

CASE 3179: Application of HMG OIL
CO. FOR APPROVAL OF THE DOGIE
DRAW UNIT AGREEMENT, LEA COUNTY.

CASE No.

5179

Application,

Transcripts,

Small Exhibits

ETC.

Unit Name DOGIE DRAM UNIT -EXPLORATORY
 Operator HMS OIL COMPANY
 County LEA

Dec

DATE	OCC CASE NO. 5179	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED COMMISSIONER 6-6-74	OCC ORDER NO. R-4754	6-18-74	5,122.16	640.00	4,442.16	40.00	Yes	5 yrs.

UNIT AREA

TOWNSHIP 26 SOUTH, RANGE 36 EAST, N.M.
 Sections 5 through 9: All
 Sections 16 through 18: All

TERMINATED
 CH: 4-22-76

Unit Name DOGIE DRAW UNIT - EXPLORATORY
 Operator HMC Oil Company
 Lease La
 County

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACREAGE	LESSEE
							DATE	ACRES	NOT RATIFIED	
12	L-6453-1	C.S.	16	26S	36E	N/2	5-24-74	320.00		Mary Ralph Lowe-Trust No 3 and Estate of Ralph Lowe, Dec'd.
13	L-6731-1	C.S.	16	26S	36E	S/2	5-24-74	320.00		Mary Ralph Lowe-Trust No 3 and Estate of Ralph Lowe, Dec'd.

TERMINATED
 5-24-74



PHIL R. LUCERO
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

June 9, 1976

5179
TELEPHONE
505-827-2748

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

USG Oil Company
P. O. Box 2267
Midland, Texas 79701

Re: Dogie Draw Unit
Lea County, New Mexico
TERMINATION

ATTENTION: Mr. J. D. Highsmith

Gentlemen:

We have been advised by the United States Geological Survey that the Dogie Draw unit agreement, Lea County, New Mexico has automatically terminated effective as of April 27, 1976, due to the fact that the second unit test well was not commenced.

The Commissioner of Public Lands has this terminated the Dogie Draw unit agreement effective as of April 27, 1976.

Please notify all interested parties of this action.

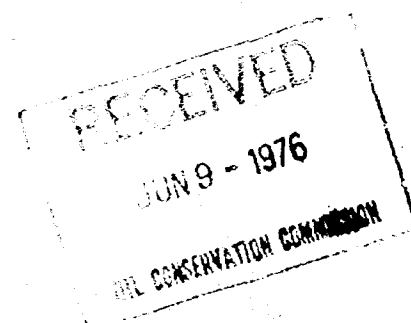
Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY:
RAY D. GRAHAM, Director
Oil and Gas Division

PRL/RDG/s
cc:

USGS-Roswell, New Mexico
OCC- Santa Fe, New Mexico ✓





PHIL R. LUCERO
COMMISSIONER

State of New Mexico



Commissioner of Public Lands
October 7, 1973

TELEPHONE
505-827-2748

5179

P. O. BOX 1148
SANTA FE, NEW MEXICO 87301

H K G Oil Company
P. O. Box 2267
Midland, Texas 79701

Re: Dogie Draw Unit Agreement
Lea County, New Mexico

ATTENTION: Mr. J. D. Highsmith

Gentlemen:

In reply to your letter dated October 3, 1973, please be advised that the Commissioner of Public Lands has this date granted you a six month extension of time in which to commence drilling a second test well under the terms of the Dogie Draw Unit Agreement. Therefore, the second unit test well is now due to be commenced before midnight April 27, 1974.

A copy of this letter is being sent to the United States Geological Survey.

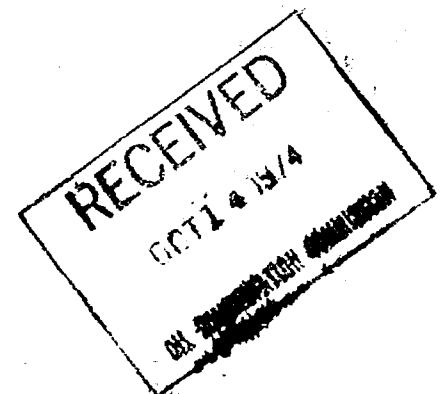
Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY:
RAY D. GRAHAM, Director
Oil and Gas Division

PRJ/EDG/s
cc:

UBGS-Roswell, New Mexico
OCC- Santa Fe, New Mexico ✓

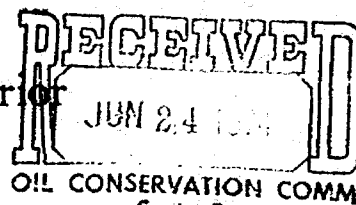




United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201



5179
June 18, 1974

Giffin, Ross & Burnett, Inc.
2102 Wilco Building
Midland, Texas 79701

Gentlemen:

The Dogie Draw unit agreement, Lea County, New Mexico, was approved on June 18, 1974. The agreement has been designated No. 14-08-0001-14163 and is effective as of the date of the approval.

Enclosed is one copy of the approved agreement. We request that you furnish the New Mexico State Land Commissioner and any other interested principals with appropriate evidence of this approval.

Sincerely yours,

(ORIG. SGD) CARL C. TRAYWICK

CARL C. TRAYWICK
Acting Area Oil & Gas Supervisor

cc:
Area Geologist (ltr. only)
State Land Commissioner, Santa Fe (ltr. only)
N.M.O.C.C., Santa Fe (ltr. only) ✓
Hobbs (w/cy of approved agreement)

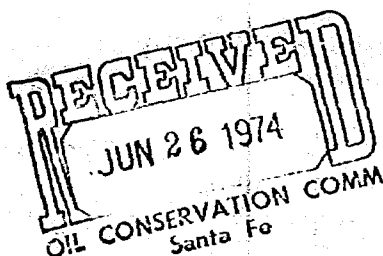
REShook:td

Griffin, Ross & Burnett, Inc.

Oil Properties

KENNETH H. GRIFFIN
ROBERT B. ROSS
GARY G. BURNETT

2102 WILCO BUILDING
MIDLAND, TEXAS 79701
915 683-2705



July 24, 1974

Re: File No. 2273
Dogie Draw Unit
Lea County, New Mexico

OIL CONSERVATION COMMISSION
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Reference is made to Case #5179 and order #R-4754.

In accordance with the above we enclose herewith a copy of the Unit Agreement executed by HNG Oil Company covering the subject unit. The state and federal approvals are attached thereto, together with ratifications by the parties other than HNG Oil Company.

Should any additional information be needed, please so advise.

Yours very truly,

Kenneth H. Griffin

KHG/gp
Enclosures

cc: Mr. Ted Fergeson
HNG OIL COMPANY
400 First Savings & Loan Bldg.
Midland, Texas 79701

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 Dogle Draw Unit Area, State of New Mexico.

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

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

Dated JUN 18 1974.

Acting

Carl A. [Signature]
Area Oil and Gas Supervisor
United States Geological Survey

Contract Number 14-08-0001-14163



NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

DOGIE DRAW UNIT

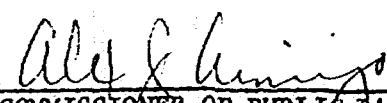
LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated March 1, 1974, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

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

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 6th day of June, 19 74.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

UNIT AGREEMENT
DOGIE DRAW UNIT AREA
LEA COUNTY, NEW MEXICO

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1 UNIT AGREEMENT
2 FOR THE DEVELOPMENT AND OPERATION
3 OF THE
4 DOGIE DRAW UNIT AREA
5 COUNTY OF LEA
6 STATE OF NEW MEXICO
7 NO. _____

8 THIS AGREEMENT entered into as of the 1st day of March,
9 1974, by and between the parties subscribing, ratifying or consenting hereto,
10 and herein referred to as the "parties hereto".

11 WITNESSETH:

12 WHEREAS, the parties hereto are the owners of working, royalty, or
13 other oil and gas interests in the unit area subject to this agreement; and

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

22 WHEREAS, the Commissioner of Public Lands of the State of New Mexico
23 is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953
24 Annotated) to consent to or approve this agreement on behalf of the State
25 of New Mexico, insofar as it covers and includes lands and mineral interests
26 of the State of New Mexico; and

27 WHEREAS, the Oil Conservation Commission of the State of New Mexico is
28 authorized by an Act of the Legislature (Article 3, Chapter 65, Vol. 9,
29 Part 2, 1953 Statutes) to approve this agreement and the conservation provisions
30 hereof; and

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

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

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

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

19 2. UNIT AREA. The area specified on the map attached hereto marked
20 Exhibit "A" is hereby designated and recognized as constituting the unit area,
21 containing 5,122.16 acres, more or less.

22 Exhibit "A" shows, in addition to the boundary of the unit area, the
23 boundaries and identity of tracts and leases in said area to the extent known
24 to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to
25 the extent known to the Unit Operator the acreage, percentage, and kind of
26 ownership of oil and gas interests in all land in the unit area. However,
27 nothing herein or in said schedule or map shall be construed as a representa-
28 tion by any party hereto as to the ownership of any interest other than such
29 interest or interests as are shown in said map or schedule as owned by such
30 party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever
31 changes in the unit area render such revision necessary, or when requested
32 by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or
33 when requested by the Commissioner of Public Lands of the State of New Mexico,

1 hereinafter referred to as "Commissioner", and not less than five copies
2 of the revised exhibits shall be filed with the Supervisor, and two copies
3 thereof shall be filed with the Commissioner, and one copy with the New
4 Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

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

10 (a) Unit Operator, on its own motion or on demand of the Director
11 of the Geological Survey, hereinafter referred to as "Director", or on de-
12 mand of the Commissioner, after preliminary concurrence by the Director
13 and the Commissioner, shall prepare a notice of proposed expansion or con-
14 traction describing the contemplated changes in the boundaries of the unit
15 area, the reasons therefor, and the proposed effective date thereof, pre-
16 ferably the first day of a month subsequent to the date of notice.

17 (b) Said notice shall be delivered to the Supervisor, the Commissioner
18 and the Commission and copies thereof mailed to the last known address of
19 each working interest owner, lessee, and lessor whose interests are affected,
20 advising that 30 days will be allowed for submission to the Unit Operator of
21 any objections.

22 (c) Upon expiration of the 30-day period provided in the preceding
23 item (b) hereof, Unit Operator shall file with the Supervisor, the Commis-
24 sioner and the Commission evidence of mailing of the notice of expansion
25 or contraction and a copy of any objections thereto which have been filed
26 with the Unit Operator, together with an application in sufficient number,
27 for approval of such expansion or contraction and with appropriate joinders.

28 (d) After due consideration of all pertinent information, the expansion
29 or contraction shall, upon approval by the Supervisor, the Commissioner and
30 the Commission, become effective as of the date prescribed in the notice
31 thereof.

32 (e) All legal subdivisions of lands (i.e., 40 acres by Government
33 survey or its nearest lot or tract equivalent; in instances of irregular

1 surveys unusually large lots or tracts shall be considered in multiples
2 of 40 acres or the nearest aliquot equivalent thereof), no parts of which
3 are entitled to be in a participating area on or before the fifth anniver-
4 sary of the effective date of the first initial participating area estab-
5 lished under this unit agreement, shall be eliminated automatically from
6 this agreement, effective as of said fifth anniversary, and such lands shall
7 no longer be a part of the unit area and shall no longer be subject to this
8 agreement, unless diligent drilling operations are in progress on unitized
9 lands not entitled to participation on said fifth anniversary, in which event
10 all such lands shall remain subject hereto so long as such drilling opera-
11 tions are continued diligently with not more than 90 days' time elapsing
12 between the completion of one well and the commencement of the next well.
13 All legal subdivisions of lands not entitled to be in a participating area
14 within 10 years after the effective date of the first initial participating
15 area approved under this agreement shall be automatically eliminated from
16 this agreement as of said tenth anniversary. All lands proved productive
17 by diligent drilling operations after the aforesaid 5-year period shall
18 become participating in the same manner as during said 5-year period. How-
19 ever, when such diligent drilling operations cease, all nonparticipating
20 lands shall be automatically eliminated effective as of the 91st day there-
21 after. The Unit Operator shall, within 90 days after the effective date of
22 any elimination hereunder, describe the area so eliminated to the satisfac-
23 tion of the Supervisor and the Commissioner, and promptly notify all parties
24 in interest.

25 If conditions warrant extension of the 10-year period specified in
26 this subsection 2(e), a single extension of not to exceed 2 years may be
27 accomplished by consent of the owners of 90% of the working interests in the
28 current nonparticipating unitized lands and the owners of 60% of the basic
29 royalty interests (exclusive of the basic royalty interests of the United
30 States) in nonparticipating unitized lands with approval of the Director and
31 Commissioner, provided such extension application is submitted to the Director
32 and Commissioner not later than 60 days prior to the expiration of said ten-year
33 period.

1 Any expansion of the unit area pursuant to this section which embraces
2 lands theretofore eliminated pursuant to this subsection 2(a) shall not be
3 considered automatic commitment or recommitment of such lands.

4 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this
5 agreement shall constitute land referred to herein as "unitized land" or
6 "land subject to this agreement". All oil and gas in any and all formations
7 of the unitized land are unitized under the terms of this agreement and herein
8 are called "unitized substances".

9 4. UNIT OPERATOR. HNG Oil Company is hereby designated as Unit
10 Operator and by signature hereto as Unit Operator agrees and consents to
11 accept the duties and obligations of Unit Operator for the discovery,
12 development and production of unitized substances as herein provided. When-
13 ever reference is made herein to the Unit Operator, such reference means
14 the Unit Operator acting in that capacity and not as an owner of interest
15 in unitized substances, and the term "working interest owner" when used
16 herein shall include or refer to Unit Operator as the owner of a working
17 interest when such an interest is owned by it.

18 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall
19 have the right to resign at any time prior to the establishment of a
20 participating area or areas hereunder, but such resignation shall not
21 become effective so as to release Unit Operator from the duties and obliga-
22 tions of Unit Operator and terminate Unit Operator's rights as such for a
23 period of 6 months after notice of intention to resign has been served by
24 Unit Operator on all working interest owners and the Supervisor, the
25 Commissioner and the Commission, and until all wells then drilled here-
26 under are placed in a satisfactory condition for suspension or abandonment
27 whichever is required by the Supervisor as to Federal lands and by the Com-
28 missioner as to State and privately owned lands, unless a new Unit Operator
29 shall have been selected and approved and shall have taken over and assumed
30 the duties and obligations of Unit Operator prior to the expiration of said
31 period.

32 Unit Operator shall have the right to resign in like manner and subject
33 to like limitations as above provided at any time a participating area

1 established hereunder is in existence, but, in all instances of resignation
2 or removal, until a successor Unit Operator is selected and approved as
3 hereinafter provided, the working interest owners shall be jointly responsi-
4 ble for performance of the duties of Unit Operator, and shall, not later
5 than 30 days before such resignation or removal becomes effective, appoint
6 a common agent to represent them in any action to be taken hereunder.

7 The resignation of Unit Operator shall not release Unit Operator from
8 any liability for any default by it hereunder occurring prior to the effec-
9 tive date of its resignation.

10 The Unit Operator may, upon default or failure in the performance of
11 its duties or obligations hereunder, be subject to removal by the same
12 percentage vote of the owners of working interests as herein provided for
13 the selection of a new Unit Operator. Such removal shall be effective
14 upon notice thereof to the Supervisor and the Commissioner.

15 The resignation or removal of Unit Operator under this agreement shall
16 not terminate its right, title or interest as the owner of a working inter-
17 est or other interest in unitized substances, but upon the resignation or
18 removal of Unit Operator becoming effective, such Unit Operator shall
19 deliver possession of all wells, equipment, materials and appurtenances used
20 in conducting the unit operations to the new duly qualified successor Unit
21 Operator or to the common agent, if no such new Unit Operator is elected,
22 to be used for the purpose of conducting unit operations hereunder. Nothing
23 herein shall be construed as authorizing removal of any material, equipment
24 and appurtenances needed for the preservation of any wells.

25 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender
26 his or its resignation as Unit Operator or shall be removed as hereinabove
27 provided, or a change of Unit Operator is negotiated by working interest
28 owners, the owners of the working interests in the participating area or
29 areas according to their respective acreage interests in such participating
30 area or areas, or, until a participating area shall have been established,
31 the owners of the working interests according to their respective acreage
32 interests in all unitized land, shall by majority vote select a successor
33 Unit Operator: Provided, That, if a majority but less than 75 per cent of

1 the working interests qualified to vote are owned by one party to this
2 agreement, a concurring vote of one or more additional working interest
3 owners shall be required to select a new operator. Such selection shall
4 not become effective until

5 (a) a Unit Operator so selected shall accept in writing the duties
6 and responsibilities of Unit Operator, and

7 (b) the selection shall have been approved by the Supervisor and
8 the Commissioner.

9 If no successor Unit Operator is selected and qualified as herein
10 provided, the Director and Commissioner at their election may declare
11 this unit agreement terminated.

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

1 the Supervisor and two true copies with the Commissioner and one true copy
2 with the Commission, prior to approval of this unit agreement.

3 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise
4 specifically provided herein, the exclusive right, privilege, and duty of
5 exercising any and all rights of the parties hereto which are necessary
6 or convenient for prospecting for, producing, storing, allocating, and
7 distributing the unitized substances are hereby delegated to and shall be
8 exercised by the Unit Operator as herein provided. Acceptable evidence of
9 title to said rights shall be deposited with said Unit Operator and, together
10 with this agreement, shall constitute and define the rights, privileges, and
11 obligations of Unit Operator. Nothing herein, however, shall be construed
12 to transfer title to any land or to any lease or operating agreement, it
13 being understood that under this agreement the Unit Operator, in its capacity
14 as Unit Operator, shall exercise the rights of possession and use vested in
15 the parties hereto only for the purposes herein specified.

16 9. DRILLING TO DISCOVERY. Within 6 months after the effective date
17 hereof, the Unit Operator shall begin to drill an adequate test well at a
18 location approved by the Supervisor, if on Federal land, or by the Commissioner
19 if on State land, or by the Commission if on fee land, unless on such effective
20 date a well is being drilled conformably with the terms hereof, and thereafter
21 continue such drilling diligently until the Ellenburger formation has been tested
22 or until at a lesser depth unitized substances shall be discovered which can
23 be produced in paying quantities (to-wit: quantities sufficient to repay the
24 costs of drilling, completing, and producing operations, with a reasonable
25 profit) or the Unit Operator shall at any time establish to the satisfaction
26 of the Supervisor if located on Federal lands, or the Commissioner if located
27 on State lands, or the Commission if located on fee lands, that further drill-
28 ing of said well would be unwarranted or impracticable, provided, however,
29 that Unit Operator shall not in any event be required to drill said well to
30 a depth in excess of 20,800 feet. Until the discovery of a deposit of unitized
31 substances capable of being produced in paying quantities, the Unit Operator
32 shall continue drilling one well at a time, allowing not more than 6 months
33 between the completion of one well and the beginning of the next well, until

1 a well capable of producing unitized substances in paying quantities
2 is completed to the satisfaction of said Supervisor if on Federal land,
3 or the Commissioner if on State land, or the Commission if on fee land,
4 or until it is reasonable proved that the unitized land is incapable of
5 producing unitized substances in paying quantities in the formations drilled
6 hereunder. Nothing in this section shall be deemed to limit the right of
7 the Unit Operator to resign as provided in Section 5 hereof, or as requir-
8 ing Unit Operator to commence or continue any drilling during the period
9 pending such resignation becoming effective in order to comply with the
10 requirements of this section. The Supervisor and Commissioner may modify
11 the drilling requirements of this section by granting reasonable extensions
12 of time when, in their opinion, such action is warranted. Upon failure
13 to commence any well provided for in this section within the time allowed,
14 including any extension of time granted by the Supervisor and the Com-
15 missioner, this agreement will automatically terminate; upon failure to
16 continue drilling diligently any well commenced hereunder, the Supervisor
17 and Commissioner may, after 15 days notice to the Unit Operator, declare
18 this unit agreement terminated.

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

30 Any plan submitted pursuant to this section shall provide for the
31 exploration of the unitized area and for the diligent drilling necessary
32 for determination of the area or areas thereof capable of producing unitized
33 substances in paying quantities in each and every productive formation and

1 shall be as complete and adequate as the Supervisor, the Commissioner
2 and Commission may determine to be necessary for timely development and
3 proper conservation of the oil and gas resources of the unitized area
4 and shall:

5 (a) specify the number and locations of any wells to be drilled and
6 the proposed order and time for such drilling; and

7 (b) to the extent practicable, specify the operating practices regarded
8 as necessary and advisable for proper conservation of natural
9 resources.

10 Separate plans may be submitted for separate productive zones, subject to
11 the approval of the Supervisor, the Commissioner and the Commission.

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

25 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable
26 of producing unitized substances in paying quantities or as soon thereafter
27 as required by the Supervisor and Commissioner, the Unit Operator shall sub-
28 mit for approval by the Supervisor and Commissioner a schedule, based on
29 subdivisions of the public land survey or aliquot parts thereof, of all land
30 then regarded as reasonably proved to be productive in paying quantities;
31 all lands in said schedule on approval of the Supervisor and Commissioner to
32 constitute a participating area, effective as of the date of completion of
33 such well or the effective date of this unit agreement, whichever is later.

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

30 It is the intent of this section that a participating area shall repre-
31 sent the area known or reasonably estimated to be productive in paying quanti-
32 ties, but, regardless of any revision of the participating area, nothing herein
33 contained shall be construed as requiring any retroactive adjustment for

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

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

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

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

1 of unitized land of the participating area established for such production
2 and, for the purpose of determining any benefits accruing under this agree-
3 ment, each such tract of unitized land shall have allocated to it such per-
4 centage of said production as the number of acres of such tract included
5 in said participating area bears to the total acres of unitized land in
6 said participating area, except that allocation of production hereunder for
7 purposes other than for settlement of the royalty, overriding royalty, or
8 payment out of production obligations of the respective working interest
9 owners, shall be on the basis prescribed in the unit operating agreement
10 whether in conformity with the basis of allocation herein set forth or other-
11 wise. It is hereby agreed that production of unitized substances from a
12 participating area shall be allocated as provided herein regardless of
13 whether any wells are drilled on any particular part or tract of said part-
14 icipating area. If any gas produced from one participating area is used for
15 repressuring 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 and
19 such gas shall be allocated to the participating area from which initially
20 produced as such area was last defined at the time of such final production.

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

33 If any well drilled as aforesaid by a working interest owner results

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

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

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

27 If gas obtained from lands not subject to this agreement is introduced
28 into any participating area hereunder, for use in repressuring, stimulation
29 of production, or increasing ultimate recovery, in conformity with a plan of
30 operations approved by the Supervisor, the Commissioner, and Commission, a
31 like amount of gas, after settlement as herein provided for any gas transferred
32 from any other participating area and with appropriate deduction for loss from
33 any cause, may be withdrawn from the formation in which the gas is introduced,

1 royalty free as to dry gas, but not as to any products which may be extracted
2 therefrom; provided that such withdrawal shall be at such time as may be
3 provided in the approved plan of operations or as may otherwise be consented
4 to by the Supervisor, the Commissioner and Commission as conforming to good
5 petroleum engineering practice; and provided further, that such right of
6 withdrawal shall terminate on the termination of this unit agreement.

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

16 Royalty due on account of State lands shall be computed and paid on the
17 basis of all unitized substances allocated to such lands.

18 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases com-
19 mitted hereto shall be paid by working interest owners responsible therefor
20 under existing contracts, laws and regulations, provided that nothing herein
21 contained shall operate to relieve the lessees of any land from their respec-
22 tive lease obligations for the payment of any rental or minimum royalty due
23 under their leases. Rental or minimum royalty for lands of the United States
24 subject to this agreement shall be paid at the rate specified in the respective
25 leases from the United States unless such rental or minimum royalty is waived,
26 suspended or reduced by law or by approval of the Secretary or his duly auth-
27 orized representative.

28 Rentals on State of New Mexico lands subject to this agreement shall be
29 paid at the rates specified in the respective leases.

30 With respect to any lease on non-Federal land containing provisions which
31 would terminate such lease unless drilling operations are commenced upon the
32 land covered thereby within the time therein specified or rentals are paid for
33 the privilege of deferring such drilling operations, the rentals required

1 thereby shall, notwithstanding any other provisions of this agreement, be
2 deemed to accrue and become payable during the term thereof as extended by
3 this agreement and until the required drilling operations are commenced
4 upon the land covered thereby or until some portion of such land is included
5 within a participating area.

6 16. CONSERVATION. Operations hereunder and production of unitized
7 substances shall be conducted to provide for the most economical and effi-
8 cient recovery of said substances without waste, as defined by or pursuant
9 to State or Federal laws or regulations.

10 17. DRAINAGE. The Unit Operator shall take such measures as the
11 Supervisor and Commissioner deem appropriate and adequate to prevent drain-
12 age of unitized substances from unitized land by wells on land not subject
13 to this agreement.

14 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions
15 and provisions of all leases, subleases and other contracts relating to ex-
16 ploration, drilling, development or operations for oil or gas on lands com-
17 mitted to this agreement are hereby expressly modified and amended to the
18 extent necessary to make the same conform to the provisions hereof, but
19 otherwise to remain in full force and effect; and the parties hereto hereby
20 consent that the Secretary as to Federal leases and the Commissioner as to
21 State leases shall and each by his approval hereof, or by the approval hereof
22 by their duly authorized representatives, do hereby establish, alter, change
23 or revoke the drilling, producing, rental, minimum royalty and royalty re-
24 quirements of Federal and State leases committed hereto and the regulations
25 in respect thereto to conform said requirements to the provisions of this
26 agreement, and, without limiting the generality of the foregoing, all leases,
27 subleases, and contracts are particularly modified in accordance with the
28 following:

29 (a) The development and operation of lands subject to this agreement
30 under the terms hereof shall be deemed full performance of all obligations
31 for development and operation with respect to each and every separately
32 owned tract subject to this agreement, regardless of whether there is
33 any development of any particular tract of the unit area.

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

6 (c) Suspension of drilling or producing operations on all unitized
7 lands pursuant to direction or consent of the Secretary and Commissioner
8 or their duly authorized representatives shall be deemed to constitute
9 such suspension pursuant to such direction or consent as to each and every
10 tract of unitized land. A suspension of drilling or producing operations
11 limited to specified lands shall be applicable only to such lands.

12 (d) Each lease, sublease or contract relating to the exploration, drill-
13 ing, development or operation for oil or gas of lands other than those
14 of the United States or State of New Mexico committed to this agreement,
15 which, by its terms might expire prior to the termination of this agree-
16 ment, is hereby extended beyond any such term so provided therein so
17 that it shall be continued in full force and effect for and during
18 the term of this agreement.

19 (e) Any Federal lease for a fixed term of twenty (20) years or any
20 renewal thereof or any part of such lease which is made subject to
21 this agreement shall continue in force beyond the term provided therein
22 until the termination hereof. Any other Federal lease committed hereto
23 shall continue in force beyond the term so provided therein or by law
24 as to the land committed so long as such lease remains subject hereto,
25 provided that production is had in paying quantities under this unit
26 agreement prior to the expiration date of the term of such lease, or in
27 the event actual drilling operations are commenced on unitized lands,
28 in accordance with the provisions of this agreement, prior to the end
29 of the primary term of such lease and are being diligently prosecuted
30 at that time, such lease shall be extended for two years and so long
31 thereafter as oil or gas is produced in paying quantities in accordance
32 with the provisions of the Mineral Leasing Act Revision of 1960.

33 (f) Each sublease or contract relating to the operation and development

1 of unitized substances from lands of the United States committed
2 to this agreement, which by its terms would expire prior to the
3 time at which the underlying lease, as extended by the immediately
4 preceding paragraph, will expire, is hereby extended beyond any such
5 term so provided therein so that it shall be continued in full force
6 and effect for and during the term of the underlying lease as such
7 term is herein extended.

8 (g) Any lease embracing lands of the State of New Mexico which is
9 made subject to this agreement, shall continue in force beyond the
10 term provided therein as to the lands committed hereto until the
11 termination hereof, subject to the provisions of subsection (e) of
12 Section 2 and subsection (i) of this Section 18.

13 (h) The segregation of any Federal lease committed to this agree-
14 ment is governed by the following provisions in the fourth paragraph
15 of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of
16 September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore
17 or hereafter committed to any such (unit) plan embracing lands that
18 are in part within and in part outside of the area covered by any such
19 plan shall be segregated into separate leases as to the lands committed
20 and the lands not committed as of the effective date of unitization:
21 Provided, however, That any such lease as to the nonunitized portion
22 shall continue in force and effect for the term thereof but for not
23 less than two years from the date of such segregation and so long
24 thereafter as oil or gas is produced in paying quantities."

25 (i) Any lease embracing lands of the State of New Mexico having only
26 a portion of its lands committed hereto, shall be segregated as to the
27 portion committed and the portion not committed, and the provisions of
28 such lease shall apply separately to such segregated portions commencing
29 as of the effective date hereof; provided, however, notwithstanding any
30 of the provisions of this agreement to the contrary any lease embracing
31 lands of the State of New Mexico having only a portion of its lands
32 committed hereto shall continue in full force and effect beyond the term
33 provided therein as to all lands embraced in such lease, if oil or gas

1 is discovered and is capable of being produced in paying quantities.
2 from some part of the lands embraced in such lease at the expiration
3 of the secondary term of such lease; or if, at the expiration of the
4 secondary term, the lessee or Unit Operator is then engaged in bona fide
5 drilling or reworking operations on some part of the lands embraced in
6 such lease, the same, as to all lands embraced therein, shall remain in
7 full force and effect so long as such operations are being diligently
8 prosecuted, and if they result in the production of oil or gas, said
9 lease shall continue in full force and effect as to all of the lands
10 embraced therein, so long thereafter as oil or gas in paying quantities
11 is being produced from any portion of said lands.

12 (j) Any lease, other than a Federal lease, having only a portion of its
13 lands committed hereto shall be segregated as to the portion committed
14 and the portion not committed, and the provisions of such lease shall
15 apply separately to such segregated portions commencing as of the effective
16 date hereof. In the event any such lease provides for a lump sum
17 rental payment, such payment shall be prorated between the portions so
18 segregated in proportion to the acreage of the respective tracts.

19 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed
20 to be covenants running with the land with respect to the interest of the
21 parties hereto and their successors in interest until this agreement terminates,
22 and any grant, transfer, or conveyance of interest in land or leases subject
23 hereto shall be and hereby is conditioned upon the assumption of all privileges
24 and obligations hereunder by the grantee, transferee or other successor in
25 interest. No assignment or transfer of any working interest, royalty, or
26 other interest subject hereto shall be binding upon Unit Operator until the
27 first day of the calendar month after Unit Operator is furnished with the
28 original, photostatic, or certified copy of the instrument of transfer.

29 20. EFFECTIVE DATE AND TERM. This agreement shall become effective
30 upon approval by the Secretary and Commissioner, or their duly authorized
31 representatives and shall terminate five (5) years from said effective date
32 unless:

33 (a) such date of expiration is extended by the Director and Commissioner, or

1 (b) It is reasonably determined prior to the expiration of the fixed
2 term or any extension thereof that the unitized land is incapable of
3 production of unitized substances in paying quantities in the formations
4 tested hereunder and after notice of intention to terminate the agreement
5 on such ground is given by the Unit Operator to all parties in interest
6 at their last known addresses, the agreement is terminated with the ap-
7 proval of the Supervisor and the Commissioner, or

8 (c) a valuable discovery of unitized substances has been made or
9 accepted on unitized land during said initial term or any extension
10 thereof, in which event the agreement shall remain in effect for such
11 term and so long as unitized substances can be produced in quantities
12 sufficient to pay for the cost of producing same from wells on unitized
13 land within any participating area established hereunder and, should
14 production cease, so long thereafter as diligent operations are in pro-
15 gress for the restoration of production or discovery of new production
16 and so long thereafter as unitized substances so discovered can be pro-
17 duced as aforesaid, or

18 (d) it is terminated as heretofore provided in this agreement. This
19 agreement may be terminated at any time by not less than 75 per centum,
20 on an acreage basis, of the working interest owners signatory hereto,
21 with the approval of the Supervisor and Commissioner; notice of any such
22 approval to be given by the Unit Operator to all parties hereto.

23 2i. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is
24 hereby vested with authority to alter or modify from time to time in his dis-
25 cretion the quantity and rate of production under this agreement when such
26 quantity and rate is not fixed pursuant to Federal or State law or does not
27 conform to any statewide voluntary conservation or allocation program, which
28 is established, recognized and generally adhered to by the majority of oper-
29 ators in such State, such authority being hereby limited to alteration or mod-
30 ification in the public interest, the purpose thereof and the public interest
31 to be served thereby to be stated in the order of alteration or modification.
32 Without regard to the foregoing, the Director is also hereby vested with
33 authority to alter or modify from time to time in his discretion the rate of

1 prospecting and development and the quantity and rate of production under
2 this agreement when such alteration or modification is in the interest of
3 attaining the conservation objectives stated in this agreement and is not
4 in violation of any applicable Federal or State law; provided, further, that
5 no such alteration or modification shall be effective as to any land of the
6 State of New Mexico, as to the rate of prospecting and developing in the
7 absence of the specific written approval thereof by the Commissioner and
8 as to any lands of the State of New Mexico or privately owned lands subject
9 to this agreement as to the quantity and rate of production in the absence
10 of specific written approval thereof by the Commission.

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

14 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the work-
15 ing interest owners nor any of them shall be subject to any forfeiture, termin-
16 ation or expiration of any rights hereunder or under any leases or contracts
17 subject hereto, or to any penalty or liability on account of delay or failure
18 in whole or in part to comply with any applicable provision thereof to the
19 extent that the Unit Operator, working interest owners or any of them are
20 hindered, delayed or prevented from complying therewith by reason of failure
21 of the Unit Operator to obtain in the exercise of due diligence, the concur-
22 rence of proper representatives of the United States and proper representatives
23 of the State of New Mexico in and about any matters or things concerning which
24 it is required herein that such concurrence be obtained. The parties hereto,
25 including the Commission, agree that all powers and authority vested in the
26 Commission in and by any provisions of this agreement are vested in the Com-
27 mission and shall be exercised by it pursuant to the provisions of the laws
28 of the State of New Mexico and subject in any case to appeal or judicial re-
29 view as may now or hereafter be provided by the laws of the State of New Mexico.

30 23. APPEARANCES. Unit Operator shall, after notice to other parties
31 affected, have the right to appear for and on behalf of any and all interests
32 affected hereby before the Department of the Interior, the Commissioner of
33 Public Lands of the State of New Mexico and the New Mexico Oil Conservation

1 Commission and to appeal from orders issued under the regulations of said
2 Department, the Commission or Commissioner or to apply for relief from any
3 of said regulations or in any proceedings relative to operations before the
4 Department of the Interior, the Commissioner, or Commission, or any other
5 legally constituted authority; provided, however, that any other interested
6 party shall also have the right at his own expense to be heard in any such
7 proceeding.

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

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

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

1 the suspension is no longer applicable. Determination of creditable
2 "Unavoidable Delay" time shall be made by the Unit Operator subject to
3 approval of the Supervisor and Commissioner.

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

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

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

25 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any sub-
26 stantial interest in a tract within the unit area fails or refuses to sub-
27 scribe or consent to this agreement, the owner of the working interest in
28 that tract may withdraw said tract from this agreement by written notice
29 delivered to the Supervisor and the Commissioner and the Unit Operator
30 prior to the approval of this agreement by the Supervisor and Commissioner.
31 Any oil or gas interests in lands within the unit area not committed hereto
32 prior to submission of this agreement for final approval may thereafter be
33 committed hereto by the owner or owners thereof subscribing or consenting

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

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

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

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

UNIT OPERATOR AND WORKING INTEREST OWNER

ATTEST:

HNG OIL COMPANY

[Signature]
Asst. Secy

BY: [Signature]
W. F. Roden, President

DATE:

May 2, 1974

ADDRESS: P. O. Box 767
Midland, Texas 79701

WORKING INTEREST OWNERS

ATTEST:

DATE:


ADDRESS:

BY:

THE STATE OF TEXAS I

COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this 2nd day
of May, 1974, by W. F. RODEN, President of HNG OIL
COMPANY, on behalf of said corporation.


Notary Public in and for Midland County,
Texas CHERYL A. LEA—Notary Public
IN AND FOR MIDLAND COUNTY, TEXAS

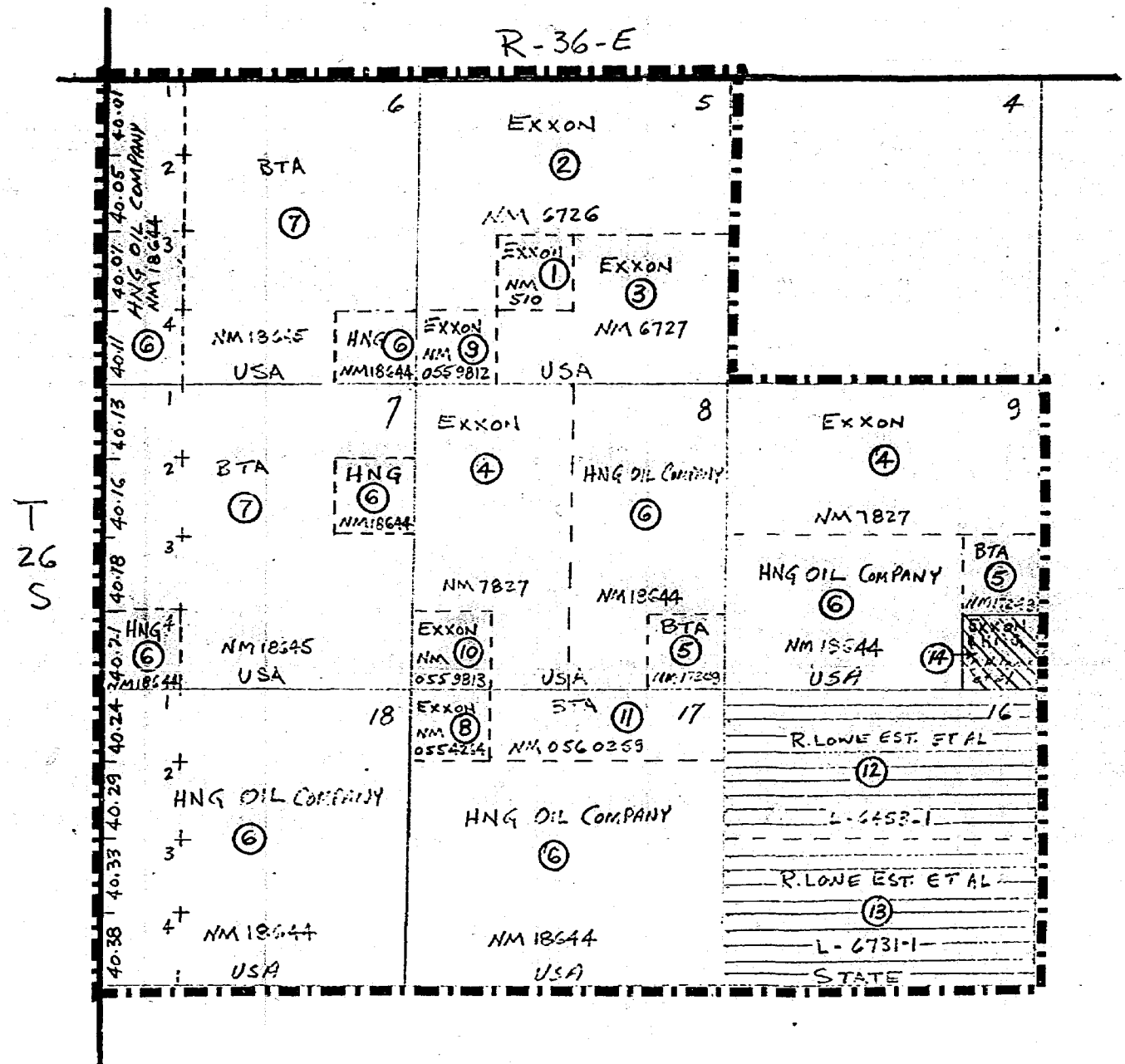
My Commission Expires:

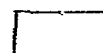
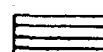

June 1, 1975.

EXHIBIT "A"

DOGIE DRAW UNIT AREA

T-26-E, R-36-E
Lea County, New Mexico



-  Federal Land
-  State Land
-  Patented Land

① Denotes tract number on Exhibit "B"

EXHIBIT "B"

DOGIE DRAW UNIT AREA
T-26-S, R-36-E, N.M.P.M.
Lea County, New Mexico

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials)	BASIC ROYALTY OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1	Sec. 5: NE/4 SW/4	40.00	NM-510 9-30-76	USA All - 12.5	Exxon Company	Betty Heiskell: 3%	Exxon: All
2	Sec. 5: N/2 & NW/4 SW/4	360.00	NM-6726 6-30-78	USA All - 12.5	Exxon Company	Charlie Bussell, et ux, Mavis Bussell: 1% Central Southwest Oil Corporation: 4%	Exxon: All
3	Sec. 5: SE/4 SW/4 & SE/4	200.00	NM-6727 6-30-78	USA All - 12.5	Exxon Company	A. Tishman, et ux, Margaret W. Tishman: Production Payment of \$750/acre out of: 5%	Exxon: All
4	Sec. 8: NW/4, N/2 SW/4, SE/4 SW/4 Sec. 9: N/2	600.00	NM-7827 9-30-78	USA All - 12.5	Exxon Company	Total of 5% owned as follows: John R. Less: 1.875 Harry B. Heutel 0.625 Robert E. Landreth 2.500	Exxon: All
5	Sec. 8: SE/4 SE/4 Sec. 9: NE/4 SE/4	80.00	NM-17249 12-31-82	USA All - 12.5	BTA Oil Producers	T.M. Thomas, et ux, Josephine Thomas: Production Payment of \$750/acre out of: 5%	BTA - All
6	Sec. 6: Lots 1, 2, 3, 4, SE/4 SE/4 Sec. 7: Lot 4, SE/4 NE/4 Sec. 8: NE/4, N/2 SE/4, SW/4 SE/4 Sec. 9: SW/4, W/2 SE/4 Sec. 17: S/2 N/2, S/2 Sec. 18: Lots 1, 2, 3, 4, E/2 W/2, E/2	1,921.69	NM-18644 6-30-83	USA All - 12.5	HNG Oil Company	V.J. Wilson, et ux, Marilyn Wilson: 4% R. Gene Brazel 1%	HNG - All

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials)	BASIC ROYALTY OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
7	Sec. 6: NE/4, E/2 W/2, 1,000.47 Sec. 7: NE/4 SE/4, W/2 SE/4 Lots 1, 2, 3, NE/4 NE/4, W/2 E/2, E/2 W/2, E/2 SE/4		NM-18645 6-30-83	USA All - 12.5	BTA Oil Producers	R.E. Frasch, et ux, Constance J. Frasch: C.E. Strange, et ux, Sherrie R. Strange:	BTA - All 2.5% 2.5%
8	Sec. 17: NW/4 NW/4	40.00	NM -0554264 6-30-74	USA All - 12.5	Exxon Company	J. Hiram Moore, et ux, Betty Moore Sams Oil Corp. Alfred D. Heeley, et ux, L. Jane Heeley:	Exxon - All 2.5% 2.5% 3%
9	Sec. 5: SW/4 SW/4	40.00	NM-0559812 4-30-76	USA All - 12.5	Exxon Company		Exxon - All
10	Sec. 8: SW/4 SW/4	40.00	NM-0559813 4-30-76	USA All - 12.5	Exxon Company	Lucy M. English, et vir, Lawrence English: 10% of 5% Heirs and devisees of Ernest A. Hanson; and Beulah Irene Hanson	Exxon - All
11	Sec. 17: N/2 NE/4, NE/4 NW/4	120.00	NM-0560259 6-30-76	USA All - 12.5	BTA Oil Producers	Jack J. Grynborg, et ux, Celeste C. Grynborg: Albert Barnes Zink, et ux, Helen Zink:	BTA - All 90% of 5% 3.125% 3.125%
11 Federal Tracts containing 4,442.16 acres, or 86.724% of Unit Area							
12	Sec. 16: N/2	320.00	L-6453-1 8-1-81	State All - 12.5	1/2 - Mary Ralph Lowe Trust No. 3 1/2 - Estate of Ralph Lowe, Dec'd.	None	-M. Ralph Lowe, Inc.: 50% Erma Lowe: 25% Est. Ralph Lowe: 25%

2 State Tracts containing 640.00 acres, or 12.495% of Unit Area

1 Patented Tract containing 40.00 acres, or 0.781% of Unit Area

TOTAL: 14 Tracts containing 5,122.16 acres in entire Unit Area.

RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE DOGIE DRAW UNIT, LEA COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, DOGIE DRAW UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 1st day of March, 1974, by various persons conducting operations with respect to the DOGIE DRAW UNIT AREA located in Lea County, New Mexico, as more particularly described in said agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B" describes each tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

EXXON CORPORATION

Div. Ldm. LMH Hgm
Div. Geol. _____
Jt. Int. RA
Div. Acct. RA

DATE: 5-13-74

BY: R. A. Bray
R. A. BRAY, AGENT AND ATTORNEY IN FACT

ADDRESS: Post Office Box 1600
Midland, Texas 79701

THE STATE OF TEXAS I
COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this 13th day of May, 1974, by R. A. BRAY, as Agent and Attorney-in-Fact of Exxon Corporation, a Delaware corporation, on behalf of said corporation.

My Commission Expires:
LENA P. JEHLE, NOTARY PUBLIC IN AND FOR
THE COUNTY OF MIDLAND, STATE OF TEXAS.
MY COMMISSION EXPIRES JUNE 1, 1976

Lena P. Jehle
Notary Public in and for Midland
County, Texas

RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE DOGIE DRAW UNIT, LEA COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, DOGIE DRAW UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 1st day of March, 1974, by various persons conducting operations with respect to the DOGIE DRAW UNIT AREA located in Lea County, New Mexico, as more particularly described in said agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B" describes each tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

BTA OIL PRODUCERS

DATE: May 24, 1974

BY

Barry Beal, Partner

ADDRESS: 104 South Pecos

Midland, Texas 79701

THE STATE OF TEXAS I

COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this _____ day of _____, 1974, by Barry Beal _____, as Partner _____ of BTA OIL PRODUCERS, a Partnership composed of Carlton Beal, Carlton Beal, Jr. and Barry Beal. a _____ corporation, on behalf of said corporation.

My Commission Expires:

6-1-75

Notary Public in and for _____ County, _____

RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE DOGIE DRAW UNIT, LEA COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, DOGIE DRAW UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 1st day of March, 1974, by various persons conducting operations with respect to the DOGIE DRAW UNIT AREA located in Lea County, New Mexico, as more particularly described in said agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B" describes each tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

EXECUTED by Erma Lowe,
Individually and for Ralph Lowe Estate
as Independent Executrix and sole and
only remaining legal representative of
said estate.

DATE: May 24, 1974

BY:

Erma Lowe
Mary Ralph Lowe
MARALO, INC. and M. RALPH LOWE, INC.
President of both corporations.

Attest: Lillian Trull
Secretary of Maralo, Inc.

Attest: Lillian Trull
Secretary of M. Ralph Lowe, Inc.

ADDRESS: P. O. Box 125
Johnson City, Texas 78636

THE STATE OF TEXAS I
COUNTY OF BLANCO I

The foregoing instrument was acknowledged before me this 24th day
of May, 1974, by Mary Ralph Lowe,
as President of Maralo, Inc. and of M. Ralph Lowe, Inc.
-a Texas corporations on behalf of said corporations.

My Commission Expires:
6/1/75

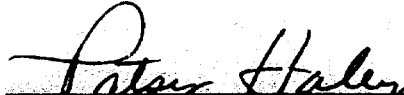
Ratay Haley
Notary Public in and for Blanco
County, Texas

THE STATE OF TEXAS)

COUNTY OF BLANCO)

BEFORE ME, the undersigned authority, on this day personally appeared ERMA LOWE, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that she executed the same for the purposes and considerations therein expressed and in the capacities therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 24th day of May, A. D. 1974.


(Patsy Haley), Notary Public
Blanco County, Texas

State of New Mexico

5179
TELEPHONE
943-617-2948

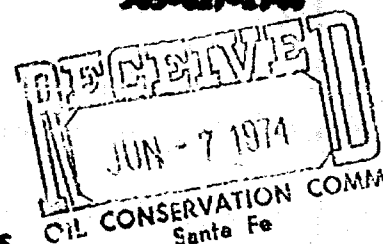


ALEX J. ARMIJO
COMMISSIONER



Commissioner of Public Lands

June 6, 1974



P. O. Box 1148
SANTA FE, NEW MEXICO

Griffin, Ross & Burnett, Inc.
2802 Wilco Building
Midland, Texas 79701

Re: NEW OIL CONSERVATION
EARTH DEEP UNIT
LEA COUNTY, NEW MEXICO

ATTENTION: Mr. Kenneth H. Griffin

Gentlemen:

The Commissioner of Public Lands has this date given final approval to the Eagle Deep Unit, Lea County, New Mexico. This approval is subject to like approval by the United States Geological Survey.

Enclosed are Ten (10) Certificates of approval as per your request. We are sending a copy of this letter to the United States Geological Survey.

Please advise this office when the USGS approves this unit so that we may finish processing the agreement and ascertain the effective date.

Your Fifty (50.00) Dollar filing fee has been received.

Very truly yours,

RAY D. CHAMBERLAIN, Director
Oil and Gas Department

AJA/TSG/s
encls.
cc:

USGS-Bowling, New Mexico
OGC- Santa Fe, New Mexico ✓

Unit Name DOGIE DEAN UNIT - EXPLORATORY
Operator HMS OIL COMPANY
County LEA

DATE APPROVED COMMISSIONER 6-6-74 OCC CASE NO. 5179 EFFECTIVE DATE 6-15-74 TOTAL ACREAGE 5,122.16 STATE 640.00 FEDERAL 4,442.16 ~~INDIAN~~-FEE 40.00 SEGREGATION CLAUSE Yes TERM 5 yrs.

UNIT AREA

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NPM.
Sections 5 through 9: All
Sections 16 through 18: All

022

Unit Name DOGIE DRAM UNIT - EXPLORATORY
Operator HNG Oil Company
County Lae

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
12	L-6453-1	C.S.	16	26S	36E	N/2	5-24-74	320.00		Mary Ralph Lowe-Trust No. 3 and Estate of Ralph Lowe, Dec'd.
13	L-6731-1	C.S.	16	26S	36E	S/2	5-24-74	320.00		Mary Ralph Lowe-Trust No. 3 and Estate of Ralph Lowe, Dec'd.



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

L. R. TRUJILLO
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

March 26, 1974

Mr. James T. Jennings
Jennings, Christy & Copple
Attorneys at Law
Post Office Box 1180
Roswell, New Mexico 88201

Re: CASE NO. 5179
ORDER NO. R-4754
Applicant:
HMG Oil Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC

Other Unit Division - State Land Office Building

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5179
Order No. R-4754

APPLICATION OF HNG OIL COMPANY
FOR APPROVAL OF THE DOGIE DRAW
UNIT AGREEMENT, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 13, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 26th day of March, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, HNG Oil Company, seeks approval of the Dogie Draw Unit Agreement covering 5,122.16 acres, more or less, of State, Federal, and Fee lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Sections 5 through 9: All
Sections 16 through 18: All

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

IT IS THEREFORE ORDERED:

(1) That the Dogie Draw Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to

-2-

CASE NO. 5179
Order No. R-4754

supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

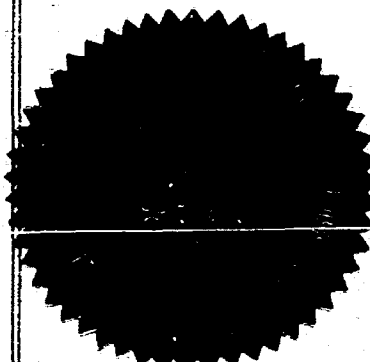
(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



I. R. Trujillo
I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

jr/

UNIT AGREEMENT
DOGLE DRAW UNIT AREA
LEA COUNTY, NEW MEXICO

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
DOGIE DRAW UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

NO. _____

THIS AGREEMENT entered into as of the 1st day of March,
1974, by and between the parties subscribing, ratifying or consenting hereto,
and herein referred to as the "parties hereto".

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty, or
other oil and gas interests in the unit area subject to this agreement; and

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico
is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953
Annotated) to consent to or approve this agreement on behalf of the State
of New Mexico, insofar as it covers and includes lands and mineral interests
of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is
authorized by an Act of the Legislature (Article 3, Chapter 65, Vol. 9,
Part 2, 1953 Statutes) to approve this agreement and the conservation provisions
hereof; and

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

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

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

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

19 2. UNIT AREA. The area specified on the map attached hereto marked
20 Exhibit "A" is hereby designated and recognized as constituting the unit area,
21 containing 5,122.16 acres, more or less.

22 Exhibit "A" shows, in addition to the boundary of the unit area, the
23 boundaries and identity of tracts and leases in said area to the extent known
24 to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to
25 the extent known to the Unit Operator the acreage, percentage, and kind of
26 ownership of oil and gas interests in all land in the unit area. However,
27 nothing herein or in said schedule or map shall be construed as a representa-
28 tion by any party hereto as to the ownership of any interest other than such
29 interest or interests as are shown in said map or schedule as owned by such
30 party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever
31 changes in the unit area render such revision necessary, or when requested
32 by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or
33 when requested by the Commissioner of Public Lands of the State of New Mexico,

1 hereinafter referred to as "Commissioner", and not less than five copies
2 of the revised exhibits shall be filed with the Supervisor, and two copies
3 thereof shall be filed with the Commissioner, and one copy with the New
4 Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

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

10 (a) Unit Operator, on its own motion or on demand of the Director
11 of the Geological Survey, hereinafter referred to as "Director", or on de-
12 mand of the Commissioner, after preliminary concurrence by the Director
13 and the Commissioner, shall prepare a notice of proposed expansion or con-
14 traction describing the contemplated changes in the boundaries of the unit
15 area, the reasons therefor, and the proposed effective date thereof, pre-
16 ferably the first day of a month subsequent to the date of notice.

17 (b) Said notice shall be delivered to the Supervisor, the Commissioner
18 and the Commission and copies thereof mailed to the last known address of
19 each working interest owner, lessee, and lessor whose interests are affected,
20 advising that 30 days will be allowed for submission to the Unit Operator of
21 any objections.

22 (c) Upon expiration of the 30-day period provided in the preceding
23 item (b) hereof, Unit Operator shall file with the Supervisor, the Commis-
24 sioner and the Commission evidence of mailing of the notice of expansion
25 or contraction and a copy of any objections thereto which have been filed
26 with the Unit Operator, together with an application in sufficient number,
27 for approval of such expansion or contraction and with appropriate joinders.

28 (d) After due consideration of all pertinent information, the expansion
29 or contraction shall, upon approval by the Supervisor, the Commissioner and
30 the Commission, become effective as of the date prescribed in the notice
31 thereof.

32 (e) All legal subdivisions of lands (i.e., 40 acres by Government
33 survey or its nearest lot or tract equivalent; in instances of irregular

1 surveys unusually large lots or tracts shall be considered in multiples
2 of 40 acres or the nearest aliquot equivalent thereof), no parts of which
3 are entitled to be in a participating area on or before the fifth anniver-
4 sary of the effective date of the first initial participating area estab-
5 lished under this unit agreement, shall be eliminated automatically from
6 this agreement, effective as of said fifth anniversary, and such lands shall
7 no longer be a part of the unit area and shall no longer be subject to this
8 agreement, unless diligent drilling operations are in progress on unitized
9 lands not entitled to participation on said fifth anniversary, in which event
10 all such lands shall remain subject hereto so long as such drilling opera-
11 tions are continued diligently with not more than 90 days' time elapsing
12 between the completion of one well and the commencement of the next well.
13 All legal subdivisions of lands not entitled to be in a participating area
14 within 10 years after the effective date of the first initial participating
15 area approved under this agreement shall be automatically eliminated from
16 this agreement as of said tenth anniversary. All lands proved productive
17 by diligent drilling operations after the aforesaid 5-year period shall
18 become participating in the same manner as during said 5-year period. How-
19 ever, when such diligent drilling operations cease, all nonparticipating
20 lands shall be automatically eliminated effective as of the 91st day there-
21 after. The Unit Operator shall, within 90 days after the effective date of
22 any elimination hereunder, describe the area so eliminated to the satisfac-
23 tion of the Supervisor and the Commissioner, and promptly notify all parties
24 in interest.

25 If conditions warrant extension of the 10-year period specified in
26 this subsection 2(e), a single extension of not to exceed 2 years may be
27 accomplished by consent of the owners of 90% of the working interests in the
28 current nonparticipating unitized lands and the owners of 60% of the basic
29 royalty interests (exclusive of the basic royalty interests of the United
30 States) in nonparticipating unitized lands with approval of the Director and
31 Commissioner, provided such extension application is submitted to the Director
32 and Commissioner not later than 60 days prior to the expiration of said ten-year
33 period.

1 Any expansion of the unit area pursuant to this section which embraces
2 lands theretofore eliminated pursuant to this subsection 2(a) shall not be
3 considered automatic commitment or recommitment of such lands.

4 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this
5 agreement shall constitute land referred to herein as "unitized land" or
6 "land subject to this agreement". All oil and gas in any and all formations
7 of the unitized land are unitized under the terms of this agreement and herein
8 are called "unitized substances".

9 4. UNIT OPERATOR. HNG Oil Company is hereby designated as Unit
10 Operator and by signature hereto as Unit Operator agrees and consents to
11 accept the duties and obligations of Unit Operator for the discovery,
12 development and production of unitized substances as herein provided. When-
13 ever reference is made herein to the Unit Operator, such reference means
14 the Unit Operator acting in that capacity and not as an owner of interest
15 in unitized substances, and the term "working interest owner" when used
16 herein shall include or refer to Unit Operator as the owner of a working
17 interest when such an interest is owned by it.

18 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall
19 have the right to resign at any time prior to the establishment of a
20 participating area or areas hereunder, but such resignation shall not
21 become effective so as to release Unit Operator from the duties and obliga-
22 tions of Unit Operator and terminate Unit Operator's rights as such for a
23 period of 6 months after notice of intention to resign has been served by
24 Unit Operator on all working interest owners and the Supervisor, the
25 Commissioner and the Commission, and until all wells then drilled here-
26 under are placed in a satisfactory condition for suspension or abandonment
27 whichever is required by the Supervisor as to Federal lands and by the Com-
28 missioner as to State and privately owned lands, unless a new Unit Operator
29 shall have been selected and approved and shall have taken over and assumed
30 the duties and obligations of Unit Operator prior to the expiration of said
31 period.

32 Unit Operator shall have the right to resign in like manner and subject
33 to like limitations as above provided at any time a participating area

1 established hereunder is in existence, but, in all instances of resignation
2 or removal, until a successor Unit Operator is selected and approved as
3 hereinafter provided, the working interest owners shall be jointly responsi-
4 ble for performance of the duties of Unit Operator, and shall, not later
5 than 30 days before such resignation or removal becomes effective, appoint
6 a common agent to represent them in any action to be taken hereunder.

7 The resignation of Unit Operator shall not release Unit Operator from
8 any liability for any default by it hereunder occurring prior to the effec-
9 tive date of its resignation.

10 The Unit Operator may, upon default or failure in the performance of
11 its duties or obligations hereunder, be subject to removal by the same
12 percentage vote of the owners of working interests as herein provided for
13 the selection of a new Unit Operator. Such removal shall be effective
14 upon notice thereof to the Supervisor and the Commissioner.

15 The resignation or removal of Unit Operator under this agreement shall
16 not terminate its right, title or interest as the owner of a working inter-
17 est or other interest in unitized substances, but upon the resignation or
18 removal of Unit Operator becoming effective, such Unit Operator shall
19 deliver possession of all wells, equipment, materials and appurtenances used
20 in conducting the unit operations to the new duly qualified successor Unit
21 Operator or to the common agent, if no such new Unit Operator is elected,
22 to be used for the purpose of conducting unit operations hereunder. Nothing
23 herein shall be construed as authorizing removal of any material, equipment
24 and appurtenances needed for the preservation of any wells.

25 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender
26 his or its resignation as Unit Operator or shall be removed as hereinabove
27 provided, or a change of Unit Operator is negotiated by working interest
28 owners, the owners of the working interests in the participating area or
29 areas according to their respective acreage interests in such participating
30 area or areas, or, until a participating area shall have been established,
31 the owners of the working interests according to their respective acreage
32 interests in all unitized land, shall by majority vote select a successor
33 Unit Operator: Provided, That, if a majority but less than 75 per cent of

1 the working interests qualified to vote are owned by one party to this
2 agreement, a concurring vote of one or more additional working interest
3 owners shall be required to select a new operator. Such selection shall
4 not become effective until

5 (a) a Unit Operator so selected shall accept in writing the duties
6 and responsibilities of Unit Operator, and

7 (b) the selection shall have been approved by the Supervisor and
8 the Commissioner.

9 If no successor Unit Operator is selected and qualified as herein
10 provided, the Director and Commissioner at their election may declare
11 this unit agreement terminated.

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

1 the Supervisor and two truecopies with the Commissioner and one true copy
2 with the Commission, prior to approval of this unit agreement.

3 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise
4 specifically provided herein, the exclusive right, privilege, and duty of
5 exercising any and all rights of the parties hereto which are necessary
6 or convenient for prospecting for, producing, storing, allocating, and
7 distributing the unitized substances are hereby delegated to and shall be
8 exercised by the Unit Operator as herein provided. Acceptable evidence of
9 title to said rights shall be deposited with said Unit Operator and, together
10 with this agreement, shall constitute and define the rights, privileges, and
11 obligations of Unit Operator. Nothing herein, however, shall be construed
12 to transfer title to any land or to any lease or operating agreement, it
13 being understood that under this agreement the Unit Operator, in its capacity
14 as Unit Operator, shall exercise the rights of possession and use vested in
15 the parties hereto only for the purposes herein specified.

16 9. DRILLING TO DISCOVERY. Within 6 months after the effective date
17 hereof, the Unit Operator shall begin to drill an adequate test well at a
18 location approved by the Supervisor, if on Federal land, or by the Commissioner
19 if on State land, or by the Commission if on fee land, unless on such effective
20 date a well is being drilled conformably with the terms hereof, and thereafter
21 continue such drilling diligently until the Ellenburger formation has been tested
22 or until at a lesser depth unitized substances shall be discovered which can
23 be produced in paying quantities (to-wit: quantities sufficient to repay the
24 costs of drilling, completing, and producing operations, with a reasonable
25 profit) or the Unit Operator shall at any time establish to the satisfaction
26 of the Supervisor if located on Federal lands, or the Commissioner if located
27 on State lands, or the Commission if located on fee lands, that further drill-
28 ing of said well would be unwarranted or impracticable, provided, however,
29 that Unit Operator shall not in any event be required to drill said well to
30 a depth in excess of 20,800 feet. Until the discovery of a deposit of unitized
31 substances capable of being produced in paying quantities, the Unit Operator
32 shall continue drilling one well at a time, allowing not more than 6 months
33 between the completion of one well and the beginning of the next well, until

1 a well capable of producing unitized substances in paying quantities
2 is completed to the satisfaction of said Supervisor if on Federal land,
3 or the Commissioner if on State land, or the Commission if on fee land,
4 or until it is reasonable proved that the unitized land is incapable of
5 producing unitized substances in paying quantities in the formations drilled
6 hereunder. Nothing in this section shall be deemed to limit the right of
7 the Unit Operator to resign as provided in Section 5 hereof, or as requir-
8 ing Unit Operator to commence or continue any drilling during the period
9 pending such resignation becoming effective in order to comply with the
10 requirements of this section. The Supervisor and Commissioner may modify
11 the drilling requirements of this section by granting reasonable extensions
12 of time when, in their opinion, such action is warranted. Upon failure
13 to commence any well provided for in this section within the time allowed,
14 including any extension of time granted by the Supervisor and the Com-
15 missioner, this agreement will automatically terminate; upon failure to
16 continue drilling diligently any well commenced hereunder, the Supervisor
17 and Commissioner may, after 15 days notice to the Unit Operator, declare
18 this unit agreement terminated.

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

30 Any plan submitted pursuant to this section shall provide for the
31 exploration of the unitized area and for the diligent drilling necessary
32 for determination of the area or areas thereof capable of producing unitized
33 substances in paying quantities in each and every productive formation and

1 shall be as complete and adequate as the Supervisor, the Commissioner
2 and Commission may determine to be necessary for timely development and
3 proper conservation of the oil and gas resources of the unitized area
4 and shall:

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

10 Separate plans may be submitted for separate productive zones, subject to
11 the approval of the Supervisor, the Commissioner and the Commission.

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

25 II. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable
26 of producing unitized substances in paying quantities or as soon thereafter
27 as required by the Supervisor and Commissioner, the Unit Operator shall sub-
28 mit for approval by the Supervisor and Commissioner a schedule, based on
29 subdivisions of the public land survey or aliquot parts thereof, of all land
30 then regarded as reasonably proved to be productive in paying quantities;
31 all lands in said schedule on approval of the Supervisor and Commissioner to
32 constitute a participating area, effective as of the date of completion of
33 such well or the effective date of this unit agreement, whichever is later.

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

30 It is the intent of this section that a participating area shall repre-
31 sent the area known or reasonably estimated to be productive in paying quanti-
32 ties, but, regardless of any revision of the participating area, nothing herein
33 contained shall be construed as requiring any retroactive adjustment for

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

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

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

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

1 of unitized land of the participating area established for such production
2 and, for the purpose of determining any benefits accruing under this agree-
3 ment, each such tract of unitized land shall have allocated to it such per-
4 centage of said production as the number of acres of such tract included
5 in said participating area bears to the total acres of unitized land in
6 said participating area, except that allocation of production hereunder for
7 purposes other than for settlement of the royalty, overriding royalty, or
8 payment out of production obligations of the respective working interest
9 owners, shall be on the basis prescribed in the unit operating agreement
10 whether in conformity with the basis of allocation herein set forth or other-
11 wise. It is hereby agreed that production of unitized substances from a
12 participating area shall be allocated as provided herein regardless of
13 whether any wells are drilled on any particular part or tract of said part-
14 icipating area. If any gas produced from one participating area is used for
15 repressuring 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 and
19 such gas shall be allocated to the participating area from which initially
20 produced as such area was last defined at the time of such final production.

21 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS.

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

33 If any well drilled as aforesaid by a working interest owner results

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

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

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

27 If gas obtained from lands not subject to this agreement is introduced
28 into any participating area hereunder, for use in repressuring, stimulation
29 of production, or increasing ultimate recovery, in conformity with a plan of
30 operations approved by the Supervisor, the Commissioner, and Commission, a
31 like amount of gas, after settlement as herein provided for any gas transferred
32 from any other participating area and with appropriate deduction for loss from
33 any cause, may be withdrawn from the formation in which the gas is introduced,

1 royalty free as to dry gas, but not as to any products which may be extracted
2 therefrom; provided that such withdrawal shall be at such time as may be
3 provided in the approved plan of operations or as may otherwise be consented
4 to by the Supervisor, the Commissioner and Commission as conforming to good
5 petroleum engineering practice; and provided further, that such right of
6 withdrawal shall terminate on the termination of this unit agreement.

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

16 Royalty due on account of State lands shall be computed and paid on the
17 basis of all unitized substances allocated to such lands.

18 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases com-
19 mitted hereto shall be paid by working interest owners responsible therefor
20 under existing contracts, laws and regulations, provided that nothing herein
21 contained shall operate to relieve the lessees of any land from their respec-
22 tive lease obligations for the payment of any rental or minimum royalty due
23 under their leases. Rental or minimum royalty for lands of the United States
24 subject to this agreement shall be paid at the rate specified in the respective
25 leases from the United States unless such rental or minimum royalty is waived,
26 suspended or reduced by law or by approval of the Secretary or his duly auth-
27 orized representative.

28 Rentals on State of New Mexico lands subject to this agreement shall be
29 paid at the rates specified in the respective leases.

30 With respect to any lease on non-Federal land containing provisions which
31 would terminate such lease unless drilling operations are commenced upon the
32 land covered thereby within the time therein specified or rentals are paid for
33 the privilege of deferring such drilling operations, the rentals required

1 thereby shall, notwithstanding any other provisions of this agreement, be
2 deemed to accrue and become payable during the term thereof as extended by
3 this agreement and until the required drilling operations are commenced
4 upon the land covered thereby or until some portion of such land is included
5 within a participating area.

6 16. CONSERVATION. Operations hereunder and production of unitized
7 substances shall be conducted to provide for the most economical and effi-
8 cient recovery of said substances without waste, as defined by or pursuant
9 to State or Federal laws or regulations.

10 17. DRAINAGE. The Unit Operator shall take such measures as the
11 Supervisor and Commissioner deem appropriate and adequate to prevent drain-
12 age of unitized substances from unitized land by wells on land not subject
13 to this agreement.

14 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions
15 and provisions of all leases, subleases and other contracts relating to ex-
16 ploration, drilling, development or operations for oil or gas on lands com-
17 mitted to this agreement are hereby expressly modified and amended to the
18 extent necessary to make the same conform to the provisions hereof, but
19 otherwise to remain in full force and effect; and the parties hereto hereby
20 consent that the Secretary as to Federal leases and the Commissioner as to
21 State leases shall and each by his approval hereof, or by the approval hereof
22 by their duly authorized representatives, do hereby establish, alter, change
23 or revoke the drilling, producing, rental, minimum royalty and royalty re-
24 quirements of Federal and State leases committed hereto and the regulations
25 in respect thereto to conform said requirements to the provisions of this
26 agreement, and, without limiting the generality of the foregoing, all leases,
27 subleases, and contracts are particularly modified in accordance with the
28 following:

29 (a) The development and operation of lands subject to this agreement
30 under the terms hereof shall be deemed full performance of all obligations
31 for development and operation with respect to each and every separately
32 owned tract subject to this agreement, regardless of whether there is
33 any development of any particular tract of the unit area.

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

6 (c) Suspension of drilling or producing operations on all unitized
7 lands pursuant to direction or consent of the Secretary and Commissioner
8 or their duly authorized representatives shall be deemed to constitute
9 such suspension pursuant to such direction or consent as to each and every
10 tract of unitized land. A suspension of drilling or producing operations
11 limited to specified lands shall be applicable only to such lands.

12 (d) Each lease, sublease or contract relating to the exploration, drill-
13 ing, development or operation for oil or gas of lands other than those
14 of the United States or State of New Mexico committed to this agreement,
15 which, by its terms might expire prior to the termination of this agree-
16 ment, is hereby extended beyond any such term so provided therein so
17 that it shall be continued in full force and effect for and during
18 the term of this agreement.

19 (e) Any Federal lease for a fixed term of twenty (20) years or any
20 renewal thereof or any part of such lease which is made subject to
21 this agreement shall continue in force beyond the term provided therein
22 until the termination hereof. Any other Federal lease committed hereto
23 shall continue in force beyond the term so provided therein or by law
24 as to the land committed so long as such lease remains subject hereto,
25 provided that production is had in paying quantities under this unit
26 agreement prior to the expiration date of the term of such lease, or in
27 the event actual drilling operations are commenced on unitized lands,
28 in accordance with the provisions of this agreement, prior to the end
29 of the primary term of such lease and are being diligently prosecuted
30 at that time, such lease shall be extended for two years and so long
31 thereafter as oil or gas is produced in paying quantities in accordance
32 with the provisions of the Mineral Leasing Act Revision of 1960.

33 (f) Each sublease or contract relating to the operation and development

1 of unitized substances from lands of the United States committed
2 to this agreement, which by its terms would expire prior to the
3 time at which the underlying lease, as extended by the immediately
4 precoding paragraph, will expire, is hereby extended beyond any such
5 term so provided therein so that it shall be continued in full force
6 and effect for and during the term of the underlying lease as such
7 term is herein extended.

8 (g) Any lease embracing lands of the State of New Mexico which is
9 made subject to this agreement, shall continue in force beyond the
10 term provided therein as to the lands committed hereto until the
11 termination hereof, subject to the provisions of subsection (e) of
12 Section 2 and subsection (i) of this Section 18.

13 (h) The segregation of any Federal lease committed to this agree-
14 ment is governed by the following provisions in the fourth paragraph
15 of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of
16 September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore
17 or hereafter committed to any such (unit) plan embracing lands that
18 are in part within and in part outside of the area covered by any such
19 plan shall be segregated into separate leases as to the lands committed
20 and the lands not committed as of the effective date of unitization:
21 Provided, however, That any such lease as to the nonunitized portion
22 shall continue in force and effect for the term thereof but for not
23 less than two years from the date of such segregation and so long
24 thereafter as oil or gas is produced in paying quantities."

25 (i) Any lease embracing lands of the State of New Mexico having only
26 a portion of its lands committed hereto, shall be segregated as to the
27 portion committed and the portion not committed, and the provisions of
28 such lease shall apply separately to such segregated portions commencing
29 as of the effective date hereof; provided, however, notwithstanding any
30 of the provisions of this agreement to the contrary any lease embracing
31 lands of the State of New Mexico having only a portion of its lands
32 committed hereto shall continue in full force and effect beyond the term
33 provided therein as to all lands embraced in such lease, if oil or gas

1 is discovered and is capable of being produced in paying quantities
2 from some part of the lands embraced in such lease at the expiration
3 of the secondary term of such lease; or if, at the expiration of the
4 secondary term, the lessee or Unit Operator is then engaged in bona fide
5 drilling or reworking operations on some part of the lands embraced in
6 such lease, the same, as to all lands embraced therein, shall remain in
7 full force and effect so long as such operations are being diligently
8 prosecuted, and if they result in the production of oil or gas, said
9 lease shall continue in full force and effect as to all of the lands
10 embraced therein, so long thereafter as oil or gas in paying quantities
11 is being produced from any portion of said lands.

12 (j) Any lease, other than a Federal lease, having only a portion of its
13 lands committed hereto shall be segregated as to the portion committed
14 and the portion not committed, and the provisions of such lease shall
15 apply separately to such segregated portions commencing as of the effec-
16 tive date hereof. In the event any such lease provides for a lump sum
17 rental payment, such payment shall be prorated between the portions so
18 segregated in proportion to the acreage of the respective tracts.

19 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed
20 to be covenants running with the land with respect to the interest of the
21 parties hereto and their successors in interest until this agreement terminates,
22 and any grant, transfer, or conveyance of interest in land or leases subject
23 hereto shall be and hereby is conditioned upon the assumption of all privileges
24 and obligations hereunder by the grantee, transferee or other successor in
25 interest. No assignment or transfer of any working interest, royalty, or
26 other interest subject hereto shall be binding upon Unit Operator until the
27 first day of the calendar month after Unit Operator is furnished with the
28 original, photostatic, or certified copy of the instrument of transfer.

29 20. EFFECTIVE DATE AND TERM. This agreement shall become effective
30 upon approval by the Secretary and Commissioner, or their duly authorized
31 representatives and shall terminate five (5) years from said effective date
32 unless:

33 (a) such date of expiration is extended by the Director and Commissioner, or

1 (b) it is reasonably determined prior to the expiration of the fixed
2 term or any extension thereof that the unitized land is incapable of
3 production of unitized substances in paying quantities in the formations
4 tested hereunder and after notice of intention to terminate the agreement
5 on such ground is given by the Unit Operator to all parties in interest
6 at their last known addresses, the agreement is terminated with the ap-
7 proval of the Supervisor and the Commissioner, or

8 (c) a valuable discovery of unitized substances has been made or
9 accepted on unitized land during said initial term or any extension
10 thereof, in which event the agreement shall remain in effect for such
11 term and so long as unitized substances can be produced in quantities
12 sufficient to pay for the cost of producing same from wells on unitized
13 land within any participating area established hereunder and, should
14 production cease, so long thereafter as diligent operations are in pro-
15 gress for the restoration of production or discovery of new production
16 and so long thereafter as unitized substances so discovered can be pro-
17 duced as aforesaid, or

18 (d) it is terminated as heretofore provided in this agreement. This
19 agreement may be terminated at any time by not less than 75 per centum,
20 on an acreage basis, of the working interest owners signatory hereto,
21 with the approval of the Supervisor and Commissioner; notice of any such
22 approval to be given by the Unit Operator to all parties hereto.

23 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is
24 hereby vested with authority to alter or modify from time to time in his dis-
25 cretion the quantity and rate of production under this agreement when such
26 quantity and rate is not fixed pursuant to Federal or State law or does not
27 conform to any statewide voluntary conservation or allocation program, which
28 is established, recognized and generally adhered to by the majority of oper-
29 ators in such State, such authority being hereby limited to alteration or mod-
30 ification in the public interest, the purpose thereof and the public interest
31 to be served thereby to be stated in the order of alteration or modification.
32 Without regard to the foregoing, the Director is also hereby vested with
33 authority to alter or modify from time to time in his discretion the rate of

1 prospecting and development and the quantity and rate of production under
2 this agreement when such alteration or modification is in the interest of
3 attaining the conservation objectives stated in this agreement and is not
4 in violation of any applicable Federal or State law; provided, further, that
5 no such alteration or modification shall be effective as to any land of the
6 State of New Mexico, as to the rate of prospecting and developing in the
7 absence of the specific written approval thereof by the Commissioner and
8 as to any lands of the State of New Mexico or privately owned lands subject
9 to this agreement as to the quantity and rate of production in the absence
10 of specific written approval thereof by the Commission.

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

14 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the work-
15 ing interest owners nor any of them shall be subject to any forfeiture, termin-
16 ation or expiration of any rights hereunder or under any leases or contracts
17 subject hereto, or to any penalty or liability on account of delay or failure
18 in whole or in part to comply with any applicable provision thereof to the
19 extent that the Unit Operator, working interest owners or any of them are
20 hindered, delayed or prevented from complying therewith by reason of failure
21 of the Unit Operator to obtain in the exercise of due diligence, the concur-
22 rence of proper representatives of the United States and proper representatives
23 of the State of New Mexico in and about any matters or things concerning which
24 it is required herein that such concurrence be obtained. The parties hereto,
25 including the Commission, agree that all powers and authority vested in the
26 Commission in and by any provisions of this agreement are vested in the Com-
27 mission and shall be exercised by it pursuant to the provisions of the laws
28 of the State of New Mexico and subject in any case to appeal or judicial re-
29 view as may now or hereafter be provided by the laws of the State of New Mexico.

30 23. APPEARANCES. Unit Operator shall, after notice to other parties
31 affected, have the right to appear for and on behalf of any and all interests
32 affected hereby before the Department of the Interior, the Commissioner of
33 Public Lands of the State of New Mexico and the New Mexico Oil Conservation

1 Commission and to appeal from orders issued under the regulations of said
2 Department, the Commission or Commissioner or to apply for relief from any
3 of said regulations or in any proceedings relative to operations before the
4 Department of the Interior, the Commissioner, or Commission, or any other
5 legally constituted authority; provided, however, that any other interested
6 party shall also have the right at his own expense to be heard in any such
7 proceeding.

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

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

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

1 the suspension is no longer applicable. Determination of creditable
2 "Unavoidable Delay" time shall be made by the Unit Operator subject to
3 approval of the Supervisor and Commissioner.

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

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

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

25 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any sub-
26 stantial interest in a tract within the unit area fails or refuses to sub-
27 scribe or consent to this agreement, the owner of the working interest in
28 that tract may withdraw said tract from this agreement by written notice
29 delivered to the Supervisor and the Commissioner and the Unit Operator
30 prior to the approval of this agreement by the Supervisor and Commissioner.
31 Any oil or gas interests in lands within the unit area not committed hereto
32 prior to submission of this agreement for final approval may thereafter be
33 committed hereto by the owner or owners thereof subscribing or consenting

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

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

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

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

UNIT OPERATOR AND WORKING INTEREST OWNER

ATTEST:

HNG OIL COMPANY

BY: _____

W. F. Roden, President

DATE: _____

ADDRESS: P. O. Box 767
Midland, Texas 79701

WORKING INTEREST OWNERS

ATTEST: _____

BY: _____

DATE: _____

ADDRESS: _____

THE STATE OF TEXAS I

COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this ____ day
of _____, 1974, by W. F. RODEN, President of HNG OIL
COMPANY, on behalf of said corporation.

Notary Public in and for Midland County,
Texas

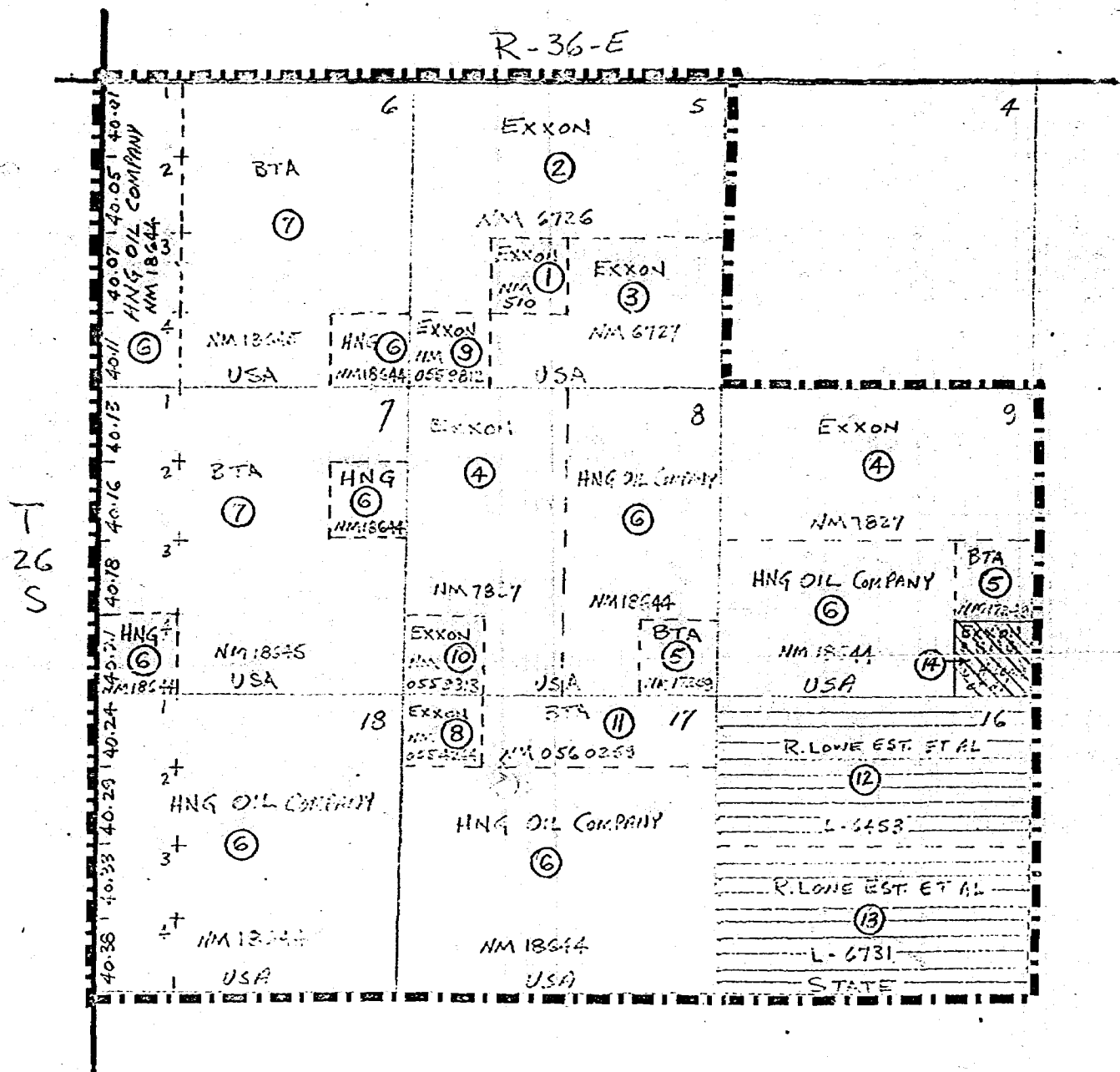
My Commission Expires:

June 1, 1975

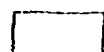
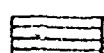

EXHIBIT "A"

DOGIE DRAW UNIT AREA

T-26-E, R-36-E
Lea County, New Mexico



	Acres	Percent
Federal Land	4,442.16	86.724
State Land	640.00	12.495
Patented Land	40.00	.781
	5,122.16	100.000

-  Federal Land
-  State Land
-  Patented Land

① Denotes tract number on Exhibit "B"

EXHIBIT "B"

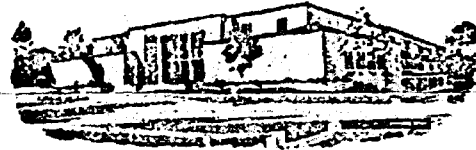
DOGIE DRAW UNIT AREA
T-26-S, R-36-E, N.M.P.M.
Lea County, New Mexico

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials)	BASIC ROYALTY OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1	Sec. 5: NE/4 SW/4	40.00	NM-510 9-30-76	USA All - 12.5	Exxon Company	Betty Heiskell: 3%	Exxon: All
2	Sec. 5: N/2 & NW/4 SW/4	360.00	NM-6726 6-30-78	USA All - 12.5	Exxon Company	Charlie Bussell, et ux, Mavis Bussell: 1% Central Southwest Oil Corporation: 4%	Exxon: All
3	Sec. 5: SE/4 SW/4 & SE/4	200.00	NM-6727 6-30-78	USA All - 12.5	Exxon Company	A. Tishman, et ux, Margaret W. Tishman: Production Payment of \$750/acre out of: 5%	Exxon: All
4	Sec. 8: NW/4, N/2 SW/4, SE/4 SW/4 Sec. 9: N/2	600.00	NM-7827 9-30-78	USA All - 12.5	Exxon Company	Federal Oil & Gas Leases, Inc.: 4.5% John R. Less: 0.01875% Tom B. Boston: 0.0125% D. Michael Dowdle: 0.0125% Harry B. Heutel: 0.00625%	Exxon: All
5	Sec. 8: SE/4 SE/4 Sec. 9: NE/4 SE/4	80.00	NM-17249 12-31-82	USA All - 12.5	BTA Oil Producers	T.M. Thomas, et ux, Josephine Thomas: Production Payment of \$750/acre out of: 5%	BTA - All
6	Sec. 6: Lots 1,2,3,4, SE/4 SE/4 Sec. 7: Lot 4, SE/4 NE/4 Sec. 8: NE/4, N/2 SE/4, SW/4 SE/4 Sec. 9: SW/4, W/2 SE/4 Sec. 17: S/2 N/2, S/2 Sec. 18: Lots 1,2,3,4, E/2 W/2, E/2	1,921.69	NM-18644 6-30-83	USA All - 12.5	HNG Oil Company	V.J. Wilson, et ux, Marilyn Wilson: 5%	HNG - All

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials)	BASIC ROYALTY OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
7	Sec. 6: NE/4, E/2 W/2, 1,000.47 Sec. 7: NE/4 SE/4, W/2 SE/4 Lots 1,2,3, NE/4 NE/4, W/2 E/2, E/2 W/2, E/2 SE/4		NM-18645 6-30-83	USA All - 12.5	BTA Oil Producers	R.E. Frasch, et ux, Constance J. Frasch: C.E. Strange, et ux, Sherrie R. Strange: 2.5%	BTA- All
8	Sec. 17: NW/4 NW/4	40.00	NM-0554264 6-30-74	USA All - 12.5	Exxon Company	Richard B. Carter: 5%	Exxon - All
9	Sec. 5: SW/4 SW/4	40.00	NM-0559812 4-30-76	USA All - 12.5	Exxon Company	Alfred D. Heeley, et ux, L. Jane Heeley: 3%	Exxon - All
10	Sec. 8: SW/4 SW/4	40.00	NM-0559813 4-30-76	USA All - 12.5	Exxon Company	Lucy M. English, et vir, Lawrence English: 10% of 5% Ernest A. Hanson, et ux, Beulah Irene Hanson: 90% of 5%	Exxon - All
11	Sec. 17: N/2 NE/4, NE/4 NW/4	120.00	NM-0560259 6-30-76	USA All - 12.5	BTA Oil Producers	Jack J. Grynberg, et ux, Celeste C. Grynberg: Albert Barnes Zink, et ux, Helen Zink: 3.125%	BTA - All
11 Federal Tracts containing 4,442.16 acres, or 86.724% of Unit Area							
12	Sec. 16: N/2	320.00	L-6453 8-1-81	State All - 12.5	1/2 - Mary Ralph Lowe Trust No. 3 1/2 - Estate of Ralph Lowe, Dec'd.	None	M. Ralph Lowe, Inc.: 50% Erma Lowe: 25% Est. Ralph Lowe: 25%

State of New Mexico

TELEPHONE
505-827-2748



Commissioner of Public Lands

February 28, 1974

ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO

Griffin, Ross & Burnett, Inc.
2102 Wilco Building
Midland, Texas 79701

Re: Proposed Dogie Draw Unit
Lea County, New Mexico

ATTENTION: Mr. Kenneth H. Griffin

Gentlemen:

In reply to your letter of February 20, 1974, in connection with the subject unit, we have no objection to the unit area as outlined in your Exhibit "A".

Approval of the proposed unit will be conditioned on receipt of a unit agreement which will meet all requirements and also that will be acceptable by the United States Geological Survey and the Oil Conservation Commission.

On submitting your Exhibits "A" and "B" please show the Assignment Number right after the Lease No. (L-6453-1 and L-6731-1).

Very truly yours,

Ray D. Graham
RAY D. GRAHAM, Director
Oil and Gas Department

AJA/RDG/s

BEFORE EXAMINER STAMETS OIL CONSERVATION COMMISSION	
EXHIBIT NO.	<u>2</u>
CASE NO.	<u>5179</u>
Submitted by	<u>HNG</u>
Hearing Date	<u>3-13-74</u>



IN REPLY REFER TO:

United States Department of the Interior

GEOLOGICAL SURVEY
Denver Federal Center
Denver, Colorado 80225

RECEIVED
MAR 8 1974
LAND DEPARTMENT

MAR 05 1974

HNG Oil Company
P.O. Box 767
Midland, Texas 79701

#2273

Gentlemen:

Your application of February 18, filed with the Area Oil and Gas Supervisor, Roswell, New Mexico, on February 21, requests the designation of the Dogie Draw unit area embracing 5,122.16 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations of December 20, 1950, 30 CFR 226.3, (1968 reprint), the land requested as outlined on your plat marked "Exhibit A, Dogie Draw Unit Area, Lea County, New Mexico," is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for the drilling of the initial exploratory well to test the Ellenburger or to a depth of 20,800 feet. As proposed by your application, the form of agreement for unproved areas (1968 reprint) should be used and modified to apply to both Federal and State of New Mexico lands.

In the absence of any other type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical to the 1968 reprint, modified only as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of operations in the unit area.

Please include the latest status of all acreage when the executed agreement is transmitted to the Supervisor for approval. The format of the sample exhibits attached to the 1968 reprint of the standard form should be followed closely in the preparation of exhibits A and B.

Inasmuch as this area contains State of New Mexico lands, we are sending a copy of this letter to the Commissioner of Public Lands

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	3
CASE NO.	5179
Submitted by	HNG
Hearing Date	3-13-74

at Santa Fe, and we ask that you contact the Commissioner before
soliciting joinders.

Sincerely yours,

George N. Horn

Conservation Manager, Central Region
For the Director

UNIT AGREEMENT
DOGLE DRAW UNIT AREA
LEA COUNTY, NEW MEXICO

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

EXHIBIT NO. 1
CASE NO. 5179
Submitted by HNG
Hearing Date 3-13-74

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
DOGIE DRAW UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

NO. _____

THIS AGREEMENT entered into as of the 1st day of March,
1974, by and between the parties subscribing, ratifying or consenting hereto,
and herein referred to as the "parties hereto".

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty, or
other oil and gas interests in the unit area subject to this agreement; and

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico
is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953
Annotated) to consent to or approve this agreement on behalf of the State
of New Mexico, insofar as it covers and includes lands and mineral interests
of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is
authorized by an Act of the Legislature (Article 3, Chapter 65, Voi. 9,
Part 2, 1953 Statutes) to approve this agreement and the conservation provisions
hereof; and

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

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

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

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

19 2. UNIT AREA. The area specified on the map attached hereto marked
20 Exhibit "A" is hereby designated and recognized as constituting the unit area,
21 containing 5,122.16 acres, more or less.

22 Exhibit "A" shows, in addition to the boundary of the unit area, the
23 boundaries and identity of tracts and leases in said area to the extent known
24 to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to
25 the extent known to the Unit Operator the acreage, percentage, and kind of
26 ownership of oil and gas interests in all land in the unit area. However,
27 nothing herein or in said schedule or map shall be construed as a representa-
28 tion by any party hereto as to the ownership of any interest other than such
29 interest or interests as are shown in said map or schedule as owned by such
30 party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever
31 changes in the unit area render such revision necessary, or when requested
32 by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or
33 when requested by the Commissioner of Public Lands of the State of New Mexico,

1 hereinafter referred to as "Commissioner", and not less than five copies
2 of the revised exhibits shall be filed with the Supervisor, and two copies
3 thereof shall be filed with the Commissioner, and one copy with the New
4 Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

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

10 (a) Unit Operator, on its own motion or on demand of the Director
11 of the Geological Survey, hereinafter referred to as "Director", or on de-
12 mand of the Commissioner, after preliminary concurrence by the Director
13 and the Commissioner, shall prepare a notice of proposed expansion or con-
14 traction describing the contemplated changes in the boundaries of the unit
15 area, the reasons therefor, and the proposed effective date thereof, pre-
16 ferably the first day of a month subsequent to the date of notice.

17 (b) Said notice shall be delivered to the Supervisor, the Commissioner
18 and the Commission and copies thereof mailed to the last known address of
19 each working interest owner, lessee, and lessor whose interests are affected,
20 advising that 30 days will be allowed for submission to the Unit Operator of
21 any objections.

22 (c) Upon expiration of the 30-day period provided in the preceding
23 item (b) hereof, Unit Operator shall file with the Supervisor, the Commis-
24 sioner and the Commission evidence of mailing of the notice of expansion
25 or contraction and a copy of any objections thereto which have been filed
26 with the Unit Operator, together with an application in sufficient number,
27 for approval of such expansion or contraction and with appropriate joinders.

28 (d) After due consideration of all pertinent information, the expansion
29 or contraction shall, upon approval by the Supervisor, the Commissioner and
30 the Commission, become effective as of the date prescribed in the notice
31 thereof.

32 (e) All legal subdivisions of lands (i.e., 40 acres by Government
33 survey or its nearest lot or tract equivalent; in instances of irregular

1 surveys unusually large lots or tracts shall be considered in multiples
2 of 40 acres or the nearest aliquot equivalent thereof), no parts of which
3 are entitled to be in a participating area on or before the fifth anniver-
4 sary of the effective date of the first initial participating area estab-
5 lished under this unit agreement, shall be eliminated automatically from
6 this agreement, effective as of said fifth anniversary, and such lands shall
7 no longer be a part of the unit area and shall no longer be subject to this
8 agreement, unless diligent drilling operations are in progress on unitized
9 lands not entitled to participation on said fifth anniversary, in which event
10 all such lands shall remain subject hereto so long as such drilling opera-
11 tions are continued diligently with not more than 90 days' time elapsing
12 between the completion of one well and the commencement of the next well.
13 All legal subdivisions of lands not entitled to be in a participating area
14 within 10 years after the effective date of the first initial participating
15 area approved under this agreement shall be automatically eliminated from
16 this agreement as of said tenth anniversary. All lands proved productive
17 by diligent drilling operations after the aforesaid 5-year period shall
18 become participating in the same manner as during said 5-year period. How-
19 ever, when such diligent drilling operations cease, all nonparticipating
20 lands shall be automatically eliminated effective as of the 91st day there-
21 after. The Unit Operator shall, within 90 days after the effective date of
22 any elimination hereunder, describe the area so eliminated to the satisfac-
23 tion of the Supervisor and the Commissioner, and promptly notify all parties
24 in interest.

25 If conditions warrant extension of the 10-year period specified in
26 this subsection 2(e), a single extension of not to exceed 2 years may be
27 accomplished by consent of the owners of 90% of the working interests in the
28 current nonparticipating unitized lands and the owners of 60% of the basic
29 royalty interests (exclusive of the basic royalty interests of the United
30 States) in nonparticipating unitized lands with approval of the Director and
31 Commissioner, provided such extension application is submitted to the Director
32 and Commissioner not later than 60 days prior to the expiration of said ten-year
33 period.

1 Any expansion of the unit area pursuant to this section which embraces
2 lands theretofore eliminated pursuant to this subsection 2(a) shall not be
3 considered automatic commitment or recommitment of such lands.

4 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this
5 agreement shall constitute land referred to herein as "unitized land" or
6 "land subject to this agreement". All oil and gas in any and all formations
7 of the unitized land are unitized under the terms of this agreement and herein
8 are called "unitized substances".

9 4. UNIT OPERATOR. HNG Oil Company is hereby designated as Unit
10 Operator and by signature hereto as Unit Operator agrees and consents to
11 accept the duties and obligations of Unit Operator for the discovery,
12 development and production of unitized substances as herein provided. When-
13 ever reference is made herein to the Unit Operator, such reference means
14 the Unit Operator acting in that capacity and not as an owner of interest
15 in unitized substances, and the term "working interest owner" when used
16 herein shall include or refer to Unit Operator as the owner of a working
17 interest when such an interest is owned by it.

18 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall
19 have the right to resign at any time prior to the establishment of a
20 participating area or areas hereunder, but such resignation shall not
21 become effective so as to release Unit Operator from the duties and obliga-
22 tions of Unit Operator and terminate Unit Operator's rights as such for a
23 period of 6 months after notice of intention to resign has been served by
24 Unit Operator on all working interest owners and the Supervisor, the
25 Commissioner and the Commission, and until all wells then drilled here-
26 under are placed in a satisfactory condition for suspension or abandonment
27 whichever is required by the Supervisor as to Federal lands and by the Com-
28 missioner as to State and privately owned lands, unless a new Unit Operator
29 shall have been selected and approved and shall have taken over and assumed
30 the duties and obligations of Unit Operator prior to the expiration of said
31 period.

32 Unit Operator shall have the right to resign in like manner and subject
33 to like limitations as above provided at any time a participating area

1 established hereunder is in existence, but, in all instances of resignation
2 or removal, until a successor Unit Operator is selected and approved as
3 hereinafter provided, the working interest owners shall be jointly responsi-
4 ble for performance of the duties of Unit Operator, and shall, not later
5 than 30 days before such resignation or removal becomes effective, appoint
6 a common agent to represent them in any action to be taken hereunder.

7 The resignation of Unit Operator shall not release Unit Operator from
8 any liability for any default by it hereunder occurring prior to the effec-
9 tive date of its resignation.

10 The Unit Operator may, upon default or failure in the performance of
11 its duties or obligations hereunder, be subject to removal by the same
12 percentage vote of the owners of working interests as herein provided for
13 the selection of a new Unit Operator. Such removal shall be effective
14 upon notice thereof to the Supervisor and the Commissioner.

15 The resignation or removal of Unit Operator under this agreement shall
16 not terminate its right, title or interest as the owner of a working inter-
17 est or other interest in unitized substances, but upon the resignation or
18 removal of Unit Operator becoming effective, such Unit Operator shall
19 deliver possession of all wells, equipment, materials and appurtenances used
20 in conducting the unit operations to the new duly qualified successor Unit
21 Operator or to the common agent, if no such new Unit Operator is elected,
22 to be used for the purpose of conducting unit operations hereunder. Nothing
23 herein shall be construed as authorizing removal of any material, equipment
24 and appurtenances needed for the preservation of any wells.

25 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender
26 his or its resignation as Unit Operator or shall be removed as hereinabove
27 provided, or a change of Unit Operator is negotiated by working interest
28 owners, the owners of the working interests in the participating area or
29 areas according to their respective acreage interests in such participating
30 area or areas, or, until a participating area shall have been established,
31 the owners of the working interests according to their respective acreage
32 interests in all unitized land, shall by majority vote select a successor
33 Unit Operator: Provided, That, if a majority but less than 75 per cent of

1 the working interests qualified to vote are owned by one party to this
2 agreement, a concurring vote of one or more additional working interest
3 owners shall be required to select a new operator. Such selection shall
4 not become effective until

5 (a) a Unit Operator so selected shall accept in writing the duties
6 and responsibilities of Unit Operator, and

7 (b) the selection shall have been approved by the Supervisor and
8 the Commissioner.

9 If no successor Unit Operator is selected and qualified as herein
10 provided, the Director and Commissioner at their election may declare
11 this unit agreement terminated.

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

1 the Supervisor and two true copies with the Commissioner and one true copy
2 with the Commission, prior to approval of this unit agreement.

3 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise
4 specifically provided herein, the exclusive right, privilege, and duty of
5 exercising any and all rights of the parties hereto which are necessary
6 or convenient for prospecting for, producing, storing, allocating, and
7 distributing the unitized substances are hereby delegated to and shall be
8 exercised by the Unit Operator as herein provided. Acceptable evidence of
9 title to said rights shall be deposited with said Unit Operator and, together
10 with this agreement, shall constitute and define the rights, privileges, and
11 obligations of Unit Operator. Nothing herein, however, shall be construed
12 to transfer title to any land or to any lease or operating agreement, it
13 being understood that under this agreement the Unit Operator, in its capacity
14 as Unit Operator, shall exercise the rights of possession and use vested in
15 the parties hereto only for the purposes herein specified.

16 9. DRILLING TO DISCOVERY. Within 6 months after the effective date
17 hereof, the Unit Operator shall begin to drill an adequate test well at a
18 location approved by the Supervisor, if on Federal land, or by the Commissioner
19 if on State land, or by the Commission if on fee land, unless on such effective
20 date a well is being drilled conformably with the terms hereof, and thereafter
21 continue such drilling diligently until the Ellenburger formation has been tested
22 or until at a lesser depth unitized substances shall be discovered which can
23 be produced in paying quantities (to-wit: quantities sufficient to repay the
24 costs of drilling, completing, and producing operations, with a reasonable
25 profit) or the Unit Operator shall at any time establish to the satisfaction
26 of the Supervisor if located on Federal lands, or the Commissioner if located
27 on State lands, or the Commission if located on fee lands, that further drill-
28 ing of said well would be unwarranted or impracticable, provided, however,
29 that Unit Operator shall not in any event be required to drill said well to
30 a depth in excess of 20,800 feet. Until the discovery of a deposit of unitized
31 substances capable of being produced in paying quantities, the Unit Operator
32 shall continue drilling one well at a time, allowing not more than 6 months
33 between the completion of one well and the beginning of the next well, until

1 a well capable of producing unitized substances in paying quantities
2 is completed to the satisfaction of said Supervisor if on federal land,
3 or the Commissioner if on State land, or the Commission if on fee land,
4 or until it is reasonable proved that the unitized land is incapable of
5 producing unitized substances in paying quantities in the formations drilled
6 hereunder. Nothing in this section shall be deemed to limit the right of
7 the Unit Operator to resign as provided in Section 5 hereof, or as requir-
8 ing Unit Operator to commence or continue any drilling during the period
9 pending such resignation becoming effective in order to comply with the
10 requirements of this section. The Supervisor and Commissioner may modify
11 the drilling requirements of this section by granting reasonable extensions
12 of time when, in their opinion, such action is warranted. Upon failure
13 to commence any well provided for in this section within the time allowed,
14 including any extension of time granted by the Supervisor and the Com-
15 missioner, this agreement will automatically terminate; upon failure to
16 continue drilling diligently any well commenced hereunder, the Supervisor
17 and Commissioner may, after 15 days notice to the Unit Operator, declare
18 this unit agreement terminated.

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

30 Any plan submitted pursuant to this section shall provide for the
31 exploration of the unitized area and for the diligent drilling necessary
32 for determination of the area or areas thereof capable of producing unitized
33 substances in paying quantities in each and every productive formation and

1 shall be as complete and adequate as the Supervisor, the Commissioner
2 and Commission may determine to be necessary for timely development and
3 proper conservation of the oil and gas resources of the unitized area
4 and shall:

5 (a) specify the number and locations of any wells to be drilled and
6 the proposed order and time for such drilling; and

7 (b) to the extent practicable, specify the operating practices regarded
8 as necessary and advisable for proper conservation of natural
9 resources.

10 Separate plans may be submitted for separate productive zones, subject to
11 the approval of the Supervisor, the Commissioner and the Commission.

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

25 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable
26 of producing unitized substances in paying quantities or as soon thereafter
27 as required by the Supervisor and Commissioner, the Unit Operator shall sub-
28 mit for approval by the Supervisor and Commissioner a schedule, based on
29 subdivisions of the public land survey or aliquot parts thereof, of all land
30 then regarded as reasonably proved to be productive in paying quantities;
31 all lands in said schedule on approval of the Supervisor and Commissioner to
32 constitute a participating area, effective as of the date of completion of
33 such well or the effective date of this unit agreement, whichever is later.

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

30 It is the intent of this section that a participating area shall repre-
31 sent the area known or reasonably estimated to be productive in paying quanti-
32 ties, but, regardless of any revision of the participating area, nothing herein
33 contained shall be construed as requiring any retroactive adjustment for

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

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

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

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

1 of unitized land of the participating area established for such production
2 and, for the purpose of determining any benefits accruing under this agree-
3 ment, each such tract of unitized land shall have allocated to it such por-
4 contage of said production as the number of acres of such tract included
5 in said participating area bears to the total acres of unitized land in
6 said participating area, except that allocation of production hereunder for
7 purposes other than for settlement of the royalty, overriding royalty, or
8 payment out of production obligations of the respective working interest
9 owners, shall be on the basis prescribed in the unit operating agreement
10 whether in conformity with the basis of allocation herein set forth or other-
11 wise. It is hereby agreed that production of unitized substances from a
12 participating area shall be allocated as provided herein regardless of
13 whether any wells are drilled on any particular part or tract of said part-
14 icipating area. If any gas produced from one participating area is used for
15 repressuring 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 and
19 such gas shall be allocated to the participating area from which initially
20 produced as such area was last defined at the time of such final production.

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

33 If any well drilled as aforesaid by a working interest owner results

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

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

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

27 If gas obtained from lands not subject to this agreement is introduced
28 into any participating area hereunder, for use in repressuring, stimulation
29 of production, or increasing ultimate recovery, in conformity with a plan of
30 operations approved by the Supervisor, the Commissioner, and Commission, a
31 like amount of gas, after settlement as herein provided for any gas transferred
32 from any other participating area and with appropriate deduction for loss from
33 any cause, may be withdrawn from the formation in which the gas is introduced,

1 royalty free as to dry gas, but not as to any products which may be extracted
2 therefrom; provided that such withdrawal shall be at such time as may be
3 provided in the approved plan of operations or as may otherwise be consented
4 to by the Supervisor, the Commissioner and Commission as conforming to good
5 petroleum engineering practice; and provided further, that such right of
6 withdrawal shall terminate on the termination of this unit agreement.

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

16 Royalty due on account of State lands shall be computed and paid on the
17 basis of all unitized substances allocated to such lands.

18 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases com-
19 mitted hereto shall be paid by working interest owners responsible therefor
20 under existing contracts, laws and regulations, provided that nothing herein
21 contained shall operate to relieve the lessees of any land from their respec-
22 tive lease obligations for the payment of any rental or minimum royalty due
23 under their leases. Rental or minimum royalty for lands of the United States
24 subject to this agreement shall be paid at the rate specified in the respective
25 leases from the United States unless such rental or minimum royalty is waived,
26 suspended or reduced by law or by approval of the Secretary or his duly auth-
27 orized representative.

28 Rentals on State of New Mexico lands subject to this agreement shall be
29 paid at the rates specified in the respective leases.

30 With respect to any lease on non-Federal land containing provisions which
31 would terminate such lease unless drilling operations are commenced upon the
32 land covered thereby within the time therein specified or rentals are paid for
33 the privilege of deferring such drilling operations, the rentals required

1 thereby shall, notwithstanding any other provisions of this agreement; be
2 deemed to accrue and become payable during the term thereof as extended by
3 this agreement and until the required drilling operations are commenced
4 upon the land covered thereby or until some portion of such land is included
5 within a participating area.

6 16. CONSERVATION. Operations hereunder and production of unitized
7 substances shall be conducted to provide for the most economical and effi-
8 cient recovery of said substances without waste, as defined by or pursuant
9 to State or Federal laws or regulations.

10 17. DRAINAGE. The Unit Operator shall take such measures as the
11 Supervisor and Commissioner deem appropriate and adequate to prevent drain-
12 age of unitized substances from unitized land by wells on land not subject
13 to this agreement.

14 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions
15 and provisions of all leases, subleases and other contracts relating to ex-
16 ploration, drilling, development or operations for oil or gas on lands com-
17 mitted to this agreement are hereby expressly modified and amended to the
18 extent necessary to make the same conform to the provisions hereof, but
19 otherwise to remain in full force and effect; and the parties hereto hereby
20 consent that the Secretary as to Federal leases and the Commissioner as to
21 State leases shall and each by his approval hereof, or by the approval hereof
22 by their duly authorized representatives, do hereby establish, alter, change
23 or revoke the drilling, producing, rental, minimum royalty and royalty re-
24 quirements of Federal and State leases committed hereto and the regulations
25 in respect thereto to conform said requirements to the provisions of this
26 agreement, and, without limiting the generality of the foregoing, all leases,
27 subleases, and contracts are particularly modified in accordance with the
28 following:

29 (a) The development and operation of lands subject to this agreement
30 under the terms hereof shall be deemed full performance of all obligations
31 for development and operation with respect to each and every separately
32 owned tract subject to this agreement, regardless of whether there is
33 any development of any particular tract of the unit area.

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

6 (c) Suspension of drilling or producing operations on all unitized
7 lands pursuant to direction or consent of the Secretary and Commissioner
8 or their duly authorized representatives shall be deemed to constitute
9 such suspension pursuant to such direction or consent as to each and every
10 tract of unitized land. A suspension of drilling or producing operations
11 limited to specified lands shall be applicable only to such lands.

12 (d) Each lease, sublease or contract relating to the exploration, drill-
13 ing, development or operation for oil or gas of lands other than those
14 of the United States or State of New Mexico committed to this agreement,
15 which, by its terms might expire prior to the termination of this agree-
16 ment, is hereby extended beyond any such term so provided therein so
17 that it shall be continued in full force and effect for and during
18 the term of this agreement.

19 (e) Any Federal lease for a fixed term of twenty (20) years or any
20 renewal thereof or any part of such lease which is made subject to
21 this agreement shall continue in force beyond the term provided therein
22 until the termination hereof. Any other Federal lease committed hereto
23 shall continue in force beyond the term so provided therein or by law
24 as to the land committed so long as such lease remains subject hereto,
25 provided that production is had in paying quantities under this unit
26 agreement prior to the expiration date of the term of such lease, or in
27 the event actual drilling operations are commenced on unitized lands,
28 in accordance with the provisions of this agreement, prior to the end
29 of the primary term of such lease and are being diligently prosecuted
30 at that time, such lease shall be extended for two years and so long
31 thereafter as oil or gas is produced in paying quantities in accordance
32 with the provisions of the Mineral Leasing Act Revision of 1960.

33 (f) Each sublease or contract relating to the operation and development

1 of unitized substances from lands of the United States committed
2 to this agreement, which by its terms would expire prior to the
3 time at which the underlying lease, as extended by the immediately
4 preceding paragraph, will expire, is hereby extended beyond any such
5 term so provided therein so that it shall be continued in full force
6 and effect for and during the term of the underlying lease as such
7 term is herein extended.

8 (g) Any lease embracing lands of the State of New Mexico which is
9 made subject to this agreement, shall continue in force beyond the
10 term provided therein as to the lands committed hereto until the
11 termination hereof, subject to the provisions of subsection (e) of
12 Section 2 and subsection (i) of this Section 18.

13 (h) The segregation of any Federal lease committed to this agree-
14 ment is governed by the following provisions in the fourth paragraph
15 of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of
16 September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore
17 or hereafter committed to any such (unit) plan embracing lands that
18 are in part within and in part outside of the area covered by any such
19 plan shall be segregated into separate leases as to the lands committed
20 and the lands not committed as of the effective date of unitization:
21 Provided, however, That any such lease as to the nonunitized portion
22 shall continue in force and effect for the term thereof but for not
23 less than two years from the date of such segregation and so long
24 thereafter as oil or gas is produced in paying quantities."

25 (i) Any lease embracing lands of the State of New Mexico having only
26 a portion of its lands committed hereto, shall be segregated as to the
27 portion committed and the portion not committed, and the provisions of
28 such lease shall apply separately to such segregated portions commencing
29 as of the effective date hereof; provided, however, notwithstanding any
30 of the provisions of this agreement to the contrary any lease embracing
31 lands of the State of New Mexico having only a portion of its lands
32 committed hereto shall continue in full force and effect beyond the term
33 provided therein as to all lands embraced in such lease, if oil or gas

1 is discovered and is capable of being produced in paying quantities
2 from some part of the lands embraced in such lease at the expiration
3 of the secondary term of such lease; or if, at the expiration of the
4 secondary term, the lessee or Unit Operator is then engaged in bona fide
5 drilling or reworking operations on some part of the lands embraced in
6 such lease, the same, as to all lands embraced therein, shall remain in
7 full force and effect so long as such operations are being diligently
8 prosecuted, and if they result in the production of oil or gas, said
9 lease shall continue in full force and effect as to all of the lands
10 embraced therein, so long thereafter as oil or gas in paying quantities
11 is being produced from any portion of said lands.

12 (j) Any lease, other than a Federal lease, having only a portion of its
13 lands committed hereto shall be segregated as to the portion committed
14 and the portion not committed, and the provisions of such lease shall
15 apply separately to such segregated portions commencing as of the effec-
16 tive date hereof. In the event any such lease provides for a lump sum
17 rental payment, such payment shall be prorated between the portions so
18 segregated in proportion to the acreage of the respective tracts.

19 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed
20 to be covenants running with the land with respect to the interest of the
21 parties hereto and their successors in interest until this agreement terminates,
22 and any grant, transfer, or conveyance of interest in land or leases subject
23 hereto shall be and hereby is conditioned upon the assumption of all privileges
24 and obligations hereunder by the grantee, transferee or other successor in
25 interest. No assignment or transfer of any working interest, royalty, or
26 other interest subject hereto shall be binding upon Unit Operator until the
27 first day of the calendar month after Unit Operator is furnished with the
28 original, photostatic, or certified copy of the instrument of transfer.

29 20. EFFECTIVE DATE AND TERM. This agreement shall become effective
30 upon approval by the Secretary and Commissioner, or their duly authorized
31 representatives and shall terminate five (5) years from said effective date
32 unless:

33 (a) such date of expiration is extended by the Director and Commissioner, or

1 (b) it is reasonably determined prior to the expiration of the fixed
2 term or any extension thereof that the unitized land is incapable of
3 production of unitized substances in paying quantities in the formations
4 tested hereunder and after notice of intention to terminate the agreement
5 on such ground is given by the Unit Operator to all parties in interest
6 at their last known addresses, the agreement is terminated with the ap-
7 proval of the Supervisor and the Commissioner, or

8 (c) a valuable discovery of unitized substances has been made or
9 accepted on unitized land during said initial term or any extension
10 thereof, in which event the agreement shall remain in effect for such
11 term and so long as unitized substances can be produced in quantities
12 sufficient to pay for the cost of producing same from wells on unitized
13 land within any participating area established hereunder and, should
14 production cease, so long thereafter as diligent operations are in pro-
15 gress for the restoration of production or discovery of new production
16 and so long thereafter as unitized substances so discovered can be pro-
17 duced as aforesaid, or

18 (d) it is terminated as heretofore provided in this agreement. This
19 agreement may be terminated at any time by not less than 75 per centum,
20 on an acreage basis, of the working interest owners signatory hereto,
21 with the approval of the Supervisor and Commissioner; notice of any such
22 approval to be given by the Unit Operator to all parties hereto.

23 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is
24 hereby vested with authority to alter or modify from time to time in his dis-
25 cretion the quantity and rate of production under this agreement when such
26 quantity and rate is not fixed pursuant to Federal or State law or does not
27 conform to any statewide voluntary conservation or allocation program, which
28 is established, recognized and generally adhered to by the majority of oper-
29 ators in such State, such authority being hereby limited to alteration or mod-
30 ification in the public interest, the purpose thereof and the public interest
31 to be served thereby to be stated in the order of alteration or modification.
32 Without regard to the foregoing, the Director is also hereby vested with
33 authority to alter or modify from time to time in his discretion the rate of

1 prospecting and development and the quantity and rate of production under
2 this agreement when such alteration or modification is in the interest of
3 attaining the conservation objectives stated in this agreement and is not
4 in violation of any applicable Federal or State law; provided, further, that
5 no such alteration or modification shall be effective as to any land of the
6 State of New Mexico, as to the rate of prospecting and developing in the
7 absence of the specific written approval thereof by the Commissioner and
8 as to any lands of the State of New Mexico or privately owned lands subject
9 to this agreement as to the quantity and rate of production in the absence
10 of specific written approval thereof by the Commission.

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

14 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the work-
15 ing interest owners nor any of them shall be subject to any forfeiture, termin-
16 ation or expiration of any rights hereunder or under any leases or contracts
17 subject hereto, or to any penalty or liability on account of delay or failure
18 in whole or in part to comply with any applicable provision thereof to the
19 extent that the Unit Operator, working interest owners or any of them are
20 hindered, delayed or prevented from complying therewith by reason of failure
21 of the Unit Operator to obtain in the exercise of due diligence, the concur-
22 rence of proper representatives of the United States and proper representatives
23 of the State of New Mexico in and about any matters or things concerning which
24 it is required herein that such concurrence be obtained. The parties hereto,
25 including the Commission, agree that all powers and authority vested in the
26 Commission in and by any provisions of this agreement are vested in the Com-
27 mission and shall be exercised by it pursuant to the provisions of the laws
28 of the State of New Mexico and subject in any case to appeal or judicial re-
29 view as may now or hereafter be provided by the laws of the State of New Mexico.

30 23. APPEARANCES. Unit Operator shall, after notice to other parties
31 affected, have the right to appear for and on behalf of any and all interests
32 affected hereby before the Department of the Interior, the Commissioner of
33 Public Lands of the State of New Mexico and the New Mexico Oil Conservation

1 Commission and to appeal from orders issued under the regulations of said
2 Department, the Commission or Commissioner or to apply for relief from any
3 of said regulations or in any proceedings relative to operations before the
4 Department of the Interior, the Commissioner, or Commission, or any other
5 legally constituted authority; provided, however, that any other interested
6 party shall also have the right at his own expense to be heard in any such
7 proceeding.

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

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

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

1 the suspension is no longer applicable. Determination of creditable
2 "Unavoidable Delay" time shall be made by the Unit Operator subject to
3 approval of the Supervisor and Commissioner.

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

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

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

25 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any sub-
26 stantial interest in a tract within the unit area fails or refuses to sub-
27 scribe or consent to this agreement, the owner of the working interest in
28 that tract may withdraw said tract from this agreement by written notice
29 delivered to the Supervisor and the Commissioner and the Unit Operator
30 prior to the approval of this agreement by the Supervisor and Commissioner.
31 Any oil or gas interests in lands within the unit area not committed hereto
32 prior to submission of this agreement for final approval may thereafter be
33 committed hereto by the owner or owners thereof subscribing or consenting

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

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

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

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

UNIT OPERATOR AND WORKING INTEREST OWNER

ATTEST: _____

_____ ING OIL COMPANY

BY: _____

W. F. Roden, President

DATE: _____

ADDRESS: P. O. Box 767
Midland, Texas 79701

WORKING INTEREST OWNERS

ATTEST: _____

BY: _____

DATE: _____

ADDRESS: _____

THE STATE OF TEXAS I

COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this ____ day
of _____, 1974, by W. F. RODEN, President of HNG OIL
COMPANY, on behalf of said corporation.

Notary Public in and for Midland County,
Texas

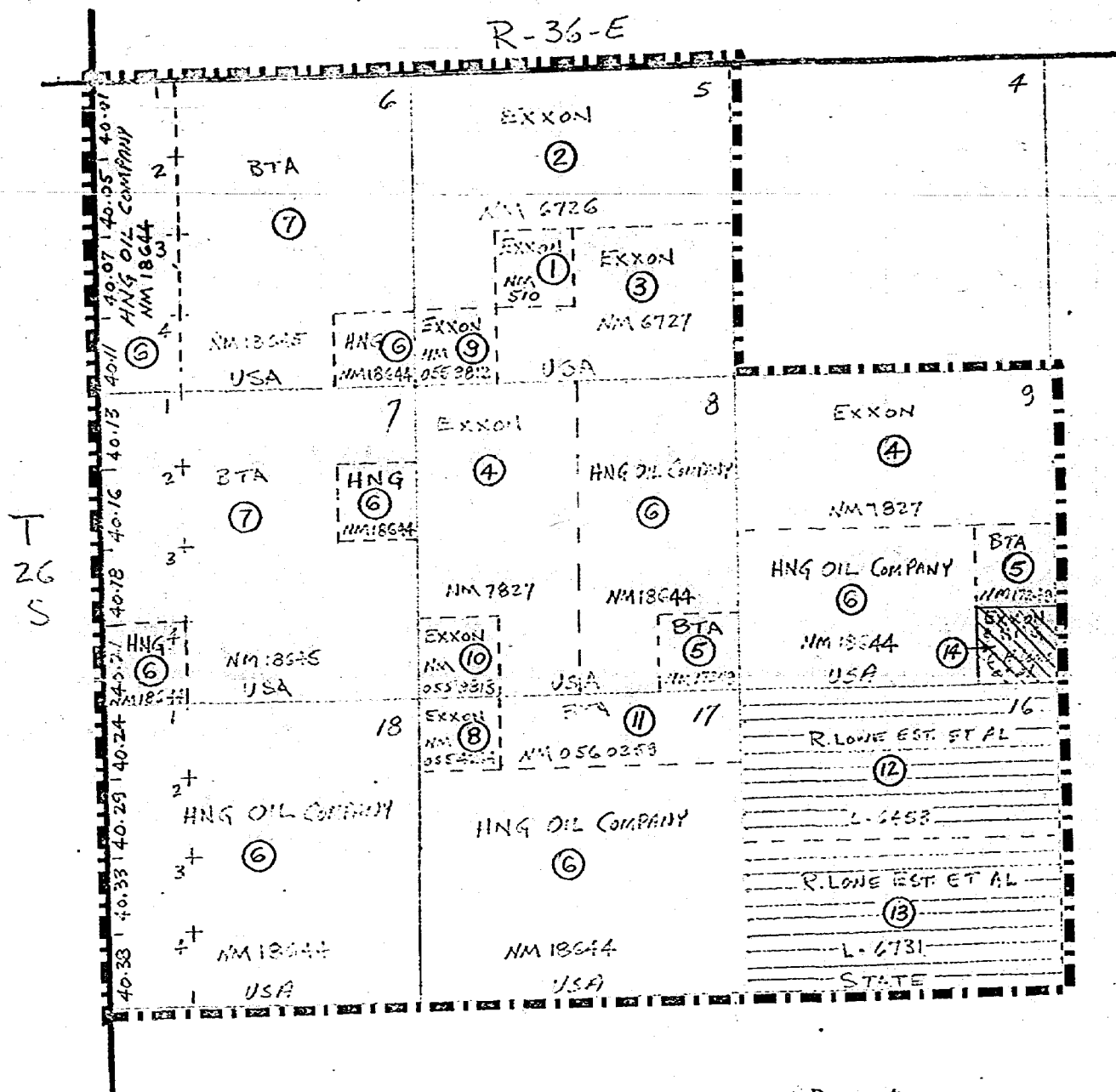
My Commission Expires:

June 1, 1975


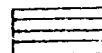

EXHIBIT "A"

DOGIE DRAW UNIT AREA

T-26-E, R-36-E
Lea County, New Mexico



	Acres	Percent
Federal Land	4,442.16	86.724
State Land	640.00	12.495
Patented Land	40.00	.781
	5,122.16	100.000

-  Federal Land
-  State Land
-  Patented Land

① Denotes tract number on Exhibit "B"

EXHIBIT "B"

DOGIE DRAW UNIT AREA
T-26-S, R-36-E, N.M.P.M.
Lea County, New Mexico

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials)	BASIC ROYALTY OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1	Sec. 5: NE/4 SW/4	40.00	NM-510 9-30-76	USA All - 12.5	Exxon Company	Betty Heiskell: 3%	Exxon: All
2	Sec. 5: N/2 & NW/4 SW/4	360.00	NM-6726 6-30-78	USA All - 12.5	Exxon Company	Charlie Bussell, et ux, Mavis Bussell: 1% Central Southwest Oil Corporation: 4%	Exxon: All
3	Sec. 5: SE/4 SW/4 & SE/4	200.00	NM-6727 6-30-78	USA All - 12.5	Exxon Company	A. Tishman, et ux, Margaret W. Tishman: Production Payment of \$750/acre out of 5%	Exxon: All
4	Sec. 8: NW/4, N/2 SW/4, SE/4 SW/4 Sec. 9: N/2	600.00	NM-7827 9-30-78	USA All - 12.5	Exxon Company	Federal Oil & Gas Leases, Inc.: 4.5% John R. Less: 0.01875% Tom B. Boston: 0.0125% D. Michael Dowdie: 0.0125% Harry B. Heutel: 0.00625%	Exxon: All
5	Sec. 8: SE/4 SE/4 Sec. 9: NE/4 SE/4	80.00	NM-17249 12-31-82	USA All - 12.5	BTA Oil Producers	T.M. Thomas, et ux, Josephine Thomas: Production Payment of \$750/acre out of 5%	BTA - All
6	Sec. 6: Lots 1,2,3,4, SE/4 SE/4 Sec. 7: Lot 4, SE/4 NE/4 Sec. 8: NE/4, N/2 SE/4, SW/4 SE/4 Sec. 9: SW/4, W/2 SE/4 Sec. 17: S/2 N/2, S/2 Sec. 18: Lots 1,2,3,4, E/2 W/2, E/2	1,921.69	NM-18644 6-30-83	USA All - 12.5	HNG Oil Company	V.J. Wilson, et ux, Marilyn Wilson: 5%	HNG - All

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials)	BASIC ROYALTY OWNERSHIP PERCENTAGE		LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE		WORKING INTEREST AND PERCENTAGE	
7	Sec. 6: NE/4, E/2 W/2, 1,000.47 NE/4 SE/4, W/2 SE/4 Sec. 7: Lots 1,2,3, NE/4 NE/4, W/2 E/2, E/2 W/2, E/2 SE/4		NM-18645 6-30-83	USA	All - 12.5	BTA Oil Producers	R.E. Frasch, et ux, Constance J. Frasch: C.E. Strange, et ux, Sherrie R. Strange:	2.5%	BTA - All	
8	Sec. 17: NW/4 NW/4	40.00	NM-0554264 6-30-74	USA	All - 12.5	Exxon Company	Richard B. Carter:	5%	Exxon - All	
9	Sec. 5: SW/4 SW/4	40.00	NM-0559812 4-30-76	USA	All - 12.5	Exxon Company	Alfred D. Heeley, et ux, L. Jane Heeley:	3%	Exxon - All	
10	Sec. 8: SW/4 SW/4	40.00	NM-0559813 4-30-76	USA	All - 12.5	Exxon Company	Lucy M. English, et vir, Lawrence English: Ernest A. Hanson, et ux, Beulah Irene Hanson:	10% of 5% 90% of 5%	Exxon - All	
11	Sec. 17: N/2 NE/4, NE/4 NW/4	120.00	NM-0560259 6-30-76	USA	All - 12.5	BTA Oil Producers	Jack J. Grynberg, et ux, Celeste C. Grynberg: Albert Barnes Zink, et ux, Helen Zink:	3.125% 3.125%	BTA - All	
11 Federal Tracts containing 4,442.15 acres, or 86.724% of Unit Area										
12	Sec. 16: N/2	320.00	L-6453 8-1-81	State	All - 12.5	1/2 - Mary Ralph Lowe Trust No. 3 1/2 - Estate of Ralph Lowe, Dec'd.	None		M. Ralph Lowe, Inc.: Erma Lowe: Est. Ralph Lowe:	50% 25% 25%

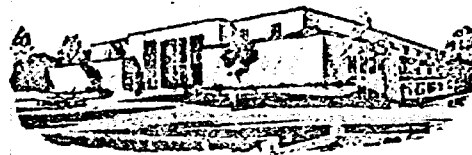
2 State Tracts containing 640.00 acres, or 12.495% of Unit Area

1 Patented Tract containing 40.00 acres, or 0.781% of Unit Area

TOTAL: 14 Tracts containing 5,122.16 acres in entire Unit Area.

State of New Mexico

TELEPHONE
505-827-2748



Commissioner of Public Lands

February 28, 1974

ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO

Griffin, Ross & Burnett, Inc.
2102 Wilco Building
Midland, Texas 79701

Re: Proposed Dogie Draw Unit
Lea County, New Mexico

ATTENTION: Mr. Kenneth H. Griffin

Gentlemen:

In reply to your letter of February 20, 1974, in connection with the subject unit, we have no objection to the unit area as outlined in your Exhibit "A".

Approval of the proposed unit will be conditioned on receipt of a unit agreement which will meet all requirements and also that will be acceptable by the United States Geological Survey and the Oil Conservation Commission.

On submitting your Exhibits "A" and "B" please show the Assignment Number right after the Lease No. (L-6453-1 and L-6731-1).

Very truly yours,

Ray D. Graham
RAY D. GRAHAM, Director
Oil and Gas Department

AJA/RDG/s

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

EXHIBIT NO. 2

CASE NO. 5179

Submitted by HNG

Hearing Date 3-13-74



IN REPLY REFER TO:

United States Department of the Interior

GEOLOGICAL SURVEY
Denver Federal Center
Denver, Colorado 80225

RECEIVED
MAR 8 1974
LAND DEPARTMENT

MAR 05 1974

HNG Oil Company
P.O. Box 767
Midland, Texas 79701

#2273

Gentlemen:

Your application of February 18, filed with the Area Oil and Gas Supervisor, Roswell, New Mexico, on February 21, requests the designation of the Dogie Draw unit area embracing 5,122.16 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations of December 20, 1950, 30 CFR 226.3, (1968 reprint), the land requested as outlined on your plat marked "Exhibit A, Dogie Draw Unit Area, Lea County, New Mexico," is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for the drilling of the initial exploratory well to test the Ellenburger or to a depth of 20,800 feet. As proposed by your application, the form of agreement for unproved areas (1968 reprint) should be used and modified to apply to both Federal and State of New Mexico lands.

In the absence of any other type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical to the 1968 reprint, modified only as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of operations in the unit area.

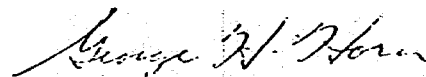
Please include the latest status of all acreage when the executed agreement is transmitted to the Supervisor for approval. The format of the sample exhibits attached to the 1968 reprint of the standard form should be followed closely in the preparation of exhibits A and B.

Inasmuch as this area contains State of New Mexico lands, we are sending a copy of this letter to the Commissioner of Public Lands

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	3
CASE NO.	5179
Submitted by	HNG
Hearing Date	3-13-74

at Santa Fe, and we ask that you contact the Commissioner before
soliciting joinders.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "George W. Horn".

Conservation Manager, Central Region
For the Director

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 13, 1974

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for April, 1974, from seventeen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico;
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for April, 1974.

CASE 5179: Application of HNG Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Dogie Draw Unit Area comprising 5,122 acres, more or less of State, Federal, and fee lands in Township 26 South, Range 36 East, Lea County, New Mexico.

CASE 5180: Application of Amoco Production Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Rock Lake Unit Area comprising 5760 acres, more or less, of State and fee lands in Township 22 South, Range 35 East, Lea County, New Mexico.

CASE 5181: Application of Amoco Production Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Trail Canyon Unit Area comprising 5758 acres, more or less, of State, Federal and fee lands in Township 24 South, Range 23 East, Eddy County, New Mexico.

CASE 5182: Application of Perry R. Bass for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 15, Township 21 South, Range 27 East, adjacent to the Burton Flats Field, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location in the W/2 of said Section 15. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

- CASE 5183:** Application of Amini Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the North Vacuum Abo Pool rules, authority to drill its Pennzoil State Well No. 2 at an unorthodox location for said pool 1780 feet from the South line and 460 feet from the West line of Section 36, Township 16 South, Range 34 East, Lea County, New Mexico.
- CASE 5184:** Application of Mountain States Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the Buffalo Valley-Pennsylvanian Pool rules, approval for an unorthodox gas well location for a well to be drilled at a point 990 feet from the South and West lines of Section 36, Township 14 South, Range 27 East, Chaves County, New Mexico.
- CASE 5185:** Application of Rice Engineering & Operating, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Abo formation in the open-hole and perforated interval from 8442 feet to 9150 feet in its Abo SWD Well No. 2 located in Unit C of Section 2, Township 17 South, Range 36 East, Lovington Abo Pool, Lea County, New Mexico.
- CASE 5186:** Application of Amerada Hess Corporation for an unorthodox oil well location and two non-standard oil proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the Bagley Siluro-Devonian Pool rules, the formation of two non-standard proration units in Section 35, Township 11 South, Range 33 East, Lea County, New Mexico, the first being a 40-acre unit comprising the NW/4 SE/4 to be dedicated to applicant's State BTD Well No. 2, and the second being an 80-acre unit comprising the SE/4 SW/4 and the SW/4 SE/4 to be dedicated to applicant's State BTD Well No. 1, proposed to be drilled at an unorthodox location for said pool 660 feet from the South line and 1900 feet from the East line of said Section 35.
- CASE 5187:** Application of Inexco Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying Section 17, Township 21 South, Range 26 East, Eddy County, New Mexico, adjacent to the Catclaw Draw-Morrow Gas Pool, to be dedicated to a well to be drilled at a standard location for said pool. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5188: Application of Continental Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Drinkard and Blinebry production in the wellbore of its Lockhart B-1 Well No. 8 located in Unit II of Section 1, Township 22 South, Range 36 East, Lea County, New Mexico.

CASE 5189: Application of Craig-Felson for an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well proposed to be drilled at a point 1340 feet from the South line and 1300 feet from the East line of Section 12, Township 13 South, Range 31 East, Caprock-Queen Pool, Chaves County, New Mexico.

CASE 5190: Application of Union Oil Company of California for pool creation and special rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Morrow gas pool for its Pipeline Deep Unit Well No. 1 located in Unit J of Section 17, Township 19 South, Range 34 East, Lea County, New Mexico, and for the promulgation of special rules therefor including a provision for 640-acre spacing.

CASE 5191: Application of Murphy Minerals Corporation for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water through two wells into the Grayburg-San Andres formation on its Gissler "B" lease in Sections 11 and 12, Township 17 South, Range 30 East, Square Lake Pool, Eddy County, New Mexico.

CASE 5192: In the matter of the application of the Oil Conservation Commission of New Mexico upon its own motion for the extension of the following pools in Lea County:

Antelope Ridge-Morrow Gas Pool
EK Yates-Seven Rivers-Queen Pool
House-San Andres Pool
Humbie City-Atoka Pool
North Shoe Bar-Wolfcamp Pool
Tres Papalotes-Pennsylvanian Pool
Wantz-Granite Wash Pool

CASE 5124: (Continued from the February 13, 1974 Examiner Hearing)

Application of Belco Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the S/2 of Section 30, Township 20 South, Range 33 East, South Salt Lake-Morrow Gas Pool, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1300 feet from the East line of said Section 30. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5140: (Continued from the February 13, 1974, Examiner Hearing)

Application of Pierce & Dehlinger for compulsory pooling, Vada-Pennsylvanian Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Vada-Pennsylvanian Pool underlying the NW/4 of Section 24, Township 9 South, Range 33 East, Lea County, New Mexico, to be dedicated to the King Resources Sheridan Well No. 1-A located in Unit C of said Section 24. Also to be considered is designation of the applicant as operator of the NW/4 of said Section 24 and the well located thereon, provision for allocation of actual operating costs and charges for supervision, and allocation of costs for reworking said well including a 200% charge attributable to any non-consenting working interest owner's pro rata share of said workover costs, for the risk involved in said workover.

CASE 4956: (Reopened) (Continued from the February 13, 1974, Examiner Hearing)

Application of Pierce & Dehlinger for a determination of well costs, Lea County, New Mexico. Applicant, as operator of the Sheridan Well No. 1 located in Unit M of Section 13, Township 9 South, Range 33 East, Lea County, New Mexico, to which well is dedicated the SW/4 of said Section 13, all mineral interests in the Vada-Pennsylvanian Pool thereunder having been pooled by Commission Order No. R-4560, seeks the determination of reasonable well costs attributable to applicant and to King Resources, including, but not limited to, the costs of reworking and placing said Sheridan Well No. 1 back on production and attorneys fees in connection therewith. Applicant further seeks an order assessing, as a charge for the risk involved in the reworking of the well, 120% of the pro rata share of the reasonable well costs attributable to the working interest of King Resources.

Griffin, Ross & Burnett, Inc.

Oil Properties

KENNETH H. GRIFFIN
ROBERT B. ROSS
GARY G. BURNETT

2102 WILCO BUILDING
MIDLAND, TEXAS 79701
915 683-2705

RECEIVED
February 12, 1974
Re: File No. 2273
Dogie Draw Unit
OIL CONSERVATION COMMISSION
Santa Fe Lea County, New Mexico

Chas 5179

NEW MEXICO OIL CONSERVATION COMMISSION
State Land Office Building
Santa Fe, New Mexico

Attention: Mrs. Ida Rodriquez

Gentlemen:

In behalf of HNG Oil Company it is requested that a hearing be set at the earliest possible meeting to consider the approval of the Dogie Draw Unit in Lea County, New Mexico, as outlined on the attached plat.

This unit will be for exploratory purposes and covers 5,122.16 acres, being owned as follows:

<u>Owner</u>	<u>Acres</u>	<u>Percentage</u>
✓ USA	4,442.16	86.724
✓ State of New Mexico	640.00	12.495
✓ Fee	40.00	.781
	5,122.16	100.000%

Please advise if any additional information is needed in order to schedule this matter for an early hearing.

Yours very truly,

GRIFFIN, ROSS & BURNETT, INC.

Kenneth H. Griffin
Kenneth H. Griffin

KHG:mw
Encl.

cc: Mr. Ted Fergeson
HNG OIL COMPANY
Midland, Texas

DOCKET MAILED

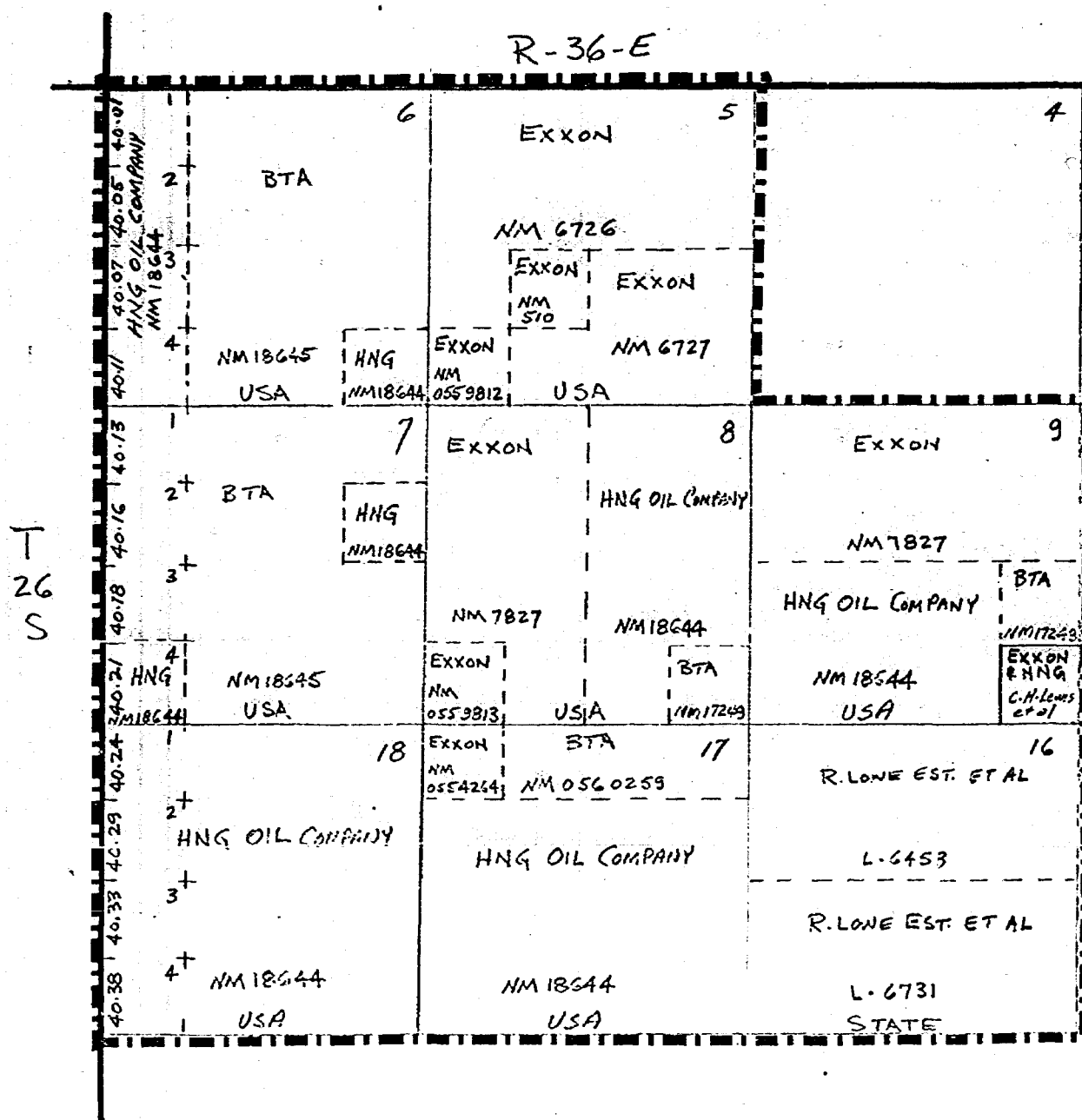
Date 2-1-74

Chin 5179

EXHIBIT "A"

DOGIE DRAW UNIT AREA

T-26-E, R-36-E
Lea County, New Mexico



	Acres	Percent
Federal Land	4,442.16	86.724
State Land	640.00	12.495
Patented Land	40.00	.781
	5,122.16	100.000

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 5179

Order No. R-4754

APPLICATION OF HNG OIL COMPANY
FOR APPROVAL OF THE DOGIE DRAW
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
March 13, 1964, at Santa Fe, New Mexico, before Examiner
Richard L. Stamets.

NOW, on this day of March, 1964, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, HNG Oil Company,
seeks approval of the Dogie Draw Unit Agreement
covering 5,122.16 acres, more or less, of Federal lands
and Fee
described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM

~~Sections 5, 6, 7, 8, 9, 16, 17, 18. All~~

Sections 5 through 9: All
Sections 16 through 18: All

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

IT IS THEREFORE ORDERED:

(1) That the Dogie Draw Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

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

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

I N D E X

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KENNETH H. GRIFFIN

Direct Examination by Mr. Jennings
Cross Examination by Mr. Stamets

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7

CHARLES R. TIERCE

Direct Examination by Mr. Jennings

8

E X H I B I T S

Marked

Admitted

Applicant's Exhibits Nos.
1, 2 and 3

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GRIFFIN-DIRECT

CASE 5179

Page.....3

MR. STAMETS: We'll call the next case. Case 5179.

MR. CARR: Case 5179. Application of HNG Oil Company for a unit agreement, Lea County, New Mexico.

MR. JENNINGS: I'm James T. Jennings, of Jennings, Christy & Copple, appearing for the Applicant, HNG Oil Company, and we will have two witnesses, Mr. Griffin and Mr.

(Witness sworn.)

KENNETH H. GRIFFIN

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MR. STAMETS: You may proceed, Mr. Jennings.

DIRECT EXAMINATION

BY MR. JENNINGS:

Q Would you state your name, residence and occupation, please.

A Kenneth H. Griffin, Midland, Texas, and I'm an Oil Operator Consultant in Midland Texas.

Q Mr. Griffin, are you familiar with the Application that has been filed herein for the approval of the Dogie Draw Unit?

A Yes, I am.

GRIFFIN-DIRECT

CASE 5179

Page.....4

Q I believe you assisted in the preparation of what has been marked Exhibit 1 which is the Unit Agreement?

A Yes, that is right.

Q Would you briefly describe what the Unit Agreement touching upon the unit area, the unitized substance, the operator, the drilling obligations, depth of your objective well and the plan of development and participation, etc.?

A The Dogie Draw Unit Area comprises 5122 acres in Township 26 South, Range 36 East, Lea County, New Mexico, and is being formed for the purpose of drilling an exploratory well of 20,800 feet to test the Ellenburger Formation. The proposed unit is based on the 1968 reprint of the Federal Form of Unitization Agreement amended to properly take into account that there is 620 acres of State land involved and 40 acres of patented land involved in this particular unit area. It follows the standard provision that upon discovery of production a participating area will be established upon approval of the Director and the Commissioner which will control what area will be included in the original participating area based on geology. The initial well must be commenced within six months of the date of approval

GRIFFIN-DIRECT

CASE 5179

Page.....5

of the Unit Agreement and there is a plan of further development following the standard provisions of the Agreement.

Q Referring to Exhibits A and B attached to your Exhibit 1, would you just identify these please?

A Exhibit A attached to Exhibit 1 is a plat of the unit area in which the holdings of the various types of acreage is outlined. There is 4442.16 acres of Federal land, 640 acres of State land, and 40 acres of fee land. The acreage is under-leased to various parties, including HNG Oil Company, Exxon, BTA and the Ralph Lowe Estate. Two small interests are outstanding, being a 6.667 acre interest owned by Cities Service and a .571 acre interest owned by Western Reserves. We have effectively committed to the Unit Agreement 99.859 percent of the unit area.

Exhibit B is a schedule of the acreage included by leases including exploration dates, exact descriptions, the royalty burdens, the overriding royalty burdens, etc.

Q Mr. Griffin, is the Unit Agreement basically the form suggested by the Bureau of Land Management in the 1968 reprint?

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A Yes, it is. It follows the 1968 reprint.

Q When do you anticipate commencing your first well?

A It's anticipated that this well will be commenced virtually upon approval of the Unit Agreement, which we would anticipate possibly by late April.

Q Have you made application to the Commissioner of Public Lands for approval of the unit?

A Yes, we have requested tentative approval of the unit from the Commissioner of Public Lands and by letter dated February 28, 1974, we're advised that this is an acceptable unit area.

Q By letter dated February 28th, 1974, are you referring to what has been marked as Exhibit No. 2?

A Correct.

Q Have you further discussed with and made application to the USGS for approval of the unit?

A Yes. This has been done and a preliminary meeting with the U.S. Geological Survey in Roswell, this was then made in a formal application, which has been designated by the Conservation Manager of the Central Region, as an area suitable for unitization, suitable and logical.

GRIFFIN-DIRECT
CROSS

CASE 5179
Page.....7.....

Q Pursuant to your request for tentative approval, did the USGS give such approval?

A Yes. This is Exhibit No. 3.

Q That's what has been marked as Exhibit No. 3?

A Correct.

Q Mr. Griffin, do you feel that this Unit Agreement is a proper conservation measure?

A I do.

Q Will it be in the interests of conservation and prevent waste and protect the correlative rights of all the operators?

A Yes, sir, it will.

Q Will you file and execute a counterpart of the Unit Agreement within 30 days after its effective date?

A With the OCC?

Q Yes.

A Correct.

MR. JENNINGS: We have nothing further of this witness.

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GRIFFIN-CROSS
TIERCE-DIRECT

CASE 5179
Page.....8.....

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(Whereupon, a discussion was held off the record.)

MR. STAMETS: Are there any other questions of this Witness?

MR. JENNINGS: We would like to offer at this time, as they were received by this Witness, Exhibits 1, 2 and 3.

MR. STAMETS: Applicant's Exhibits Nos. 1, 2 and 3 will be admitted into evidence.

(Whereupon, Applicant's Exhibits Nos. 1, 2 and 3 were admitted into evidence.)

MR. STAMETS: The Witness may be excused.

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Q Mr. Tierce, you have not heretofore testified before this Commission, have you?

A That's correct, I have not.

Q Would you briefly relate your educational and experience in the oil and gas field and particular the geological field?

A I have a Bachelor of Science Degree from ~~Submer~~ State College in 1953; I have one year of mud logging experience; 13 years with Superior Oil Company as an exploration geologist; 1 year with Texas Oil and Gas as an exploration geologist, and 3 years with HNG Oil Company.

MR. JENNINGS: Are the Witness' qualifications acceptable?

MR. STAMETS: They are.

BY MR. JENNINGS:

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A Yes, I did.

Q Would you briefly relate the results of your study and your recommendations and conclusions based upon this study?

A Yes, sir. We have a map, it's recontoured from a seismic map that we prepared, and it shows a northwest, southeast drainage anticline. It originally was drilled by Humble's No. 1 South Lee Unit, Section 17. Humble tested the Ellenburger and had no recovery; they tested the Devonian on 71-hour test; they flowed 3,000,000 cubic feet of gas plus 43 barrels of water per hour, and they considered this non-commercial and plugged the hole. We think that we can get 400 feet high to this well and consider that would be commercial.

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A It is in the southeast of Section 8.

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MR. STAMETS: Mr. Jennings, could a copy of the contour map be made available to the Commission?

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CASE 5179

Page.....12.....

MR. JENNINGS: Southeast quarter of Section 8

(Whereupon, a discussion was
held off the record.)

MR. STAMETS: Is there anything further in this
case?

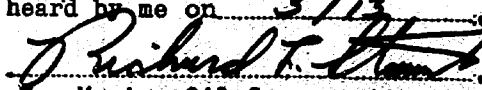
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MR. STAMETS: We will take Case 5179 under
advisement.

STATE OF NEW MEXICO)
)
COUNTY OF SANTA FE) SS.

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.


RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5179 heard by me on 3/13/27 1927
 Examiner
New Mexico Oil Conservation Commission

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I N D E X

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CASE 5179
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CASE 5179

Page.....4.....

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GRIFFIN-DIRECT

CASE 5179

Page 5

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GRIFFIN-DIRECT
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TIERCE-DIRECT

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STATE OF NEW MEXICO)
COUNTY OF SANTA FE) SS.

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5179 heard by me on 3/13/27. 1927.
Richard L. Nye, Examiner
New Mexico Oil Conservation Commission