may be provided in the approved plan of operations or as  
8 may otherwise be consented to by the Supervisor as conforming to good  
9 petroleum engineering practice; and provided further, that such right of  
10 withdrawal shall terminate on the termination of this unit agreement.

11 Royalty due the United States shall be computed as provided in  
12 the operating regulations and paid in value or delivered in kind as to  
13 all unitized substances on the basis of the amounts thereof allocated to  
14 unitized Federal land as provided herein at the rates specified in the  
15 respective Federal leases, or at such lower rate or rates as may be  
16 authorized by law or regulation; provided, that for leases on which the  
17 royalty rate depends on the daily average production per well, said  
18 average production shall be determined in accordance with the operating  
19 regulations as though each participating area were a single consolidated  
20 lease.

21 Royalty due as to non-Federal lands under the respective leases  
22 shall be computed and paid on the basis of all unitized substances  
23 allocated to such lands hereunder.

24 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases  
25 committed hereto shall be paid by working interest owners responsible  
26 therefor under existing contracts, laws, and regulations, provided that  
27 nothing herein contained shall operate to relieve the lessees of any  
28 land from their respective lease obligations for the payment of any  
29 rental or minimum royalty due under their leases. Rental or minimum  
30 royalty for lands of the United States subject to this agreement shall  
31 be paid at the rate specified in the respective leases from the United



1 States unless such rental or minimum royalty is waived, suspended, or  
2 reduced by law or by approval of the Secretary or his duly authorized  
3 representative.

4 With respect to any lease on non-Federal land containing pro-  
5 visions which would terminate such lease unless drilling operations are  
6 commenced upon the land covered thereby within the time therein specified  
7 or rentals are paid for the privilege of deferring such drilling opera-  
8 tions, the rentals required thereby shall, notwithstanding any other  
9 provision of this agreement, be deemed to accrue and become payable  
10 during the term thereof as extended by this agreement and until the  
11 required drilling operations are commenced upon the land covered thereby  
12 or until some portion of such land is included within a participating  
13 area.

14 16. CONSERVATION. Operations hereunder and production of unitized  
15 substances shall be conducted to provide for the most economical and  
16 efficient recovery of said substances without waste, as defined by or  
17 pursuant to State or Federal law or regulation.

18 17. DRAINAGE. The Unit Operator shall take such measures as the  
19 Supervisor deems appropriate and adequate to prevent drainage of unitized  
20 substances from unitized land by wells on land not subject to this agree-  
21 ment.

22 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, con-  
23 ditions, and provisions of all leases, subleases, and other contracts  
24 relating to exploration, drilling, development, or operation for oil or  
25 gas on lands committed to this agreement are hereby expressly modified  
26 and amended to the extent necessary to make the same conform to the  
27 provisions hereof, but otherwise to remain in full force and effect; and  
28 the parties hereto hereby consent that the Secretary as to Federal leases



1 shall and by his approval hereof, or by the approval hereof by his duly  
2 authorized representative, does hereby establish, alter, change, or revoke  
3 the drilling, producing, rental, minimum royalty, and royalty require-  
4 ments of Federal leases committed hereto and the regulations in respect  
5 thereto to conform said requirements to the provisions of this agreement,  
6 and, without limiting the generality of the foregoing, all leases, sub-  
7 leases, and contracts are particularly modified in accordance with the  
8 following:

- 9 (a) The development and operation of lands subject to this  
10 agreement under the terms hereof shall be deemed full  
11 performance of all obligations for development and opera-  
12 tion with respect to each and every separately owned tract  
13 subject to this agreement, regardless of whether there is  
14 any development of any particular tract of the unit area.
- 15 (b) Drilling and producing operations performed hereunder upon  
16 any tract of unitized lands will be accepted and deemed  
17 to be performed upon and for the benefit of each and every  
18 tract of unitized land, and no lease shall be deemed to  
19 expire by reason of failure to drill or produce wells  
20 situated on the land therein embraced.
- 21 (c) Suspension of drilling or producing operations on all  
22 unitized lands pursuant to direction or consent of the  
23 Secretary or his duly authorized representative shall be  
24 deemed to constitute such suspension pursuant to such  
25 direction or consent as to each and every tract of  
26 unitized land. A suspension of drilling or producing  
27 operations limited to specified lands shall be applicable  
28 only to such lands.
- 29 (d) Each lease, sublease or contract relating to the exploration,  
30 drilling, development or operation for oil or gas of lands  
31 other than those of the United States committed to this  
32 agreement, which, by its terms might expire prior to the



1                    termination of this agreement, is hereby extended beyond  
2                    any such terms so provided therein so that it shall be  
3                    continued in full force and effect for and during the  
4                    term of this agreement.

5                    (e) Any Federal lease for a fixed term of twenty (20) years  
6                    or any renewal thereof or any part of such lease which  
7                    is made subject to this agreement shall continue in force  
8                    beyond the term provided therein until the termination  
9                    hereof. Any other Federal lease committed hereto shall  
10                   continue in force beyond the term so provided therein or  
11                   by law as to the land committed so long as such lease  
12                   remains subject hereto, provided that production  
13                   is had in paying quantities under this unit agreement  
14                   prior to the expiration date of the term of such lease,  
15                   or in the event actual drilling operations are commenced  
16                   on unitized land, in accordance with the provisions of  
17                   this agreement, prior to the end of the primary term of  
18                   such lease and are being diligently prosecuted at that  
19                   time, such lease shall be extended for two years and so  
20                   long thereafter as oil or gas is produced in paying  
21                   quantities in accordance with the provisions of the Mineral  
22                   Leasing Act Revision of 1960.

23                   (f) Each sublease or contract relating to the operation and  
24                   development of unitized substances from lands of the United  
25                   States committed to this agreement, which by its terms  
26                   would expire prior to the time at which the underlying  
27                   lease, as extended by the immediately preceding paragraph,  
28                   will expire, is hereby extended beyond any such term so  
29                   provided therein so that it shall be continued in full  
30                   force and effect for and during the term of the underlying  
31                   lease as such term is herein extended.



- 1 (g) The segregation of any Federal lease committed to this  
2 agreement is governed by the following provision in the  
3 fourth paragraph of Sec. 17(j) of the Mineral Leasing Act,  
4 as amended by the Act of September 2, 1960 (74 Stat. 781-784):  
5 "Any [Federal] lease heretofore or hereafter committed to  
6 any such [unit] plan embracing lands that are in part  
7 within and in part outside of the area covered by any  
8 such plan shall be segregated into separate leases as to  
9 the lands committed and the lands not committed as of the  
10 effective date of unitization: Provided, however, That  
11 any such lease as to the nonunitized portion shall continue  
12 in force and effect for the term thereof but for not  
13 less than two years from the date of such segregation and  
14 so long thereafter as oil or gas is produced in paying  
15 quantities."  
16 (h) Any lease, other than a Federal lease, having only a  
17 portion of its lands committed hereto shall be segregated  
18 as to the portion committed and the portion not committed,  
19 and the provisions of such lease shall apply separately to  
20 such segregated portions commencing as of the effective  
21 date hereof. In the event any such lease provides for a  
22 lump-sum rental payment, such payment shall be prorated  
23 between the portions so segregated in proportion to the  
24 acreage of the respective tracts.

25 19. COVENANTS RUN WITH LAND. The covenants herein shall be con-  
26 strued to be covenants running with the land with respect to the interest  
27 of the parties hereto and their successors in interest until this agree-  
28 ment terminates, and any grant, transfer, or conveyance, of interest in



1 land or leases subject hereto shall be and hereby is conditioned upon  
2 the assumption of all privileges and obligations hereunder by the grantee,  
3 transferree, or other successor in interest. No assignment or transfer  
4 of any working interest, royalty, or other interest subject hereto shall  
5 be binding upon Unit Operator until the first day of the calendar month  
6 after Unit Operator is furnished with the original, photostatic, or  
7 certified copy of the instrument of transfer.

8 20. EFFECTIVE DATE AND TERM. This agreement shall become effective  
9 upon approval by the Secretary or his duly authorized representative and  
10 shall terminate five (5) years from said effective date unless:

- 11 (a) such date of expiration is extended by the Director, or
- 12 (b) it is reasonably determined prior to the expiration of  
13 the fixed term or any extension thereof that the unitized  
14 land is incapable of production of unitized substances in  
15 paying quantities in the formations tested hereunder and  
16 after notice of intention to terminate the agreement on  
17 such ground is given by the Unit Operator to all parties  
18 in interest at their last known addresses, the agreement  
19 is terminated with the approval of the Supervisor, or
- 20 (c) a valuable discovery of unitized substances has been made  
21 or accepted on unitized land during said initial term or any  
22 extension thereof, in which event the agreement shall remain  
23 in effect for such term and so long as unitized substances  
24 can be produced in quantities sufficient to pay for the cost  
25 of producing same from wells on unitized land within any  
26 participating area established hereunder and, should pro-  
27 duction cease, so long thereafter as diligent operations are  
28 in progress for the restoration of production or discovery  
29 of new production and so long thereafter as unitized  
30 substances so discovered can be produced as aforesaid, or
- 31 (d) it is terminated as heretofore provided in this agreement.



1 This agreement may be terminated at any time by not less than 75 percentum,  
2 on an acreage basis, of the working interest owners signatory hereto, with  
3 the approval of the Supervisor; notice of any such approval to be given  
4 by the Unit Operator to all parties hereto.

5 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director  
6 is hereby vested with authority to alter or modify from time to time in  
7 his discretion the quantity and rate of production under this agreement  
8 when such quantity and rate is not fixed pursuant to Federal or State  
9 law or does not conform to any state-wide voluntary conservation or alloca-  
10 tion program, which is established, recognized, and generally adhered to  
11 by the majority of operators in such State, such authority being hereby  
12 limited to alteration or modification in the public interest, the purpose  
13 thereof and the public interest to be served thereby to be stated in the  
14 order of alteration or modification. Without regard to the foregoing,  
15 the Director is also hereby vested with authority to alter or modify  
16 from time to time in his discretion the rate of prospecting and develop-  
17 ment and the quantity and rate of production under this agreement when such  
18 alteration or modification is in the interest of attaining the conserva-  
19 tion objectives stated in this agreement and is not in violation of  
20 any applicable Federal or State law.

21 Powers in this section vested in the Director shall only be  
22 exercised after notice to Unit Operator and opportunity for hearing to be  
23 held not less than 15 days from notice.

24 22. APPEARANCES. Unit Operator shall, after notice to other parties  
25 affected, have the right to appear for and on behalf of any and all interests  
26 affected hereby before the Department of the Interior and to appeal from  
27 orders issued under the regulations of said Department or to apply for  
28 relief from any of said regulations or in any proceedings relative to  
29 operations before the Department of the Interior or any other legally  
30 constituted authority; provided, however, that any other interested party



1 shall also have the right at his own expense to be heard in any such pro-  
2 ceeding.

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

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

18 25. UNAVOIDABLE DELAY. All obligations under this agreement requiring  
19 the Unit Operator to commence or continue drilling or to operate on or  
20 produce unitized substances from any of the lands covered by this agree-  
21 ment shall be suspended while the Unit Operator, despite the exercise of  
22 due care and diligence, is prevented from complying with such obligations,  
23 in whole or in part, by strikes, acts of God, Federal, State, or municipal  
24 law or agencies, unavoidable accidents, uncontrollable delays in trans-  
25 portation, inability to obtain necessary materials in open market, or other  
26 matters beyond the reasonable control of the Unit Operator whether similar  
27 to matters herein enumerated or not. No unit obligation which is suspended  
28 under this section shall become due less than thirty (30) days after it



1 has been determined that the suspension is no longer applicable. Deter-  
2 mination of creditable "Unavoidable Delay" time shall be made by the unit  
3 operator subject to approval of the Supervisor.

4 26. NONDISCRIMINATION. In connection with the performance of work  
5 under this agreement, the operator agrees to comply with all the provisions  
6 of section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319),  
7 which are hereby incorporated by reference in this agreement.

8 27. LOSS OF TITLE. In the event title to any tract of unitized  
9 land shall fail and the true owner cannot be induced to join in this  
10 unit agreement, such tract shall be automatically regarded as not committed  
11 hereto and there shall be such readjustment of future costs and benefits  
12 as may be required on account of the loss of such title. In the event of  
13 a dispute as to title as to any royalty, working interest, or other  
14 interests subject thereto, payment or delivery on account thereof may be  
15 withheld without liability for interest until the dispute is finally  
16 settled; provided, that, as to Federal land or leases, no payments of  
17 funds due the United States should be withheld, but such funds shall be  
18 deposited as directed by the Supervisor to be held as unearned money  
19 pending final settlement of the title dispute, and then applied as earned  
20 or returned in accordance with such final settlement.

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

23 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any sub-  
24 stantial interest in a tract within the unit area fails or refuses to  
25 subscribe or consent to this agreement, the owner of the working interest  
26 in that tract may withdraw said tract from this agreement by written  
27 notice delivered to the Supervisor and the Unit Operator prior to the  
28 approval of this agreement by the Supervisor. Any oil or gas interests  
29 in lands within the unit area not committed hereto prior to submission



1 of this agreement for final approval may thereafter be committed hereto  
2 by the owner or owners thereof subscribing or consenting to this agreement,  
3 and, if the interest is a working interest, by the owner of such interest  
4 also subscribing to the unit operating agreement. After operations are  
5 commenced hereunder, the right of subsequent joinder, as provided in this  
6 section, by a working interest owner is subject to such requirements or  
7 approvals, if any, pertaining to such joinder, as may be provided for in  
8 the unit operating agreement. After final approval hereof, joinder by a  
9 non-working interest owner must be consented to in writing by the working  
10 interest owner committed hereto and responsible for the payment of any  
11 benefits that may accrue hereunder in behalf of such non-working interest.  
12 A non-working interest may not be committed to this unit agreement unless  
13 the corresponding working interest is committed hereto. Joinder to  
14 the unit agreement by a working-interest owner, at any time, must be  
15 accompanied by appropriate joinder to the unit operating agreement, if  
16 more than one committed working-interest owner is involved, in order for  
17 the interest to be regarded as committed to this unit agreement. Except  
18 as may otherwise herein be provided, subsequent joinders to this agree-  
19 ment shall be effective as of the first day of the month following  
20 the filing with the Supervisor of duly executed counterparts of all or  
21 any papers necessary to establish effective commitment of any tract to this  
22 agreement unless objection to such joinder is duly made within 60 days  
23 by the Supervisor.

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



1        30.        SURRENDER. Nothing in this agreement shall prohibit the  
2        exercise by any working interest owner of the right to surrender vested  
3        in such party by any lease, sublease, or operating agreement as to all  
4        or any part of the lands covered thereby, provided that each party who  
5        will or might acquire such working interest by such surrender or by  
6        forfeiture as hereafter set forth, is bound by the terms of this agree-  
7        ment.

8                If as a result of any such surrender the working interest rights  
9        as to such lands become vested in any party other than the fee owner of  
10       the unitized substances, said party may forfeit such rights and further  
11       benefits from operation hereunder as to said land to the party next in  
12       the chain of title who shall be and become the owner of such working  
13       interest.

14               If as the result of any such surrender or forfeiture working  
15       interest rights become vested in the fee owner of the unitized substances,  
16       such owner may:

- 17               (1) Accept those working interest rights subject to this  
18                        agreement and the unit operating agreement; or  
19               (2) Lease the portion of such land as is included in a  
20                        participating area established hereunder subject to this  
21                        agreement and the unit operating agreement.  
22               (3) Provide for the independent operation of any part of such  
23                        land that are not then included within a participating  
24                        area established hereunder.

25               If the fee owner of the unitized substances does not accept  
26       the working interest rights subject to this agreement and the unit  
27       operating agreement or lease such lands as above provided within six (6)  
28       months after the surrendered or forfeited working interest rights become  
29       vested in the fee owner, the benefits and obligations of operations  
30       accruing to such lands under this agreement and the unit operating  
31       agreement shall be shared by the remaining owners of unitized working  
32       interests in accordance with their respective working interest ownerships,



1 and such owners of working interests shall compensate the fee owner of  
2 unitized substances in such lands by paying sums equal to the rentals,  
3 minimum royalties, and royalties applicable to such lands under the  
4 lease in effect when the lands were unitized.

5 An appropriate accounting and settlement shall be made for all  
6 benefits accruing to or payments and expenditures made or incurred on  
7 behalf of such surrendered or forfeited working interest subsequent to  
8 the date of surrender or forfeiture, and payment of any monies found to  
9 be owing by such an accounting shall be made as between the parties  
10 within thirty (30) days. In the event no unit operating agreement is in  
11 existence and a mutually acceptable agreement between the proper parties  
12 thereto cannot be consummated, the Supervisor may prescribe such reasonable  
13 and equitable agreement as he deems warranted under the circumstances.

14 The exercise of any right vested in a working interest owner to  
15 reassign such working interest to the party from whom obtained shall be  
16 subject to the same conditions as set forth in this section in regard to  
17 the exercise of a right to surrender.

18 31. TAXES. The working interest owners shall render and pay for their  
19 account and the account of the royalty owners all valid taxes on or  
20 measured by the unitized substances in and under or that may be produced,  
21 gathered and sold from the land subject to this contract after the effec-  
22 tive date of this agreement, or upon the proceeds or net proceeds derived  
23 therefrom. The working interest owners on each tract shall and may  
24 charge the proper proportion of said taxes to the royalty owners having  
25 interests in said tract, and may currently retain and deduct sufficient  
26 of the unitized substances or derivative products, or net proceeds thereof  
27 from the allocated share of each royalty owner to secure reimbursement  
28 for the taxes so paid. No such taxes shall be charged to the United  
29 States or the State of New Mexico or to any lessor who has a  
30 contract with his lessee which requires the lessee to pay such taxes.



1 32. NO PARTNERSHIP. It is expressly agreed that the relation  
2 of the parties hereto is that of independent contractors and nothing  
3 in this agreement contained, expressed or implied, nor any operations  
4 conducted hereunder, shall create or be deemed to have created a partner-  
5 ship or association between the parties hereto or any of them.

6 33. SURFACE MANAGEMENT STIPULATION. Nothing in this agreement  
7 shall modify any special Federal-lease stipulations relating to surface  
8 management, attached to and made a part of Oil and Gas Leases covering  
9 lands within the Unit Area.

10 34. RECLAMATION LANDS. Nothing in this agreement shall modify  
11 the special, Federal-lease stipulations applicable to lands under the  
12 jurisdiction of the Bureau of Reclamation.

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

16 UNIT OPERATOR

17 Amoco Production Company

18 By:

19 C. H. Henningsen  
Attorney-in-Fact

20 WORKING INTEREST OWNERS

21 Marathon Oil Company

22 ~~ATTEST:~~

23 \_\_\_\_\_  
24 Secretary

25 By:

26 D. W. Franklin  
President

D. W. FRANKLIN  
DIVISION EXPLORATION MANAGER

Perry R. Bass

Perry R. Bass



Bass Enterprises Production Company

ATTEST:

Marguerite Wright  
Secretary

By:

[Signature]  
Vice President

STATE OF TEXAS I

COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this 6<sup>th</sup>  
day of July, 19 73, by C. N. Menninger,  
as Attorney-in-Fact on behalf of AMOCO PRODUCTION COMPANY.

My Commission Expires:

June 1, 1975

Marilyn A. Farr  
Notary Public in and for  
Harris County, Texas

MARILYN A. FARR  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 19 75

STATE OF Texas I

COUNTY OF Harris I

The foregoing instrument was acknowledged before me this 18<sup>th</sup>  
day of July, 19 73, by D. W. Franklin,  
~~President~~ of MARATHON OIL COMPANY.

D. W. FRANKLIN  
DIVISION EXPLORATION MANAGER

My Commission Expires:

June 1, 1975

M. J. Richardson  
Notary Public in and for  
Harris County, Texas

M. J. RICHARDSON  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1975

STATE OF TEXAS I

COUNTY OF TARRANT I

The foregoing instrument was acknowledged before me this "  
day of July, 19 73, by PERRY R. BASS.

My Commission Expires:

June 1, 1975

Joan Barnhart  
Notary Public in and for  
TARRANT County, TEXAS

Notary Public  
Harris County, Texas



1 STATE OF TEXAS |

2 COUNTY OF TARRANT |

3 The foregoing instrument was acknowledged before me this 11

4 day of July, 1973, by Joe Stasney, Jr.

5 Vice President of BASS ENTERPRISES PRODUCTION COMPANY.

6 My Commission Expires:

7 June 1, 1975

8

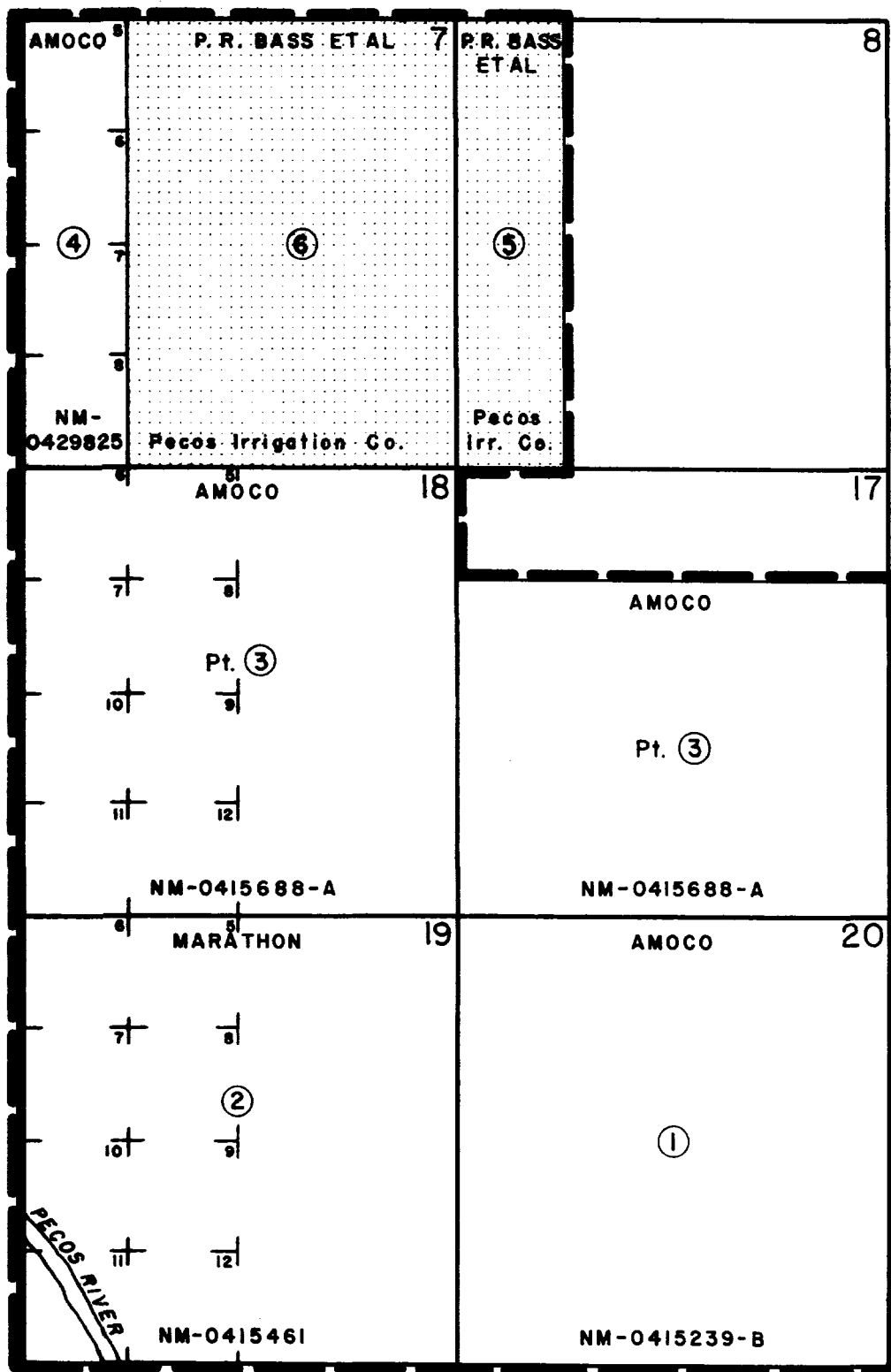
9

Joan Barnhart  
Notary Public in and for  
TARRANT County, TEXAS

NOTARY PUBLIC  
My Comm. Expires June 1, 1975



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FEDERAL LEASES
NM-0415239-B
NM-0415461
NM-0415688-A
NM-0429825

LEGEND





-  FEDERAL LAND
-  FEE LAND
-  TRACT NUMBER
-  UNIT BOUNDARY

EXHIBIT "A"

TO ACCOMPANY

OLD INDIAN DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

SCALE: 1" = 2000'



Exhibit "B" - Old Indian Draw Unit Area, Eddy County, New Mexico

Tract No.	Description of Land	Number of Acres	Serial No. & Expiration Date of Lease	Basic Royalty & Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
<u>Federal Acreage</u>							
1	<u>T22S-R28E</u> <u>Sec. 20: A11</u>	640	NM-0415239-B 9-30-73	USA - A11 (12.5%)	Amoco Production Company	Wesley E. Peltzer and wife, Widney W. Peltzer - 3% E. W. Smith and wife, Doreen Smith and Victor Salazer and wife Lupe Salazer - 2%	Amoco Production Company - 100%
2	<u>T22S-R28E</u> <u>Sec. 19: Lots 5, 6, 7, 8, 9</u> <u>10, 11, 12, E/2</u>	614.43	NM-0415461 12-31-73	USA - A11	Marathon	W. H. Brown and wife Dorothy Brown - 3% L. C. Harris and wife, Marion V. Harris - \$500. per acre production payment out of 3.25%	Marathon Oil Company - 100%
3.	<u>T22S-R28E</u> <u>Sec. 17: S/2 N/2, S/2</u> <u>Sec. 18: Lots 5, 6, 7, 8, 9</u> <u>10, 11, 12 E/2</u>	1082.63	NM-0415688-A 8-31-73	USA - A11 (12.5%)	Amoco Production Company	Robert N. Enfield and wife, Mona L. Enfield - \$750. per acre production payment out of 2%; Anita L. Berger and husband, Henry Berger - \$750. per acre production payment out of 3%	Amoco Production Company - 100%



Tract No.	Description of Land	Number of Acres	Serial No. & Expiration Date of Lease	Basic Royalty & Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
4	T22S-R28E Sec. 7: Lots 5, 6, 7, 8	140.76	NM-0429825 8-31-73	USA - All (12.5%)	Amoco Production Company	Patricia Boyle, a single person-2% Dean Thornton - 1%; Sam H. Jolliffe, Jr. and wife, Eleanor S. Jolliffe - 2%	Amoco Production Company - 100%
4 Federal Tracts: 2,477.82 acres							
Fee							
5	T22S-R28E Sec. 8: W/2 W/2	160.00	9-29-77	Pecos Irrigation Company-18.75%	Perry R. Bass and Bass Enterprises Production Co.		Perry R. Bass-25% Bass Enterprises Production Co.-75%
6	T22S-R28E Sec. 7: E/2, E/2 W/2	480.00	9-29-77	Pecos Irrigation Company-18.75%	Perry R. Bass and Bass Enterprises Production Co.		Perry R. Bass- 25% Bass Enterprises Production Co.-75%
2 Fee Tracts: 640.00 Acres							

Total:

4 Federal Tracts - 2,477.82 Acres = 79.4728  
2 Fee Tracts - 640.00 Acres = 20.5272  
3,117.82 100.0000%



CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Area Oil and Gas Supervisors of the Geological Survey, I do hereby:

A. Approve the attached agreement for the development and operation of the \_\_\_\_\_ Unit Area, State of \_\_\_\_\_.

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 \_\_\_\_\_.

\_\_\_\_\_  
Area Oil and Gas Supervisor  
United States Geological Survey

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

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
Amoco's	EXHIBIT NO. <u>2</u>
CASE NO.	<u>5029</u>
Submitted by	_____
Hearing Date	<u>7-25-73</u>



UNIT AGREEMENT FOR THE DEVELOPMENT  
AND OPERATION OF THE OLD INDIAN DRAW UNIT AREA  
COUNTY OF EDDY, STATE OF NEW MEXICO

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1 UNIT AGREEMENT  
2 FOR THE DEVELOPMENT AND OPERATION  
3 OF THE  
4 OLD INDIAN DRAW UNIT AREA  
5 COUNTY OF EDDY  
6 STATE OF NEW MEXICO  
7 NO. \_\_\_\_\_

8 THIS AGREEMENT, entered into as of the 25th day of  
9 June, 1973, by and between the parties subscribing,  
10 ratifying, or consenting hereto, and herein referred to as the "parties  
11 hereto,"

12 WITNESSETH:

13 WHEREAS the parties hereto are the owners of working, royalty,  
14 or other oil and gas interests in the unit area subject to this agree-  
15 ment; and

16 WHEREAS the Mineral Leasing Act of February 25, 1920, 41 Stat.  
17 437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees  
18 and their representatives to unite with each other, or jointly or separately  
19 with others, in collectively adopting and operating a cooperative or unit  
20 plan of development or operation of any oil or gas pool, field, or like  
21 area, or any part thereof for the purpose of more properly conserving  
22 the natural resources thereof whenever determined and certified by the  
23 Secretary of the Interior to be necessary or advisable in the public  
24 interest; and

25 WHEREAS the Oil Conservation Commission of the State of New  
26 Mexico is authorized by an Act of the Legislature (Chapter 72, Laws of  
27 1935, as amended by Chapter 193, Laws of 1937; Chapter 166, Laws of  
28 1941; and Chapter 168, Laws of 1949) to approve this agreement and the  
29 conservation provisions hereof; and

30 WHEREAS the parties hereto hold sufficient interests in the  
31 Old Indian Draw Unit Area covering the land hereinafter described  
32 to give reasonably effective control of operations therein; and



1           WHEREAS, it is the purpose of the parties hereto to conserve  
2 natural resources, prevent waste, and secure other benefits obtainable  
3 through development and operation of the area subject to this agreement  
4 under the terms, conditions, and limitations herein set forth;

5           NOW, THEREFORE, in consideration of the premises and the promises  
6 herein contained, the parties hereto commit to this agreement their  
7 respective interests in the below-defined unit area, and agree severally  
8 among themselves as follows:

9           1.       ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of  
10 February 25, 1920, as amended, supra, and all valid pertinent regulations,  
11 including operating and unit plan regulations, heretofore issued thereunder  
12 or valid, pertinent, and reasonable regulations hereafter issued thereunder  
13 are accepted and made a part of this agreement as to Federal lands, pro-  
14 vided such regulations are not inconsistent with the terms of this agree-  
15 ment; and as to non-Federal lands, the oil and gas operating regulations  
16 in effect as of the effective date hereof governing drilling and producing  
17 operations, not inconsistent with the terms hereof or the laws of the  
18 State in which the non-Federal land is located, are hereby accepted and  
19 made a part of this agreement.

20           2.       UNIT AREA. The area specified on the map attached hereto  
21 marked Exhibit "A" is hereby designated and recognized as constituting  
22 the unit area, containing 3,117.82 acres, more or less.

23           Exhibit "A" shows, in addition to the boundary of the unit  
24 area, the boundaries and identity of tracts and leases in said area to  
25 the extent known to the Unit Operator. Exhibit "B" attached hereto is  
26 a schedule showing to the extent known to the Unit Operator the acreage,  
27 percentage, and kind of ownership of oil and gas interests in all land  
28 in the unit area. However, nothing herein or in said schedule or map  
29 shall be construed as a representation by any party hereto as to the  
30 ownership of any interest other than such interest or interests as are  
31 shown in said map or schedule as owned by such party. Exhibits "A"



1 and "B" shall be revised by the Unit Operator whenever changes in the  
2 unit area render such revision necessary, or when requested by the Oil  
3 and Gas Supervisor, hereinafter referred to as "Supervisor" and not less  
4 than five copies of the revised exhibits shall be filed with the  
5 Supervisor and one copy with the New Mexico Oil Conservation Commission,  
6 hereinafter referred to as "State Commission".

7 The above-described unit area shall when practicable be expanded  
8 to include therein any additional lands or shall be contracted to exclude  
9 lands whenever such expansion or contraction is deemed to be necessary  
10 or advisable to conform with the purposes of this agreement. Such expan-  
11 sion or contraction shall be effected in the following manner:

- 12 (a) Unit Operator, on its own motion or on demand of the  
13 Director of the Geological Survey, hereinafter referred  
14 to as "Director," after preliminary concurrence by the  
15 Director, shall prepare a notice of proposed expansion  
16 or contraction describing the contemplated changes in  
17 the boundaries of the unit area, the reasons therefor,  
18 and the proposed effective date thereof, preferably the  
19 first day of a month subsequent to the date of notice.
- 20 (b) Said notice shall be delivered to the Supervisor, and the  
21 State Commission and copies thereof mailed to the last known  
22 address of each working interest owner, lessee, and lessor  
23 whose interests are affected, advising that 30 days will be  
24 allowed for submission to the Unit Operator of any objections.
- 25 (c) Upon expiration of the 30-day period provided in the preceding  
26 item (b) hereof, Unit Operator shall file with the Supervisor  
27 and the State Commission evidence of mailing of the notice of  
28 expansion or contraction and a copy of any objections thereto  
29 which have been filed with the Unit Operator, together with an  
30 application in sufficient number, for approval of such  
31 expansion or contraction and with appropriate joinders.
- 32 (d) After due consideration of all pertinent information, the



1 expansion or contraction shall, upon approval by the Supervisor,  
2 become effective as of the date prescribed in the notice thereof.

3 (e) All legal subdivisions of lands (i.e., 40 acres by Government  
4 survey or its nearest lot or tract equivalent; in instances of  
5 irregular surveys unusually large lots or tracts shall be con-  
6 sidered in multiples of 40 acres or the nearest aliquot equiva-  
7 lent thereof), no parts of which are entitled to be in a  
8 participating area on or before the fifth anniversary of the  
9 effective date of the first initial participating area esta-  
10 blished under this unit agreement, shall be eliminated auto-  
11 matically from this agreement, effective as of said fifth  
12 anniversary, and such lands shall no longer be a part of  
13 the unit area and shall no longer be subject to this agree-  
14 ment, unless diligent drilling operations are in progress  
15 on unitized lands not entitled to participation on said  
16 fifth anniversary, in which event all such lands shall  
17 remain subject hereto for so long as such drilling operations  
18 are continued diligently, with not more than 90 days' time  
19 elapsing between the completion of one such well and the com-  
20 mencement of the next such well. All legal subdivisions of  
21 lands not entitled to be in a participating area within 10  
22 years after the effective date of the first initial partici-  
23 pating area approved under this agreement shall be auto-  
24 matically eliminated from this agreement as of said tenth  
25 anniversary. All lands proved productive by diligent drilling  
26 operations after the aforesaid 5-year period shall become  
27 participating in the same manner as during said 5-year  
28 period. However, when such diligent drilling operations  
29 cease, all nonparticipating lands shall be automatically  
30 eliminated effective as of the 91st day thereafter. The unit  
31 operator shall within 90 days after the effective date of  
32 any elimination hereunder, describe the area so eliminated



1 to the satisfaction of the Supervisor and promptly notify  
2 all parties in interest.

3 If conditions warrant extension of the 10-year period  
4 specified in this subsection 2(e), a single extension of not  
5 to exceed 2 years may be accomplished by consent of the  
6 owners of 90% of the working interests in the current non-  
7 participating unitized lands and the owners of 60% of the  
8 basic royalty interests (exclusive of the basic royalty  
9 interests of the United States) in nonparticipating unitized  
10 lands with approval of the Director, provided such extension  
11 application is submitted to the Director not later than 60  
12 days prior to the expiration of said 10-year period.

13 Any expansion of the unit area pursuant to this section  
14 which embraces lands theretofore eliminated pursuant to  
15 this subsection 2(e) shall not be considered automatic  
16 commitment or recommitment of such lands.

17 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to  
18 this agreement shall constitute land referred to herein as "unitized land"  
19 or "land subject to this agreement." All oil and gas in any and all  
20 formations of the unitized land are unitized under the terms of this agree-  
21 ment and herein are called "unitized substances."

22 4. UNIT OPERATOR. Amoco Production Company is  
23 hereby designated as Unit Operator and by signature hereto as Unit Operator  
24 agrees and consents to accept the duties and obligations of Unit Operator  
25 for the discovery, development, and production of unitized substances as  
26 herein provided. Whenever reference is made herein to the Unit Operator,  
27 such reference means the Unit Operator acting in that capacity and not  
28 as an owner of interest in unitized substances, and the term "working



1 interest owner" when used herein shall include or refer to Unit Operator  
2 as the owner of a working interest when such an interest is owned by it.

3 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall  
4 have the right to resign at any time prior to the establishment of a  
5 participating area or areas hereunder, but such resignation shall not  
6 become effective so as to release Unit Operator from the duties and  
7 obligations of Unit Operator and terminate Unit Operator's rights as such  
8 for a period of 6 months after notice of intention to resign has been  
9 served by Unit Operator on all working interest owners and the Supervisor,  
10 and until all wells then drilled hereunder are placed in a satisfactory  
11 condition for suspension or abandonment whichever is required by the  
12 Supervisor, unless a new Unit Operator shall have been selected and  
13 approved and shall have taken over and assumed the duties and obliga-  
14 tions of Unit Operator prior to the expiration of said period.

15 Unit Operator shall have the right to resign in like manner  
16 and subject to like limitations as above provided at any time a partici-  
17 pating area established hereunder is in existence, but, in all instances  
18 of resignation or removal, until a successor unit operator is selected  
19 and approved as hereinafter provided, the working interest owners shall  
20 be jointly responsible for performance of the duties of unit operator,  
21 and shall not later than 30 days before such resignation or removal  
22 becomes effective appoint a common agent to represent them in any  
23 action to be taken hereunder.

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

27 The Unit Operator may, upon default or failure in the perform-  
28 ance of its duties or obligations hereunder, be subject to removal by  
29 the same percentage vote of the owners of working interests as herein  
30 provided for the selection of a new Unit Operator. Such removal shall  
31 be effective upon notice thereof to the Supervisor.



1           The resignation or removal of Unit Operator under this  
2 agreement shall not terminate its right, title, or interest as the owner  
3 of a working interest or other interest in unitized substances, but upon  
4 the resignation or removal of Unit Operator becoming effective, such  
5 Unit Operator shall deliver possession of all wells, equipment, materials,  
6 and appurtenances used in conducting the unit operations to the new duly  
7 qualified successor Unit Operator or to the common agent, if no such  
8 new Unit Operator is elected, to be used for the purpose of conducting  
9 unit operations hereunder. Nothing herein shall be construed as authorizing  
10 removal of any material, equipment and appurtenances needed for the preserva-  
11 tion of any wells.

12           6.       SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall  
13 tender his or its resignation as Unit Operator or shall be removed as  
14 hereinabove provided, or a change of Unit Operator is negotiated by  
15 working interest owners, the owners of the working interests in the par-  
16 ticipating area or areas according to their respective acreage interests  
17 in such participating area or areas, or, until a participating area  
18 shall have been established, the owners of the working interest according  
19 to their respective acreage interests in all unitized land, shall by  
20 majority vote select a successor Unit Operator: Provided, That, if a  
21 majority but less than 75 percent of the working interests qualified to  
22 vote are owned by one party to this agreement, a concurring vote of one  
23 or more additional working interest owners shall be required to select  
24 a new operator. Such selection shall not become effective until:

25           (a) A Unit Operator so selected shall accept in writing the  
26               duties and responsibilities of Unit Operator, and

27           (b) The selection shall have been approved by the Supervisor.

28           If no successor Unit Operator is selected and qualified as  
29 herein provided, the Director at his election may declare this unit  
30 agreement terminated.



1           7.       ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the  
2 Unit Operator is not the sole owner of working interests, costs and  
3 expenses incurred by Unit Operator in conducting unit operations here-  
4 under shall be paid and apportioned among and borne by the owners of  
5 working interests, all in accordance with the agreement or agreements  
6 entered into by and between the Unit Operator and the owners of  
7 working interests, whether one or more, separately or collectively. Any  
8 agreement or agreements entered into between the working interest owners  
9 and the Unit Operator as provided in this section, whether one or more,  
10 are herein referred to as the "unit operating agreement." Such unit  
11 operating agreement shall also provide the manner in which the working  
12 interest owners shall be entitled to receive their respective proportionate  
13 and allocated share of the benefits accruing hereto in conformity with  
14 their underlying operating agreements, leases, or other independent con-  
15 tracts, and such other rights and obligations as between Unit Operator  
16 and the working interest owners as may be agreed upon by Unit Operator and  
17 the working interest owners; however, no such unit operating agreement  
18 shall be deemed either to modify any of the terms and conditions of  
19 this unit agreement or to relieve the Unit Operator of any right or  
20 obligation established under this unit agreement, and in case of any  
21 inconsistency or conflict between this unit agreement and the unit  
22 operating agreement, this unit agreement shall govern. Three true  
23 copies of any unit operating agreement executed pursuant to this section  
24 should be filed with the Supervisor, prior to approval of this unit  
25 agreement.

26           8.       RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise  
27 specifically provided herein, the exclusive right, privilege, and duty  
28 of exercising any and all rights of the parties hereto which are neces-  
29 sary or convenient for prospecting for, producing, storing, allocating,  
30 and distributing the unitized substances are hereby delegated to and shall



1 be exercised by the Unit Operator as herein provided. Acceptable evidence  
2 of title to said rights shall be deposited with said Unit Operator and,  
3 together with this agreement, shall constitute and define the rights,  
4 privileges, and obligations of Unit Operator. Nothing herein, however,  
5 shall be construed to transfer title to any land or to any lease or  
6 operating agreement, it being understood that under this agreement the  
7 Unit Operator, in its capacity as Unit Operator, shall exercise the rights  
8 of possession and use vested in the parties hereto only for the purposes  
9 herein specified.

10 9. DRILLING TO DISCOVERY. Within 6 months after the effective  
11 date hereof, the Unit Operator shall begin to drill an adequate test  
12 well at a location approved by the Supervisor, if on Federal land, unless  
13 on such effective date a well is being drilled conformably with the terms  
14 hereof, and thereafter continue such drilling diligently until all of the  
15 formations of Pennsylvanian Age have been tested or until at a  
16 lessor depth unitized substances shall be discovered which can be pro-  
17 duced in paying quantities (to wit: quantities sufficient to repay the  
18 costs of drilling, completing, and producing operations, with a reasonable  
19 profit) or the Unit Operator shall at any time establish to the satis-  
20 faction of the Supervisor, if on Federal land, that further drilling of  
21 said well would be unwarranted or impracticable, provided, however, that  
22 Unit Operator shall not in any event be required to drill said well to a  
23 depth in excess of 12,400 feet. Until the discovery of a deposit of  
24 unitized substances capable of being produced in paying quantities, the  
25 Unit Operator shall continue drilling diligently one well at a time,  
26 allowing not more than 6 months between the completion of one well and the  
27 beginning of the next well, until a well capable of producing unitized  
28 substances in paying quantities is completed to the satisfaction of said  
29 Supervisor, if it be on Federal land, or until it is reasonably proved  
30 that the unitized land is incapable of producing unitized substances in  
31 paying quantities in the formations drilled hereunder. Nothing in this



1 section shall be deemed to limit the right of the Unit Operator to resign  
2 as provided in Section 5, hereof, or as requiring Unit Operator to com-  
3 mence or continue any drilling during the period pending such resignation  
4 becoming effective in order to comply with the requirements of this  
5 section. The Supervisor may modify the drilling requirements of this  
6 section by granting reasonable extensions of time when, in his opinion,  
7 such action is warranted.

8           Upon failure to commence any well provided for in this section  
9 within the time allowed, including any extension of time granted by the  
10 Supervisor, this agreement will automatically terminate; upon failure to  
11 continue drilling diligently any well commenced hereunder, the Supervisor  
12 may, after 15-days' notice to the Unit Operator, declare this unit agree-  
13 ment terminated.

14       10.       PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months  
15 after completion of a well capable of producing unitized substances in  
16 paying quantities, the Unit Operator shall submit for the approval of  
17 the Supervisor an acceptable plan of development and operation for the  
18 unitized land which, when approved by the Supervisor, shall constitute  
19 the further drilling and operating obligations of the Unit Operator  
20 under this agreement for the period specified therein. Thereafter, from  
21 time to time before the expiration of any existing plan, the Unit Operator  
22 shall submit for the approval of the Supervisor a plan for an additional  
23 specified period for the development and operation of the unitized land.

24           Any plan submitted pursuant to this section shall provide for  
25 the exploration of the unitized area and for the diligent drilling  
26 necessary for determination of the area or areas thereof capable of  
27 producing unitized substances in paying quantities in each and every  
28 productive formation and shall be as complete and adequate as the Super-  
29 visor may determine to be necessary for timely development and proper  
30 conservation of the oil and gas resources of the unitized area and  
31 shall:



- 1 (a) specify the number and locations of any wells to be drilled  
2 and the proposed order and time for such drilling; and  
3 (b) to the extent practicable specify the operating practices  
4 regarded as necessary and advisable for proper conservation  
5 of natural resources.

6 Separate plans may be submitted for separate productive zones, subject  
7 to the approval of the Supervisor.

8 Plans shall be modified or supplemented when necessary to  
9 meet changed conditions or to protect the interests of all parties to  
10 this agreement. Reasonable diligence shall be exercised in complying  
11 with the obligations of the approved plan of development. The Super-  
12 visor is authorized to grant a reasonable extension of the 6-month  
13 period herein prescribed for submission of an initial plan of develop-  
14 ment where such action is justified because of unusual conditions or  
15 circumstances. After completion hereunder of a well capable of producing  
16 any unitized substance in paying quantities, no further wells, except  
17 such as may be necessary to afford protection against operations not  
18 under this agreement and such as may be specifically approved by the  
19 Supervisor, shall be drilled except in accordance with a plan of develop-  
20 ment approved as herein provided.

21 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well  
22 capable of producing unitized substances in paying quantities or as soon  
23 thereafter as required by the Supervisor, the Unit Operator shall submit  
24 for approval by the Supervisor a schedule, based on subdivisions of the  
25 public-land survey or aliquot parts thereof, of all land then regarded  
26 as reasonably proved to be productive in paying quantities; all lands in  
27 said schedule on approval of the Supervisor to constitute a participating  
28 area, effective as of the date of completion of such well or the effective  
29 date of this unit agreement, whichever is later. The acreages of both  
30 Federal and non-Federal lands shall be based upon appropriate computations  
31 from the courses and distances shown on the last approved public-land



1 survey as of the effective date of each initial participating area.  
2 Said schedule shall also set forth the percentage of unitized substances  
3 to be allocated as herein provided to each tract in the participating  
4 area so established, and shall govern the allocation of production com-  
5 mencing with the effective date of the participating area. A separate  
6 participating area shall be established for each separate pool or deposit  
7 of unitized substances or for any group thereof which is produced as a  
8 single pool or zone, and any two/or more participating areas so established  
9 may be combined into one, on approval of the Supervisor. When production  
10 from two or more participating areas, so established, is subsequently  
11 found to be from a common pool or deposit said participating areas shall  
12 be combined into one effective as of such appropriate date as may be  
13 approved or prescribed by the Supervisor. The participating area or  
14 areas so established shall be revised from time to time, subject to  
15 like approval, to include additional land then regarded as reasonably  
16 proved to be productive in paying quantities or necessary for unit  
17 operations, or to exclude land then regarded as reasonably proved not  
18 to be productive in paying quantities and the schedule of allocation  
19 percentages shall be revised accordingly. The effective date of any  
20 revision shall be the first of the month in which is obtained the knowledge  
21 or information on which such revision is predicated, provided, however,  
22 that a more appropriate effective date may be used if justified by the  
23 Unit Operator and approved by the Supervisor. No land shall be excluded  
24 from a participating area on account of depletion of the unitized substances,  
25 except that any participating area established under the provisions of  
26 this unit agreement shall terminate automatically whenever all completions  
27 in the formation on which the participating area is based are abandoned.

28 It is the intent of this section that a participating area shall  
29 represent the area known or reasonably estimated to be productive in paying  
30 quantities; but, regardless of any revision of the participating area,  
31 nothing herein contained shall be construed as requiring any retroactive



1 adjustment for production obtained prior to the effective date of the  
2 revision of the participating area.

3 In the absence of agreement at any time between the Unit Operator  
4 and the Supervisor as to the proper definition or redefinition of a partici-  
5 pating area, or until a participating area has, or areas have, been  
6 established as provided herein, the portion of all payments affected thereby  
7 shall be impounded in a manner mutually acceptable to the owners of working  
8 interests and the Supervisor. Royalties due the United States shall be  
9 determined by the Supervisor and the amount thereof shall be deposited,  
10 as directed by the Supervisor, to be held as unearned money until a  
11 participating area is finally approved and then applied as earned or  
12 returned in accordance with a determination of the sum due as Federal  
13 royalty on the basis of such approved participating area.

14 Whenever it is determined, subject to the approval of the  
15 Supervisor, that a well drilled under this agreement is not capable  
16 of production in paying quantities and inclusion of the land on which  
17 it is situated in a participating area is unwarranted, production from  
18 such well shall, for the purposes of settlement among all parties other  
19 than working interest owners, be allocated to the land on which the  
20 well is located unless such land is already within the participating  
21 area established for the pool or deposit from which such production is  
22 obtained. Settlement for working interest benefits from such a well  
23 shall be made as provided in the unit operating agreement.

24 12. ALLOCATION OF PRODUCTION. All unitized substances produced  
25 from each participating area established under this agreement, except any  
26 part thereof used in conformity with good operating practices within the  
27 unitized area for drilling, operating, camp and other production or  
28 development purposes, for repressuring or recycling in accordance with  
29 a plan of development approved by the Supervisor, or unavoidably lost,  
30 shall be deemed to be produced equally on an acreage basis from the  
31 several tracts of unitized land of the participating area established



1 for such production and, for the purpose of determining any benefits  
2 accruing under this agreement, each such tract of unitized land shall  
3 have allocated to it such percentage of said production as the number of  
4 acres of such tract included in said participating area bears to the  
5 total acres of unitized land in said participating area, except that  
6 allocation of production hereunder for purposes other than for settlement  
7 of the royalty, overriding royalty, or payment out of production obliga-  
8 tions of the respective working interest owners, shall be on the basis  
9 prescribed in the unit operating agreement whether in conformity with  
10 the basis of allocation herein set forth or otherwise. It is hereby  
11 agreed that production of unitized substances from a participating  
12 area shall be allocated as provided herein regardless of whether any  
13 wells are drilled on any particular part or tract of said participating  
14 area. If any gas produced from one participating area is used for repres-  
15 suring or recycling purposes in another participating area, the first  
16 gas withdrawn from such last-mentioned participating area for sale during  
17 the life of this agreement shall be considered to be the gas so transferred  
18 until an amount equal to that transferred shall be so produced for sale  
19 and such gas shall be allocated to the participating area from which  
20 initially produced as such area was last defined at the time of such  
21 final production.

22 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS.  
23 Any party hereto owning or controlling the working interest in any unitized  
24 land having thereon a regular well location may with the approval of the  
25 Supervisor, at such party's sole risk, costs, and expense, drill a well  
26 to test any formation for which a participating area has not been established  
27 or to test any formation for which a participating area has been established  
28 if such location is not within said participating area, unless within 90  
29 days of receipt of notice from said party of his intention to drill the  
30 well the Unit Operator elects and commences to drill such a well in like  
31 manner as other wells are drilled by the Unit Operator under this agreement.



1           If any well drilled as aforesaid by a working interest owner  
2 results in production such that the land upon which it is situated may  
3 properly be included in a participating area, such participating area  
4 shall be established or enlarged as provided in this agreement and the  
5 well shall thereafter be operated by the Unit Operator in accordance  
6 with the terms of this agreement and the unit operating agreement.

7           If any well drilled as aforesaid by a working interest owner  
8 obtains production in quantities insufficient to justify the inclusion of  
9 the land upon which such well is situated in a participating area, such  
10 well may be operated and produced by the party drilling the same subject  
11 to the conservation requirements of this agreement. The royalties in  
12 amount or value of production from any such well shall be paid as specified  
13 in the underlying lease and agreements affected.

14       14.     ROYALTY SETTLEMENT. The United States and any State and any  
15 royalty owner who, is entitled to take in kind a share of the substances  
16 now unitized hereunder shall hereafter be entitled to the right to take  
17 in kind its share of the unitized substances, and Unit Operator, or the  
18 working interest owner in case of the operation of a well by a working  
19 interest owner as herein provided for in special cases, shall make  
20 deliveries of such royalty share taken in kind in conformity with the  
21 applicable contracts, laws, and regulations. Settlement for royalty  
22 interest not taken in kind shall be made by working interest owners  
23 responsible therefor under existing contracts, laws and regulations, or  
24 by the Unit Operator on or before the last day of each month for unitized  
25 substances produced during the preceding calendar month; provided, however,  
26 that nothing herein contained shall operate to relieve the lessees of  
27 any land from their respective lease obligations for the payment of any  
28 royalties due under their leases.

29           If gas obtained from lands not subject to this agreement is  
30 introduced into any participating area hereunder, for use in repres-  
31 suring, stimulation of production, or increasing ultimate recovery, in



1 conformity with a plan of operations approved by the Supervisor, a like  
2 amount of gas, after settlement as herein provided for any gas transferred  
3 from any other participating area and with appropriate deduction for loss  
4 from any cause, may be withdrawn from the formation into which the gas  
5 is introduced, royalty free as to dry gas, but not as to any products  
6 which may be extracted therefrom; provided that such withdrawal shall be  
7 at such time as may be provided in the approved plan of operations or as  
8 may otherwise be consented to by the Supervisor as conforming to good  
9 petroleum engineering practice; and provided further, that such right of  
10 withdrawal shall terminate on the termination of this unit agreement.

11 Royalty due the United States shall be computed as provided in  
12 the operating regulations and paid in value or delivered in kind as to  
13 all unitized substances on the basis of the amounts thereof allocated to  
14 unitized Federal land as provided herein at the rates specified in the  
15 respective Federal leases, or at such lower rate or rates as may be  
16 authorized by law or regulation; provided, that for leases on which the  
17 royalty rate depends on the daily average production per well, said  
18 average production shall be determined in accordance with the operating  
19 regulations as though each participating area were a single consolidated  
20 lease.

21 Royalty due as to non-Federal lands under the respective leases  
22 shall be computed and paid on the basis of all unitized substances  
23 allocated to such lands hereunder.

24 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases  
25 committed hereto shall be paid by working interest owners responsible  
26 therefor under existing contracts, laws, and regulations, provided that  
27 nothing herein contained shall operate to relieve the lessees of any  
28 land from their respective lease obligations for the payment of any  
29 rental or minimum royalty due under their leases. Rental or minimum  
30 royalty for lands of the United States subject to this agreement shall  
31 be paid at the rate specified in the respective leases from the United



1 states unless such rental or minimum royalty is waived, suspended, or  
2 reduced by law or by approval of the Secretary or his duly authorized  
3 representative.

4 With respect to any lease on non-Federal land containing pro-  
5 visions which would terminate such lease unless drilling operations are  
6 commenced upon the land covered thereby within the time therein specified  
7 or rentals are paid for the privilege of deferring such drilling opera-  
8 tions, the rentals required thereby shall, notwithstanding any other  
9 provision of this agreement, be deemed to accrue and become payable  
10 during the term thereof as extended by this agreement and until the  
11 required drilling operations are commenced upon the land covered thereby  
12 or until some portion of such land is included within a participating  
13 area.

14 16. CONSERVATION. Operations hereunder and production of unitized  
15 substances shall be conducted to provide for the most economical and  
16 efficient recovery of said substances without waste, as defined by or  
17 pursuant to State or Federal law or regulation.

18 17. DRAINAGE. The Unit Operator shall take such measures as the  
19 Supervisor deems appropriate and adequate to prevent drainage of unitized  
20 substances from unitized land by wells on land not subject to this agree-  
21 ment.

22 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, con-  
23 ditions, and provisions of all leases, subleases, and other contracts  
24 relating to exploration, drilling, development, or operation for oil or  
25 gas on lands committed to this agreement are hereby expressly modified  
26 and amended to the extent necessary to make the same conform to the  
27 provisions hereof, but otherwise to remain in full force and effect; and  
28 the parties hereto hereby consent that the Secretary as to Federal leases



1 shall and by his approval hereof, or by the approval hereof by his duly  
2 authorized representative, does hereby establish, alter, change, or revoke  
3 the drilling, producing, rental, minimum royalty, and royalty require-  
4 ments of Federal leases committed hereto and the regulations in respect  
5 thereto to conform said requirements to the provisions of this agreement,  
6 and, without limiting the generality of the foregoing, all leases, sub-  
7 leases, and contracts are particularly modified in accordance with the  
8 following:

- 9 (a) The development and operation of lands subject to this  
10 agreement under the terms hereof shall be deemed full  
11 performance of all obligations for development and opera-  
12 tion with respect to each and every separately owned tract  
13 subject to this agreement, regardless of whether there is  
14 any development of any particular tract of the unit area.
- 15 (b) Drilling and producing operations performed hereunder upon  
16 any tract of unitized lands will be accepted and deemed  
17 to be performed upon and for the benefit of each and every  
18 tract of unitized land, and no lease shall be deemed to  
19 expire by reason of failure to drill or produce wells  
20 situated on the land therein embraced.
- 21 (c) Suspension of drilling or producing operations on all  
22 unitized lands pursuant to direction or consent of the  
23 Secretary or his duly authorized representative shall be  
24 deemed to constitute such suspension pursuant to such  
25 direction or consent as to each and every tract of  
26 unitized land. A suspension of drilling or producing  
27 operations limited to specified lands shall be applicable  
28 only to such lands.
- 29 (d) Each lease, sublease or contract relating to the exploration,  
30 drilling, development or operation for oil or gas of lands  
31 other than those of the United States committed to this  
32 agreement, which, by its terms might expire prior to the



1 termination of this agreement, is hereby extended beyond  
2 any such terms so provided therein so that it shall be  
3 continued in full force and effect for and during the  
4 term of this agreement.

5 (e) Any Federal lease for a fixed term of twenty (20) years  
6 or any renewal thereof or any part of such lease which  
7 is made subject to this agreement shall continue in force  
8 beyond the term provided therein until the termination  
9 hereof. Any other Federal lease committed hereto shall  
10 continue in force beyond the term so provided therein or  
11 by law as to the land committed so long as such lease  
12 remains subject hereto, provided that production  
13 is had in paying quantities under this unit agreement  
14 prior to the expiration date of the term of such lease,  
15 or in the event actual drilling operations are commenced  
16 on unitized land, in accordance with the provisions of  
17 this agreement, prior to the end of the primary term of  
18 such lease and are being diligently prosecuted at that  
19 time, such lease shall be extended for two years and so  
20 long thereafter as oil or gas is produced in paying  
21 quantities in accordance with the provisions of the Mineral  
22 Leasing Act Revision of 1960.

23 (f) Each sublease or contract relating to the operation and  
24 development of unitized substances from lands of the United  
25 States committed to this agreement, which by its terms  
26 would expire prior to the time at which the underlying  
27 lease, as extended by the immediately preceding paragraph,  
28 will expire, is hereby extended beyond any such term so  
29 provided therein so that it shall be continued in full  
30 force and effect for and during the term of the underlying  
31 lease as such term is herein extended.



- 1 (g) The segregation of any Federal lease committed to this  
2 agreement is governed by the following provision in the  
3 fourth paragraph of Sec. 17(j) of the Mineral Leasing Act,  
4 as amended by the Act of September 2, 1960 (74 Stat. 781-784):  
5 "Any [Federal] lease heretofore or hereafter committed to  
6 any such [unit] plan embracing lands that are in part  
7 within and in part outside of the area covered by any  
8 such plan shall be segregated into separate leases as to  
9 the lands committed and the lands not committed as of the  
10 effective date of unitization: Provided, however, That  
11 any such lease as to the nonunitized portion shall continue  
12 in force and effect for the term thereof but for not  
13 less than two years from the date of such segregation and  
14 so long thereafter as oil or gas is produced in paying  
15 quantities."  
16 (h) Any lease, other than a Federal lease, having only a  
17 portion of its lands committed hereto shall be segregated  
18 as to the portion committed and the portion not committed,  
19 and the provisions of such lease shall apply separately to  
20 such segregated portions commencing as of the effective  
21 date hereof. In the event any such lease provides for a  
22 lump-sum rental payment, such payment shall be prorated  
23 between the portions so segregated in proportion to the  
24 acreage of the respective tracts.

25 19. COVENANTS RUN WITH LAND. The covenants herein shall be con-  
26 strued to be covenants running with the land with respect to the interest  
27 of the parties hereto and their successors in interest until this agree-  
28 ment terminates, and any grant, transfer, or conveyance, of interest in



1 land or leases subject hereto shall be and hereby is conditioned upon  
2 the assumption of all privileges and obligations hereunder by the grantee,  
3 transferee, or other successor in interest. No assignment or transfer  
4 of any working interest, royalty, or other interest subject hereto shall  
5 be binding upon Unit Operator until the first day of the calendar month  
6 after Unit Operator is furnished with the original, photostatic, or  
7 certified copy of the instrument of transfer.

8 20. EFFECTIVE DATE AND TERM. This agreement shall become effective  
9 upon approval by the Secretary or his duly authorized representative and  
10 shall terminate five (5) years from said effective date unless:

11 (a) such date of expiration is extended by the Director, or

12 (b) it is reasonably determined prior to the expiration of  
13 the fixed term or any extension thereof that the unitized  
14 land is incapable of production of unitized substances in  
15 paying quantities in the formations tested hereunder and  
16 after notice of intention to terminate the agreement on  
17 such ground is given by the Unit Operator to all parties  
18 in interest at their last known addresses, the agreement  
19 is terminated with the approval of the Supervisor, or

20 (c) a valuable discovery of unitized substances has been made  
21 or accepted on unitized land during said initial term or any  
22 extension thereof, in which event the agreement shall remain  
23 in effect for such term and so long as unitized substances  
24 can be produced in quantities sufficient to pay for the cost  
25 of producing same from wells on unitized land within any  
26 participating area established hereunder and, should pro-  
27 duction cease, so long thereafter as diligent operations are  
28 in progress for the restoration of production or discovery  
29 of new production and so long thereafter as unitized  
30 substances so discovered can be produced as aforesaid, or

31 (d) it is terminated as heretofore provided in this agreement.



1 This agreement may be terminated at any time by not less than 75 percentum,  
2 on an acreage basis, of the working interest owners signatory hereto, with  
3 the approval of the Supervisor; notice of any such approval to be given  
4 by the Unit Operator to all parties hereto.

5 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director  
6 is hereby vested with authority to alter or modify from time to time in  
7 his discretion the quantity and rate of production under this agreement  
8 when such quantity and rate is not fixed pursuant to Federal or State  
9 law or does not conform to any state-wide voluntary conservation or alloca-  
10 tion program, which is established, recognized, and generally adhered to  
11 by the majority of operators in such State, such authority being hereby  
12 limited to alteration or modification in the public interest, the purpose  
13 thereof and the public interest to be served thereby to be stated in the  
14 order of alteration or modification. Without regard to the foregoing,  
15 the Director is also hereby vested with authority to alter or modify  
16 from time to time in his discretion the rate of prospecting and develop-  
17 ment and the quantity and rate of production under this agreement when such  
18 alteration or modification is in the interest of attaining the conserva-  
19 tion objectives stated in this agreement and is not in violation of  
20 any applicable Federal or State law.

21 Powers in this section vested in the Director shall only be  
22 exercised after notice to Unit Operator and opportunity for hearing to be  
23 held not less than 15 days from notice.

24 22. APPEARANCES. Unit Operator shall, after notice to other parties  
25 affected, have the right to appear for and on behalf of any and all interests  
26 affected hereby before the Department of the Interior and to appeal from  
27 orders issued under the regulations of said Department or to apply for  
28 relief from any of said regulations or in any proceedings relative to  
29 operations before the Department of the Interior or any other legally  
30 constituted authority; provided, however, that any other interested party



1 shall also have the right at his own expense to be heard in any such pro-  
2 ceeding.

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

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

18 25. UNAVOIDABLE DELAY. All obligations under this agreement requiring  
19 the Unit Operator to commence or continue drilling or to operate on or  
20 produce unitized substances from any of the lands covered by this agree-  
21 ment shall be suspended while the Unit Operator, despite the exercise of  
22 due care and diligence, is prevented from complying with such obligations,  
23 in whole or in part, by strikes, acts of God, Federal, State, or municipal  
24 law or agencies, unavoidable accidents, uncontrollable delays in trans-  
25 portation, inability to obtain necessary materials in open market, or other  
26 matters beyond the reasonable control of the Unit Operator whether similar  
27 to matters herein enumerated or not. No unit obligation which is suspended  
28 under this section shall become due less than thirty (30) days after it



1 has been determined that the suspension is no longer applicable. Deter-  
2 mination of creditable "Unavoidable Delay" time shall be made by the unit  
3 operator subject to approval of the Supervisor.

4 26. NONDISCRIMINATION. In connection with the performance of work  
5 under this agreement, the operator agrees to comply with all the provisions  
6 of section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319),  
7 which are hereby incorporated by reference in this agreement.

8 27. LOSS OF TITLE. In the event title to any tract of unitized  
9 land shall fail and the true owner cannot be induced to join in this  
10 unit agreement, such tract shall be automatically regarded as not committed  
11 hereto and there shall be such readjustment of future costs and benefits  
12 as may be required on account of the loss of such title. In the event of  
13 a dispute as to title as to any royalty, working interest, or other  
14 interests subject thereto, payment or delivery on account thereof may be  
15 withheld without liability for interest until the dispute is finally  
16 settled; provided, that, as to Federal land or leases, no payments of  
17 funds due the United States should be withheld, but such funds shall be  
18 deposited as directed by the Supervisor to be held as unearned money  
19 pending final settlement of the title dispute, and then applied as earned  
20 or returned in accordance with such final settlement.

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

23 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any sub-  
24 stantial interest in a tract within the unit area fails or refuses to  
25 subscribe or consent to this agreement, the owner of the working interest  
26 in that tract may withdraw said tract from this agreement by written  
27 notice delivered to the Supervisor and the Unit Operator prior to the  
28 approval of this agreement by the Supervisor. Any oil or gas interests  
29 in lands within the unit area not committed hereto prior to submission



1 of this agreement for final approval may thereafter be committed hereto  
2 by the owner or owners thereof subscribing or consenting to this agreement,  
3 and, if the interest is a working interest, by the owner of such interest  
4 also subscribing to the unit operating agreement. After operations are  
5 commenced hereunder, the right of subsequent joinder, as provided in this  
6 section, by a working interest owner is subject to such requirements or  
7 approvals, if any, pertaining to such joinder, as may be provided for in  
8 the unit operating agreement. After final approval hereof, joinder by a  
9 non-working interest owner must be consented to in writing by the working  
10 interest owner committed hereto and responsible for the payment of any  
11 benefits that may accrue hereunder in behalf of such non-working interest.  
12 A non-working interest may not be committed to this unit agreement unless  
13 the corresponding working interest is committed hereto. Joinder to  
14 the unit agreement by a working-interest owner, at any time, must be  
15 accompanied by appropriate joinder to the unit operating agreement, if  
16 more than one committed working-interest owner is involved, in order for  
17 the interest to be regarded as committed to this unit agreement. Except  
18 as may otherwise herein be provided, subsequent joinders to this agree-  
19 ment shall be effective as of the first day of the month following  
20 the filing with the Supervisor of duly executed counterparts of all or  
21 any papers necessary to establish effective commitment of any tract to this  
22 agreement unless objection to such joinder is duly made within 60 days  
23 by the Supervisor.

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



1        30.        SURRENDER. Nothing in this agreement shall prohibit the  
2 exercise by any working interest owner of the right to surrender vested  
3 in such party by any lease, sublease, or operating agreement as to all  
4 or any part of the lands covered thereby, provided that each party who  
5 will or might acquire such working interest by such surrender or by  
6 forfeiture as hereafter set forth, is bound by the terms of this agree-  
7 ment.

8                If as a result of any such surrender the working interest rights  
9 as to such lands become vested in any party other than the fee owner of  
10 the unitized substances, said party may forfeit such rights and further  
11 benefits from operation hereunder as to said land to the party next in  
12 the chain of title who shall be and become the owner of such working  
13 interest.

14                If as the result of any such surrender or forfeiture working  
15 interest rights become vested in the fee owner of the unitized substances,  
16 such owner may:

- 17                (1) Accept those working interest rights subject to this  
18 agreement and the unit operating agreement; or  
19                (2) Lease the portion of such land as is included in a  
20 participating area established hereunder subject to this  
21 agreement and the unit operating agreement.  
22                (3) Provide for the independent operation of any part of such  
23 land that are not then included within a participating  
24 area established hereunder.

25                If the fee owner of the unitized substances does not accept  
26 the working interest rights subject to this agreement and the unit  
27 operating agreement or lease such lands as above provided within six (6)  
28 months after the surrendered or forfeited working interest rights become  
29 vested in the fee owner, the benefits and obligations of operations  
30 accruing to such lands under this agreement and the unit operating  
31 agreement shall be shared by the remaining owners of unitized working  
32 interests in accordance with their respective working interest ownerships,



1 and such owners of working interests shall compensate the fee owner of  
2 unitized substances in such lands by paying sums equal to the rentals,  
3 minimum royalties, and royalties applicable to such lands under the  
4 lease in effect when the lands were unitized.

5 An appropriate accounting and settlement shall be made for all  
6 benefits accruing to or payments and expenditures made or incurred on  
7 behalf of such surrendered or forfeited working interest subsequent to  
8 the date of surrender or forfeiture, and payment of any monies found to  
9 be owing by such an accounting shall be made as between the parties  
10 within thirty (30) days. In the event no unit operating agreement is in  
11 existence and a mutually acceptable agreement between the proper parties  
12 thereto cannot be consummated, the Supervisor may prescribe such reasonable  
13 and equitable agreement as he deems warranted under the circumstances.

14 The exercise of any right vested in a working interest owner to  
15 reassign such working interest to the party from whom obtained shall be  
16 subject to the same conditions as set forth in this section in regard to  
17 the exercise of a right to surrender.

18 31. TAXES. The working interest owners shall render and pay for their  
19 account and the account of the royalty owners all valid taxes on or  
20 measured by the unitized substances in and under or that may be produced,  
21 gathered and sold from the land subject to this contract after the effec-  
22 tive date of this agreement, or upon the proceeds or net proceeds derived  
23 therefrom. The working interest owners on each tract shall and may  
24 charge the proper proportion of said taxes to the royalty owners having  
25 interests in said tract, and may currently retain and deduct sufficient  
26 of the unitized substances or derivative products, or net proceeds thereof  
27 from the allocated share of each royalty owner to secure reimbursement  
28 for the taxes so paid. No such taxes shall be charged to the United  
29 States or the State of New Mexico or to any lessor who has a  
30 contract with his lessee which requires the lessee to pay such taxes.



1 32. NO PARTNERSHIP. It is expressly agreed that the relation  
2 of the parties hereto is that of independent contractors and nothing  
3 in this agreement contained, expressed or implied, nor any operations  
4 conducted hereunder, shall create or be deemed to have created a partner-  
5 ship or association between the parties hereto or any of them.

6 33. SURFACE MANAGEMENT STIPULATION. Nothing in this agreement  
7 shall modify any special Federal-lease stipulations relating to surface  
8 management, attached to and made a part of Oil and Gas Leases covering  
9 lands within the Unit Area.

10 34. RECLAMATION LANDS. Nothing in this agreement shall modify  
11 the special, Federal-lease stipulations applicable to lands under the  
12 jurisdiction of the Bureau of Reclamation.

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

16 UNIT OPERATOR

17 Amoco Production Company

18 By: \_\_\_\_\_  
19 Attorney-in-Fact

20 WORKING INTEREST OWNERS

21 Marathon Oil Company

22 ATTEST:

23 \_\_\_\_\_  
24 Secretary

By: \_\_\_\_\_  
President

25 Perry R. Bass

26 \_\_\_\_\_



1 Bass Enterprises Production Company  
2 ATTEST:  
3 \_\_\_\_\_ By: \_\_\_\_\_  
4 Secretary President

5 STATE OF TEXAS I  
6 COUNTY OF HARRIS I

7 The foregoing instrument was acknowledged before me this \_\_\_\_\_  
8 day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_,  
9 as Attorney-in-Fact on behalf of AMOCO PRODUCTION COMPANY.

10 My Commission Expires:  
11 \_\_\_\_\_  
12 Notary Public in and for  
13 Harris County, Texas

14 STATE OF \_\_\_\_\_ I  
15 COUNTY OF \_\_\_\_\_ I

16 The foregoing instrument was acknowledged before me this \_\_\_\_\_  
17 day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_,  
18 President of MARATHON OIL COMPANY.

19 My Commission Expires:  
20 \_\_\_\_\_  
21 Notary Public in and for  
22 \_\_\_\_\_ County, \_\_\_\_\_

23 STATE OF \_\_\_\_\_ I  
24 COUNTY OF \_\_\_\_\_ I

25 The foregoing instrument was acknowledged before me this \_\_\_\_\_  
26 day of \_\_\_\_\_, 19\_\_\_\_, by PERRY R. BASS.

27 My Commission Expires:  
28 \_\_\_\_\_  
29 Notary Public in and for  
30 \_\_\_\_\_ Coutny, \_\_\_\_\_



1 STATE OF \_\_\_\_\_ I

2 COUNTY OF \_\_\_\_\_ I

3 The foregoing instrument was acknowledged before me this \_\_\_\_\_

4 day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_

5 President of BASS ENTERPRISES PRODUCTION COMPANY.

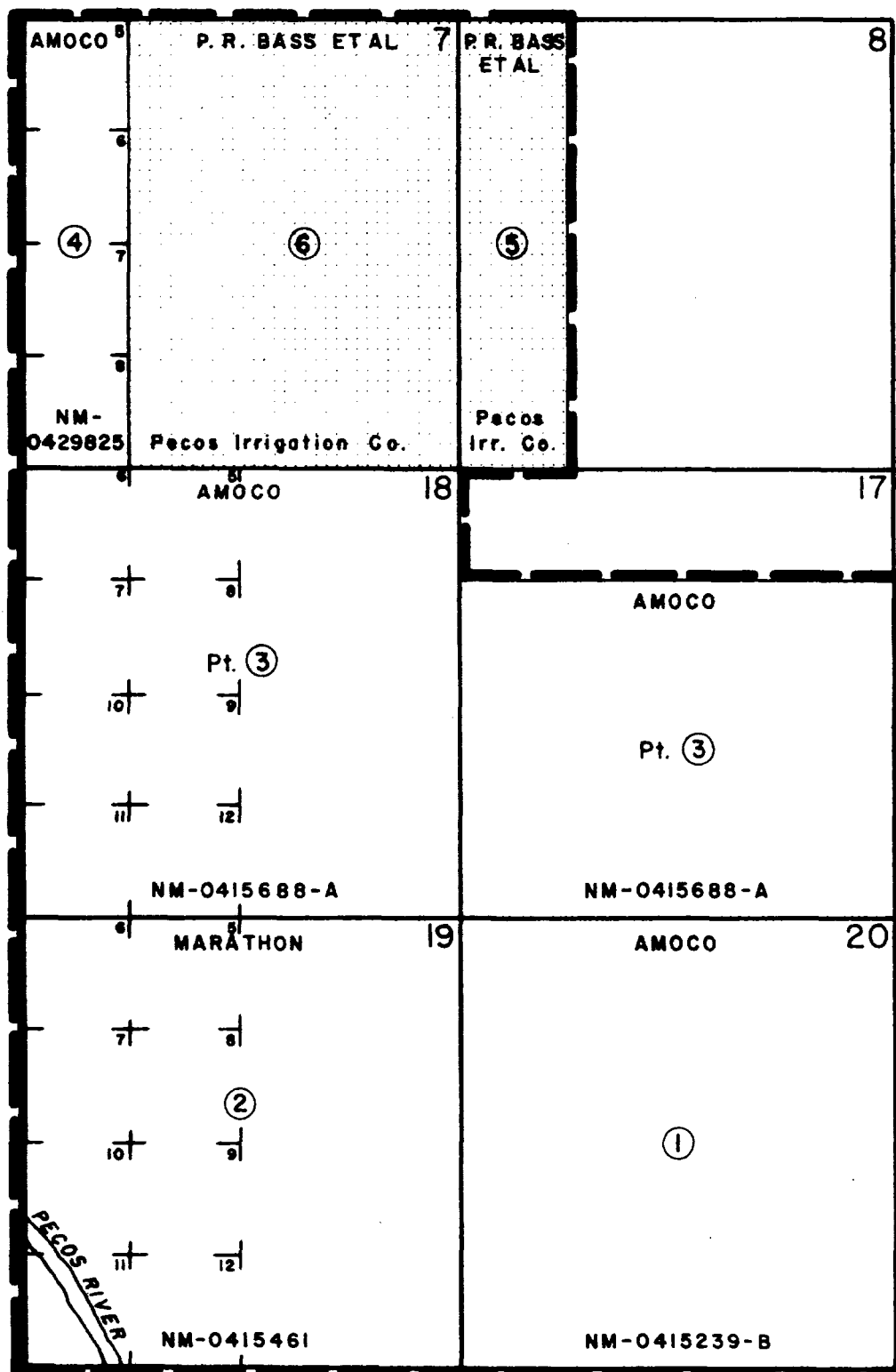
6 My Commission Expires:

7 \_\_\_\_\_

8 Notary Public in and for  
9 \_\_\_\_\_ County, \_\_\_\_\_



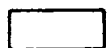
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FEDERAL LEASES
NM-0415239-B
NM-0415461
NM-0415688-A
NM-0429825

LEGEND



FEDERAL LAND



FEE LAND



TRACT NUMBER

UNIT BOUNDARY

EXHIBIT "A"

TO ACCOMPANY

OLD INDIAN DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

SCALE 1" = 2000'



Exhibit "B" - Old Indian Draw Unit Area, Eddy County, New Mexico

Tract No.	Description of Land	Number of Acres	Serial No. & Expiration Date of Lease	Basic Royalty & Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
<u>Federal Acreage</u>							
1	<u>T22S-R28E</u> Sec. 20: A11	640	NM-0415239-B 9-30-73	USA - A11 (12.5%)	Amoco Production Company	Wesley E. Peltzer and wife, Widney W. Peltzer - 3% E. W. Smith and wife, Doreen Smith and Victor Salazer and wife Lupe Salazer - 2%	Amoco Production Company - 100%
2	<u>T22S-R28E</u> Sec. 19: Lots 5, 6, 7, 8, 9 10, 11, 12, E/2	614.43	NM-0415461 12-31-73	USA - A11	Marathon	W. H. Brown and wife Dorothy Brown - 3% L. C. Harris and wife, Marion V. Harris - \$500. per acre production payment out of 3.25%	Marathon Oil Company - 100%
3.	<u>T22S-R28E</u> Sec. 17: S/2 N/2, S/2 Sec. 18: Lots 5, 6, 7, 8, 9 10, 11, 12 E/2	1082.63	NM-0415688-A 8-31-73	USA - A11 (12.5%)	Amoco Production Company	Robert N. Enfield and wife, Mona L. Enfield - \$750. per acre production payment out of 2%; Anita L. Berger and husband, Henry Berger - \$750. per acre production payment out of 3%	Amoco Production Company - 100%



Tract No.	Description of Land	Number of Acres	Serial No. & Expiration Date of Lease	Basic Royalty & Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
4	T22S-R28E Sec. 7: Lots 5, 6, 7, 8	140.76	NM-0429825 8-31-73	USA - A11 (12.5%)	Amoco Production Company	Patricia Boyle, a single person-2% Dean Thornton - 1% Sam H. Jolliffe, Jr. and wife, Eleanor S. Jolliffe - 2%	Amoco Production Company - 100%
4 Federal Tracts: 2,477.82 acres							
<u>Fee</u>							
5	T22S-R28E Sec. 8: W/2 W/2	160.00	9-29-77	Pecos Irrigation Company-18.75%	Perry R. Bass and Bass Enterprises Production Co.		Perry R. Bass-25% Bass Enterprises Production Co.-75%
6	T22S-R28E Sec. 7: E/2, E/2 W/2	480.00	9-29-77	Pecos Irrigation Company-18.75%	Perry R. Bass and Bass Enterprises Production Co.		Perry R. Bass- 25% Bass Enterprises Production Co.-75%
2 Fee Tracts: 640.00 Acres							

Total:

4 Federal Tracts - 2,477.82 Acres = 79.4728  
2 Fee Tracts - 640.00 Acres = 20.5272  
3,117.82 100.0000%



1 32. NO PARTNERSHIP. It is expressly agreed that the relation  
2 of the parties hereto is that of independent contractors and nothing  
3 in this agreement contained, expressed or implied, nor any operations  
4 conducted hereunder, shall create or be deemed to have created a partner-  
5 ship or association between the parties hereto or any of them.

6 33. SURFACE MANAGEMENT STIPULATION. Nothing in this agreement  
7 shall modify any special Federal-lease stipulations relating to surface  
8 management, attached to and made a part of Oil and Gas Leases covering  
9 lands within the Unit Area.

10 34. RECLAMATION LANDS. Nothing in this agreement shall modify  
11 the special, Federal-lease stipulations applicable to lands under the  
12 jurisdiction of the Bureau of Reclamation.

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

16 UNIT OPERATOR

17 Amoco Production Company

18 By:

19 *W. H. Kerner*  
Attorney-in-Fact

20 WORKING INTEREST OWNERS

21 Marathon Oil Company

22 ~~ATTEST:~~

23 \_\_\_\_\_  
24 Secretary

25 By:

26 *D. W. Franklin*  
~~President~~  
D. W. FRANKLIN  
Perry R. Bass DIVISION EXPLORATION MANAGER

*Perry R. Bass*



Bass Enterprises Production Company

ATTEST:

Marguerite Wright  
Secretary

By:

[Signature]  
Vice President

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 6<sup>th</sup>  
day of July, 1973, by C. N. Menninger,  
as Attorney-in-Fact on behalf of AMOCO PRODUCTION COMPANY.

My Commission Expires:

June 1, 1975

Marilyn A. Farr  
Notary Public in and for  
Harris County, Texas

MARILYN A. FARR  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1975

STATE OF Texas

COUNTY OF Harris

The foregoing instrument was acknowledged before me this 18<sup>th</sup>  
day of July, 1973, by D. W. Franklin,  
President of MARATHON OIL COMPANY.

D. W. FRANKLIN  
DIVISION EXPLORATION MANAGER

My Commission Expires:

June 1, 1975

M. J. Richardson  
Notary Public in and for  
Harris County, Texas

M. J. RICHARDSON  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1975

STATE OF TEXAS

COUNTY OF TARRANT

The foregoing instrument was acknowledged before me this 11  
day of July, 1973, by PERRY R. BASS.

My Commission Expires:

June 1, 1975

Joan Barnhart  
Notary Public in and for  
TARRANT County, TEXAS



1 STATE OF TEXAS I  
2 COUNTY OF TARRANT I

3 The foregoing instrument was acknowledged before me this 11  
4 day of July, 1973, by Joe Steaney, Jr.  
5 Vice President of BASS ENTERPRISES PRODUCTION COMPANY.

6 My Commission Expires:  
7 June 1, 1975  
8 Joan Barnhart  
9 Notary Public in and for  
TARRANT County, TEXAS