

CASE NO. 5370: Appli. of AMERICAN
QUASAR PET. CO. OF NEW MEXICO for
the TIPPIN RANCH UNIT AREA
Eddy County

CASE No.

5370

Application,

Transcripts,

Small Exhibits

ETC.

Unit Name TIPPIN RANCH UNIT-(EXPLORATORY)
Operator AMERICAN QUASAR PETROLEUM COMPANY
County EDDY COUNTY

DATE	OCC CASE NO.	5370	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO.	R-4923	DATE	ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
Commissioner	Commission		4-29-75	3,840.00	400.00	3,440.00	-0-	Yes	5 yrs.
4-28-75	12-3-74								

UNIT AREA

TOWNSHIP 23 SOUTH RANGE 23 EAST, NMPM
Sections 3, 4, and 5: All
Sections 8, 9, and 40: All

TERMINATED
5-29-75
ch

Unit Name TIPPIN RANCH UNIT (EXPLORATORY)
 Operator AMERICAN QUASAR PETROLEUM COMPANY
 County EDDY

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACREAGE	LESSEE
							DATE	ACRES		
14	L-1496-1	C.S.	3	23S	23E	N/2SE/4, NW/4NE/4, SE/4NE/4	4-23-75	160.00	American Quasar Petroleum Company	
15	LG-2421	C.S.	3	23S	23E	N/2SE/4, SE/4NW/4, NE/4NE/4, SW/4NE/4 SE/4NE/4	4-23-75	240.00	American Quasar Petroleum Company	

TERMINATED
 5-29-75
 E.M.

Unit Name TIPPIN RANCH UNIT (EXPLORATORY)
Operator AMERICAN QUASAR PETROLEUM COMPANY
County EDDY COUNTY

DATE	OCC CASE NO.	5370	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO.	R-4923	4-29-75	3,840.00	400.00	3,440.00	-0-	Yes	5 yrs.

Commissioner
4-28-75

Commission
12-3-74

UNIT AREA

TOWNSHIP 23 SOUTH, RANGE 23 EAST, NMM
Sections 3, 4, and 5: All
Sections 8, 9, and 10: All

Unit Name TIPPIN RANCH UNIT (EXPLORATORY)
 Operator AMERICAN QUASAR PETROLEUM COMPANY
 County EDDY

STATE	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RCE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
14	L-1496-1	C.S.	3	23S	23E	N/2SE/4, NW/4NE/4, SE/4NE/4	4-23-75	160.00		American Quasar Petroleum Company
15	LC-2421	C.S.	3	23S	23E	N/2NW/4, SE/4NW/4, NE/4NE/4, SW/4NE/4 SE/4SE/4	4-23-75	240.00		American Quasar Petroleum Company



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

June 5, 1975

American Quasar Petroleum Company
Attention: Mr. Howard P. Bradford
606 Vaughn Building
Midland, Texas 79701

Gentlemen:

By letter of May 28, 1975, as unit operator, you submitted for approval three original copies each of consent and ratification instruments to the Tippin Ranch unit and unit operating agreements executed by Allied Chemical Corporation, covering all of their interests within the unit area.

Also, by separate letter of May 28, 1975, you filed for approval an instrument designed to dissolve and terminate the Tippin Ranch unit agreement. Such instrument terminating the unit agreement was approved effective as of May 29, 1975, the date filed with this office.

Section 28 of the unit agreement specifies that upon approval joinders to the unit agreement shall become effective on the first day of the month following the month in which they were filed for approval. Inasmuch as the subject joinder cannot become effective prior to the unit agreement termination date, approval of the joinder is hereby denied. Copies of the joinder are being distributed to appropriate Federal offices for record purposes.

Sincerely yours,

CARL C. TRAYWICK
Acting Area Oil and Gas Supervisor

cc:
✓ BLM, Santa Fe (w/cy joinder)
Com. Pub. Lands, Santa Fe
Artesia (w/cy joinder)

ARStall:ds

Note to BLM: The proposed joinder covers oil and gas leases NM 484 and NM 1523. These leases should not receive extensions as a result of unit termination.

CONSENT AND RATIFICATION
TIPPIN RANCH UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Tippin Ranch Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of November, 1974, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Tippin Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Barbara Crane
Dorothy L. Smith

INDIVIDUAL

ALLIED CHEMICAL CORPORATION

BY: Roger W. Stoneburner
Roger W. Stoneburner, Attorney-in-Fact
(For Power of Attorney see File
NM 0558400 which authority is still
in effect)

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1974, by _____ and _____, his wife.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF TEXAS
COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 23rd day of May, 1975, by Roger W. Stoneburner who is Attorney-in-Fact of ALLIED CHEMICAL CORPORATION a New York Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

6-1-77 LINDA LOU HARRISON
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1977

Linda Lou Harrison
Notary Public

CONSENT AND RATIFICATION
UNIT OPERATING AGREEMENT
TIPPIN RANCH UNIT AREA
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Operating Agreement in connection with the Unit Agreement for the development and operation of the Tippin Ranch Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 15th day of November, 1974, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold interest being committed to said Unit Agreement do hereby consent to said Unit Operating Agreement and ratify all the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Operating Agreement or a counterpart thereof.

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

ALLIED CHEMICAL CORPORATION

BY: Roger W. Stoneburner
Roger W. Stoneburner, Attorney-in-Fact
CORPORATE (For Power of Attorney see File
NM 0558400 which authority is still
in effect)

STATE OF TEXAS ↓

COUNTY OF HARRIS ↓

The foregoing instrument was acknowledged before me this 23rd day of May, 1975, by Roger W. Stoneburner who is Attorney-in-Fact of ALLIED CHEMICAL CORPORATION a New York Corporation, for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

6-1-77

Linda Lou Harrison
Notary Public
LINDA LOU HARRISON
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1977
INDIVIDUAL

STATE OF _____ ↓

COUNTY OF _____ ↓

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____

MY COMMISSION EXPIRES:

Notary Public



State of New Mexico

TELEPHONE
505-827-2748



Commissioner of Public Lands

May 28, 1975

PHIL R. LUCERO
COMMISSIONER

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

American Quasar Petroleum Company
605 Vaughn Building
Midland, Texas 79701

Re: Termination of Tiffin Ranch Unit
Eddy County, New Mexico

ATTENTION: Mr. Howard P. Bradford

Gentlemen:

This will acknowledge receipt of your letter dated May 28, 1975, together with two instruments for the termination of the Tiffin Ranch Unit.

The Commissioner of Public Lands has this date terminated the Tiffin Ranch Unit subject to like termination by the United States Geological Survey.

Enclosed is one approved copy of the instrument for your files.

Please advise when the USGS approves the termination so that we may finish processing the termination.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

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

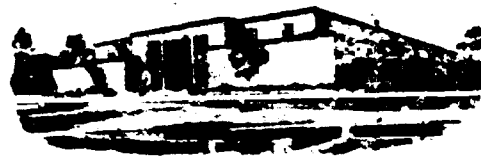
PHL/EDG/s
encl.
cc:

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



State of New Mexico

TELEPHONE
505-827-2748



Commissioner of Public Lands

PHIL R. LUCERO
COMMISSIONER

April 28, 1975

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

Mr. Ted Collins, Jr.
606 Vaughn Building
Midland, Texas 79701

Re: American Quasar Petroleum Co.-
TIPPIN RANCH UNIT
Eddy County, New Mexico

Gentlemen:

The Commissioner of Public Lands has this date approved the Tiffin Ranch Unit Agreement and Operating Agreement, Eddy County, New Mexico. This approval is subject to like approval by the United States Geological Survey.

Enclosed are Five (5) Certificates of approval. We are furnishing the USGS a copy of our letter of approval.

Please advise this office when the United States Geological Survey approves the agreement so that we may finish processing same. Also, submit Allied Chemical Corporation ratification as soon as it is available.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

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

PHL/EDG/a
encs.

cc: USGS-Moswell, New Mexico
OCC- Santa Fe, New Mexico ✓



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

April 29, 1975

American Quasar Petroleum Co. of New Mexico
Attention: Mr. Ted Collins, Jr.
606 Vaughn Building
Midland, Texas 79701

Gentlemen:

Two approved copies of the Tippin Ranch unit agreement, Eddy County, New Mexico, with American Quasar Petroleum Co. of New Mexico as unit operator, are enclosed. Such agreement has been assigned No. 14-08-0001-14264 and is effective April 29, 1975, the same date as approved.

You are requested to furnish the Commissioner of Public Lands, the Oil Conservation Commission, both of the State of New Mexico, and all other interested principals with appropriate evidence of this approval.

Sincerely yours,

(ORIG. SGD.) CARL C. TRAYWICK

CARL C. TRAYWICK
Acting Area Oil and Gas Supervisor

cc:

Artesia (w/cy appln.)
Area Geologist, Roswell (ltr. only)
N.M.O.C.G., Santa Fe (ltr. only) ✓
Com. Pub. Lands, Santa Fe (ltr. only)

JAG:llham:lh



AMERICAN QUASAR PETROLEUM CO.

606 VAUGHN BUILDING / MIDLAND / TEXAS 79701 U.S.A. / TELEPHONE (915) 682-3737

TORONTO STOCK EXCHANGE SYMBOL AQPT

NASDAQ SYMBOL AQAS

May 8, 1975

5370

Mr. A. L. Porter
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

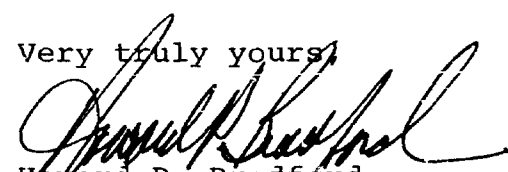
Re: Tippin Ranch Unit Agreement
Contract #14-08-0001-14264
Eddy County, New Mexico

Dear Mr. Porter:

In accordance with the instructions from Mr. Carl C. Traywick, Acting Area Oil and Gas Supervisor, in United States Geological Survey, please find enclosed photocopy of Certification approving the Tippin Ranch Unit Agreement effective April 29, 1975. In addition we are enclosing a copy of the Certificate of Approval from the Commissioner of Public Lands of the State of New Mexico dated April 28, 1975.

If you should need additional information or material, please advise.

Very truly yours,


Howard P. Bradford
Division Land Manager

HPB/rs
Enc.

CERTIFICATION--DETERMINATION

U.S. GEOLOGICAL SURVEY
BUREAU OF LANDS

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 Oil and Gas Supervisors of the Geological Survey (33 F. R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the Tippin Ranch Unit Area, State of New Mexico, Eddy County.

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 April 29, 1975


Oil and Gas Supervisor, United States Geological Survey

Contract Number 14-08-0001-14264



NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

TIPPIN RANCH UNIT

EDDY COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated November 15, 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 28th. day of April, 19 75.

COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico



OIL CONSERVATION COMMISSION

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

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

December 5, 1974

Mr. Randolph Richardson
Attorney at Law
Post Office Box 819
Roswell, New Mexico 88201

Re: CASE NO. 5370
ORDER NO. R-4923
Applicant:
American Quasar Petroleum

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.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC

Other Unit Division - State Land Office

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. 5370
Order No. R-4923

APPLICATION OF AMERICAN QUASAR PETROLEUM
COMPANY OF NEW MEXICO FOR APPROVAL OF THE
TIPPIN RANCH UNIT AGREEMENT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on November 26, 1974, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 3rd day of December, 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, American Quasar Petroleum Company of New Mexico, seeks approval of the Tippin Ranch Unit Agreement covering 3840 acres, more or less, of State and Federal lands described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 23 SOUTH, RANGE 23 EAST, NMPM
Sections 3, 4, and 5: All
Sections 8, 9, and 10: 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 Tippin Ranch Unit Agreement is hereby approved.

-2-

CASE NO. 5370
Order No. R-4923

(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.

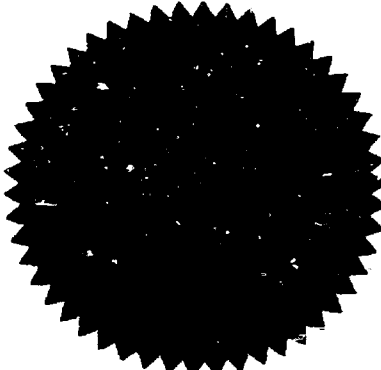
(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



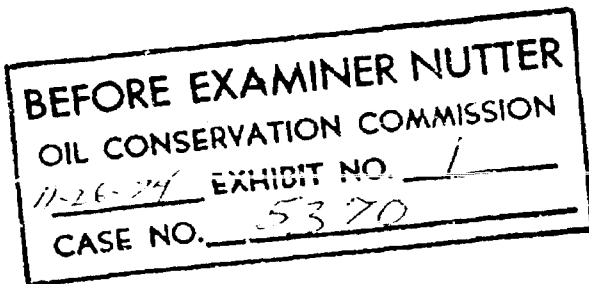
I. R. Trujillo
I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

jr/



TIPPIN RANCH FEDERAL UNIT

PROPOSED LOCATION
1500' FNL & 1980' FWL
Section 9-23S-23E
Eddy County, New Mexico

GEOLOGICAL DISCUSSION

The Tippin Ranch Federal Unit outlines a Lower Morrow Sand prospect along a prominent north-south alligned subsurface anticline. Electrical log correlations indicate that the prime Lower Morrow Sand objective is correlative to the Lower Morrow pay in the Rock Tank Field (12-23S-24E) and also correlative to the shut-in gas pay in the Humble #10 Huapache Unit (10-23S-22E). This particular Morrow Sand is sensitive to structure; therefore, over the well defined subsurface anticline excellent potential can be anticipated. Through 1-1-74, the Lower Morrow Sand pay in the Rock Tank Field has produced 23 Billion cubic feet of gas from 7 wells. Immediately west of the Rock Tank Field at a structurally lower position this Lower Morrow Sand yielded water in the Gulf #1 North Caverns Unit (11-23S-24E) and the Cities Service #1 Azotea Mesa (8-23S-23E). The proposed (9-23S-23E) will be higher structurally than the Rock Tank Field.

Humble completed it's #10 Huapache Unit in May of 1963 as a shut-in gas well that was potentialled for 5,700 MCFGPD. Humble's pay in this well is considered equivalent to the Lower Morrow pay in the Rock Tank Field. The trend of this prospective sand extends beneath the wildcat location of the proposed Tippin Ranch Federal Unit. The Tippin Ranch Prospect is separated from the Humble #10 Huapache Unit by a down-to-the-west regional fault. This fault is well defined north of the Tippin Ranch Federal Unit where it forms the western limit of the prolific Indian Basin Canyon Reef Field. The

fault is easily recognized by the much thicker deposits of Lower Wolfcamp and Upper Pennsylvanian sediments in the downthrown block.

The north and south limits of the Tippin Ranch Federal Unit are formed by the pinchout of the prospective Lower Morrow Sand. Evidence for these limits are verified by electrical logs and reservoir pressure data from drillstem tests. At approximately the 10' isopachous interval of the Lower Morrow Sand the reservoir begins to deteriorate as shown by the diminished shut-in pressures recorded on drillstem tests. An effective porosity limit to the Lower Morrow reservoir has been selected which corresponds to the 10' isopach contour of this sand. This effective barrier defines the northern and southern boundry of the Tippin Ranch Federal Unit.

Other potential objectives within the proposed Federal Unit include stray sands in the Middle and Upper Morrow plus Cisco-Canyon and Wolfcamp porous carbonates.


C.H. KIMBRO
Geologist

CHK/nh

- CASE 5373: Application of Monsanto Company for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to test the Morrow formation at a point 660 feet from the North and West lines of Section 18, Township 23 South, Range 25 East, Rock Tank Gas Field, Eddy County, New Mexico.
- CASE 5368: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the contraction of the vertical limits of the Jalmat Gas Pool underlying the Langlie Jal Unit Area in all or portions of Sections 31 and 32, Township 24 South, Range 37 East, and Sections 4, 5, 6, 8, 9, and 17, Township 25 South, Range 37 East, Lea County, New Mexico, to delete the Seven Rivers formation from said pool, and for the extension of the vertical limits of the Langlie-Mattix Pool underlying said area to include therein all of the Seven Rivers formation.
- CASE 5369: Application of Texas Pacific Oil Company, Inc., for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Tidwell No. 1 Well, located 990 feet from the South line and 660 feet from the East line of Section 22, Township 17 South, Range 26 East, Kennedy Farms-Morrow Gas Pool, Eddy County, New Mexico, the E/2 of said Section 22 to be dedicated to the well.
- CASE 5370: Application of American Quasar Petroleum Co. of New Mexico for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Tippin Ranch Unit Area comprising 3840 acres, more or less, of Federal, State, and fee lands in Township 23 South, Range 23 East, Eddy County, New Mexico.
- CASE 5371: Application of Amoco Production Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of its South Hobbs Unit Area comprising 5074 acres, more or less, of State and Fee lands in Townships 18 and 19 South, Range 38 East, Lea County, New Mexico.
- CASE 5372: Application of Amoco Production Company for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project on its South Hobbs Unit by the injection of water into the Grayburg and San Andres formations through 45 injection wells in Sections 3, 4, 5, 6, 8, 9, 10, 15, and 16, Township 19 South, Range 38 East, Lea County, New Mexico, and the promulgation of special rules therefor including, among other things, an administrative procedure whereby the project may be expanded by the drilling or conversion of additional injection wells without further notice and hearing.
- CASE 5374: Application of Continental Oil Company for simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a 480-acre non-standard gas proration unit comprising the N/2 and SE/4 of Section 23, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to its Meyer B-23 Wells Nos. 1, 2, 3, and 4, located at unorthodox locations in Units C, O, E, and G, respectively, of said Section 23.

5370

J. T. DICKERSON
ATTORNEY AT LAW
1209 WESTERN UNITED LIFE BUILDING
MIDLAND, TEXAS 79701

November 6, 1974

TELEPHONE 682-1436

Mr. Pete Porter
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Tippin Ranch Unit Area
T-23-S, R-23-E, Eddy
County, New Mexico

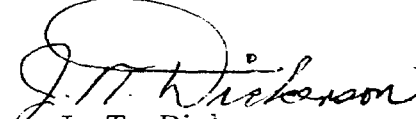
Dear Mr. Porter:

On behalf of American Quasar Petroleum Co. of New Mexico, I am filing herewith application for approval of the Tippin Ranch Unit Agreement. A copy of the Unit Agreement will be submitted to you in a few days.

This is the unit which I discussed with Mr. Bill Carr by telephone last week and supplied the necessary information in order that the hearing for subject unit could be placed on the November 27, 1974 Docket.

Applicant will be represented by New Mexico counsel at the hearing. Please advise in the event additional information is needed.

Yours very truly,


J. T. Dickerson

JTD:ku
Enclosure

P.S.: Contrary to information supplied, there are no patented or fee lands in the Unit Area.

DOCKET MAILED
Date 11-15-74

Lamb, Metzgar, Franklin & Lines P.A.

ATTORNEYS AND COUNSELLORS AT LAW

500 SECOND STREET, NW
ALBUQUERQUE, NEW MEXICO 87101
TELEPHONE (505) 247-0107

LARRY L. LAMB
BERNARD P. METZGAR
NICK FRANKLIN
FARRELL L. LINES

DEC - 2 1974
OIL CONSERVATION COMM
Santa Fe

November 27, 1974

Conservation Commission
State of New Mexico
State Land Office Building
Santa Fe, New Mexico 87501

RE: Case No. 5370

Gentlemen:

I represent Mr. Grace and am writing a letter for the record on the above matter which was heard before you on November 26, 1974.

Mr. Grace has acreage in the Tippin Ranch Unit area and wants to inform the Commission that he does not want to put his land in the unit.

Very truly yours,

Farrell L. Lines /s/

Farrell L. Lines

FLL:ml

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
TIPPIN RANCH UNIT AREA
COUNTY OF EDDY
STATE OF NEW MEXICO
NO. 5370

THIS AGREEMENT, entered into as of the 15th day of November, 1974, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto".

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working, royalty or other oil 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 operation of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-29 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 interest of the State of New Mexico; and,

1 WHEREAS, the Oil Conservation Commission of the State of New 1
2 Mexico is authorized by an Act of the Legislature (Chapter 72, Laws 2
3 of 1935, as amended by Chapter 193, Laws of 1937, Chapter 166, Laws 3
4 of 1941, and Chapter 168, Laws of 1949) to approve this agreement 4
5 and the conservation provisions hereof; and, 5

6 WHEREAS, the parties hereto hold sufficient interests in the 6
7 Tippin Ranch Unit Area covering the land hereinafter described 7
8 to give reasonably effective control of operations therein; and 8

9 WHEREAS, it is the purpose of the parties hereto to conserve 9
10 natural resources, prevent waste, and secure other benefits obtain- 10
11 able through development and operation of the area subject to this 11
12 agreement under the terms, conditions, and limitations herein set 12
13 forth; 13

14 NOW, THEREFORE, in consideration of the premises and the 14
15 promises herein contained, the parties hereto commit to this agree- 15
16 ment their respective interests in the below-defined unit area, and 16
17 agree severally among themselves as follows: 17

18 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of 18
19 February 25, 1920, as amended, supra, and all valid pertinent regu- 19
20 lations, including operating and unit plan regulations, heretofore 20
21 issued thereunder or valid, pertinent, and reasonable regulations 21
22 hereafter issued thereunder are accepted and made a part of this 22
23 agreement as to Federal lands, provided such regulations are not in- 23
24 consistent with the terms of this agreement; and as to non-Federal 24
25 lands, the oil and gas operating regulations in effect as of the 25
26 effective date hereof governing drilling and producing operations, 26
27 not inconsistent with the terms hereof or the laws of the State in 27
28 which the non-Federal land is located, are hereby accepted and made 28
29 a part of this agreement. 29

30 2. UNIT AREA. The following described land is hereby desig- 30
31 nated and recognized as constituting the unit area: 31

Township 23 South, Range 23 East, N44PM

Section 3: All

Section 4: All

Section 5: All

Section 8: All

Section 9: All

Section 10: All

Containing 3,840.00 acres, more or less

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner", and not less than five (5) copies of the Revised Exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission".

1 The above-described unit area shall when practicable be ex- 1
2 panded to include therein any additional lands or shall be con- 2
3 tracted to exclude lands whenever such expansion or contraction is 3
4 deemed to be necessary or advisable to conform with the purposes 4
5 of this agreement. Such expansion or contraction shall be effected 5
6 in the following manner: 6
7 (a) Unit Operator, on its own motion or on demand of the 7
8 Director of the Geological Survey, hereinafter referred to as 8
9 "Director", or on demand of the Land Commissioner, after preliminary 9
10 concurrence by the Director, shall prepare a notice of proposed 10
11 expansion or contraction describing the contemplated changes in the 11
12 boundaries of the unit area, the reasons therefor, and the proposed 12
13 effective date thereof, preferably, the first day of a month subse- 13
14 quent to the date of notice. 14
15 (b) Said notice shall be delivered to the Supervisor, the 15
16 Land Commissioner and the State Commission, and copies thereof mailed 16
17 to the last known address of each working interest owner, lessee, 17
18 and lessor whose interests are affected, advising that thirty (30) 18
19 days will be allowed for submission to the Unit Operator of any ob- 19
20 jections. 20
21 (c) Upon expiration of the 30-day period provided in the 21
22 preceding item (b) hereof, Unit Operator shall file with the Super- 22
23 visor, the Land Commissioner and the State Commission, evidence of 23
24 mailing of the notice of expansion or contraction and a copy of any 24
25 objections thereto which have been filed with the Unit Operator, to- 25
26 gether with an application in sufficient number, for approval of 26
27 such expansion or contraction and with appropriate joinders. 27
28 (d) After due consideration of all pertinent information, 28
29 the expansion or contraction shall, upon approval by the Supervisor, 29
30 the Land Commissioner, become effective as of the date prescribed in 30
31 the notice thereof. 31

1 (c) All legal subdivisions of lands (i.e., 40 acres by 1
2 Government survey or its nearest lot or tract equivalent; in instan- 2
3 ces of irregular surveys unusually large lots or tracts shall be 3
4 considered in multiples of 40 acres or the nearest aliquot equiva- 4
5 lent thereof), no parts of which are entitled to be in a partici- 5
6 pating area on or before the fifth anniversary of the effective date 6
7 of the first initial participating area established under this unit 7
8 agreement, shall be eliminated automatically from this agreement, 8
9 effective as of said fifth anniversary, and such lands shall no 9
10 longer be a part of the unit area and shall no longer be subject to 10
11 this agreement, unless diligent drilling operations are in progress 11
12 on unitized lands not entitled to participation on said fifth anni- 12
13 versary, in which event all such lands shall remain subject hereto 13
14 for so long as such drilling operations are continued diligently, 14
15 with not more than 90 days' time elapsing between the completion of 15
16 one such well and the commencement of the next such well. All legal 16
17 subdivisions of lands not entitled to be in a participating area 17
18 within 10 years after the effective date of the first initial par- 18
19 ticipating area approved under this agreement shall be automatically 19
20 eliminated from this agreement as of said tenth anniversary. All 20
21 lands proved productive by diligent drilling operations after the 21
22 aforesaid 5-year period shall become participating in the same 22
23 manner as during said 5-year period. However, when such diligent 23
24 drilling operations cease, all nonparticipating lands shall be auto- 24
25 matically eliminated effective as of the 91st day thereafter. The 25
26 unit operator shall within 90 days after the effective date of any 26
27 elimination hereunder, describe the area so eliminated to the satis- 27
28 faction of the Supervisor and the Land Commissioner and promptly 28
29 notify all parties in interest. 29

30 If conditions warrant extension of the 10-year period speci- 30
31 fied in this subsection 2(e), a single extension of not to exceed 2 31

1 years may be accomplished by consent of the owners of 90% of the 1
2 working interests in the current nonparticipating unitized lands and 2
3 the owners of 60% of the basic royalty interests (exclusive of the 3
4 basic royalty interests of the United States) in nonparticipating 4
5 unitized lands with approval of the Director and Land Commissioner, 5
6 provided such extension application is submitted to the Director 6
7 and the Land Commissioner not later than 60 days prior to the ex- 7
8 piration of said 10-year period. 8

9 Any expansion of the unit area pursuant to this section which 9
10 embraces lands theretofore eliminated pursuant to this subsection 10
11 2(e) shall not be considered automatic commitment or recommitment 11
12 of such lands. 12

13 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land com- 13
14 mitted to this agreement shall constitute land referred to herein 14
15 as "unitized land" or "land subject to this agreement". All oil 15
16 and gas in any and all formations of the unitized land are unitized 16
17 under the terms of this agreement and herein are called "unitized 17
18 substances". 18

19 4. UNIT OPERATOR. American Quasar Petroleum Co. of New Mexico 19
20 is hereby designated as Unit Operator and by signature hereto as 20
21 Unit Operator agrees and consents to accept the duties and obligations 21
22 of Unit Operator for the discovery, development, and production of 22
23 unitized substances as herein provided. Whenever reference is made 23
24 herein to the Unit Operator, such reference means the Unit Operator 24
25 acting in that capacity and not as an owner of interest in unitized 25
26 substances, and the term "working interest owner" when used shall 26
27 include or 27

1 refer to Unit Operator as the owner of a working interest when such 1
2 an interest is owned by it. 2

3 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator 3
4 shall have the right to resign at any time prior to the establish- 4
5 ment of a participating area or areas hereunder, but such resigna- 5
6 tion shall not become effective so as to release Unit Operator from 6
7 the duties and obligations of Unit Operator and terminate Unit 7
8 Operator's rights as such for a period of 6 months after notice of 8
9 intention to resign has been served by Unit Operator on all working 9
10 interest owners and the Supervisor and the Land Commissioner, and 10
11 until all wells then drilled hereunder are placed in a satisfactory 11
12 condition for suspension or abandonment whichever is required by the 12
13 Supervisor as to Federal lands and the State Commission as to State 13
14 lands, unless a new Unit Operator shall have been selected and 14
15 approved and shall have taken over and assumed the duties and obli- 15
16 gations of Unit Operator prior to the expiration of said period. 16

17 Unit Operator shall have the right to resign in like manner 17
18 and subject to like limitations as above provided at any time a par- 18
19 ticipating area established hereunder is in existence, but, in all 19
20 instances of resignation or removal, until a successor unit operator 20
21 is selected and approved as hereinafter provided, the working inter- 21
22 est owners shall be jointly responsible for performance of the duties 22
23 of unit operator, and shall not later than 30 days before such resig- 23
24 nation or removal becomes effective appoint a common agent to repre- 24
25 sent them in any action to be taken hereunder. 25

26 The resignation of Unit Operator shall not release Unit Oper- 26
27 ator from any liability for any default by it hereunder occurring 27
28 prior to the effective date of its resignation. 28

29 The Unit Operator may, upon default or failure in the perfor- 29
30 mance of its duties or obligations hereunder, be subject to removal 30
31 by the same percentage vote of the owners of working interests as 31

1 herein provided for the selection of a new Unit Operator. Such re- 1
2 moval shall be effective upon notice thereof to the Supervisor and 2
3 the Land Commissioner. 3

4 The resignation or removal of Unit Operator under this agree- 4
5 ment shall not terminate its right, title, or interest as the owner 5
6 of a working interest or other interest in unitized substances, but 6
7 upon the resignation or removal of Unit Operator becoming effective, 7
8 such Unit Operator shall deliver possession of all wells, equipment, 8
9 materials, and appurtenances used in conducting the unit operations 9
10 to the new duly qualified successor Unit Operator or to the common 10
11 agent, if no such new Unit Operator is elected, to be used for the 11
12 purpose of conducting unit operations hereunder. Nothing herein 12
13 shall be construed as authorizing removal of any material, equip- 13
14 ment and appurtenances needed for the preservation of any wells. 14

15 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall 15
16 tender his or its resignation as Unit Operator or shall be removed 16
17 as hereinabove provided, or a change of Unit Operator is negotiated 17
18 by working interest owners, the owners of the working interests in 18
19 the participating area or areas according to their respective acre- 19
20 age interests in such participating area or areas, or, until a par- 20
21 ticipating area shall have been established, the owners of the 21
22 working interests according to their respective acreage interests 22
23 in all unitized land, shall by majority vote select a successor Unit 23
24 Operator: Provided, That, if a majority but less than 75 per cent 24
25 of the working interests qualified to vote are owned by one party 25
26 to this agreement, a concurring vote of one or more additional work- 26
27 ing interest owners shall be required to select a new operator. 27
28 Such selection shall not become effective until 28

29 (a) a Unit Operator so selected shall accept in writing the 29
30 duties and responsibilities of Unit Operator, and 30

31 (b) the selection shall have been approved by the Supervisor 31

1 and approved by the Land Commissioner. 1

2 If no successor Unit Operator is selected and qualified as 2
3 herein provided, the Director and the Land Commissioner, at their 3
4 election may declare this unit agreement terminated. 4

5 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If 5
6 the Unit Operator is not the sole owner of working interests, costs 6
7 and expenses incurred by Unit Operator in conducting unit operations 7
8 hereunder shall be paid and apportioned among and borne by the 8
9 owners of working interests, all in accordance with the agreement 9
10 or agreements entered into by and between the Unit Operator and the 10
11 owners of working interests, whether one or more, separately or 11
12 collectively. Any agreement or agreements entered into between the 12
13 working interest owners and the Unit Operator as provided in this 13
14 section, whether one or more, are herein referred to as the "unit 14
15 operating agreement." Such unit operating agreement shall also 15
16 provide the manner in which the working interest owners shall be 16
17 entitled to receive their respective proportionate and allocated 17
18 share of the benefits accruing hereto in conformity with their 18
19 underlying operating agreements, leases, or other independent con- 19
20 tracts, and such other rights and obligations as between Unit 20
21 Operator and the working interest owners as may be agreed upon by 21
22 Unit Operator and the working interest owners; however, no such 22
23 unit operating agreement shall be deemed either to modify any of 23
24 the terms and conditions of this unit agreement or to relieve the 24
25 Unit Operator of any right or obligation established under this 25
26 unit agreement, and in case of any inconsistency or conflict be- 26
27 tween this unit agreement and the unit operating agreement, this 27
28 unit agreement shall govern. Three true copies of any unit opera- 28
29 ting agreement executed pursuant to this section should be filed 29
30 with the Supervisor and one true copy with the Land Commissioner, 30
31 prior to approval of this unit agreement. 31

1 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as other 1
2 wise specifically provided herein, the exclusive right, privilege 2
3 and duty of exercising any and all rights of the parties hereto 3
4 which are necessary or convenient for prospecting for, producing, 4
5 storing, allocating, and distributing the unitized substances are 5
6 hereby delegated to and shall be exercised by the Unit Operator as 6
7 herein provided. Acceptable evidence of title to said rights shall 7
8 be deposited with said Unit Operator and, together with this agree- 8
9 ment, shall constitute and define the rights, privileges, and obli- 9
10 gations of Unit Operator. Nothing herein, however, shall be con- 10
11 strued to transfer title to any land or to any lease or operating 11
12 agreement, it being understood that under this agreement the Unit 12
13 Operator, in its capacity as Unit Operator, shall exercise the rights 13
14 of possession and use vested in the parties hereto only for the pur- 14
15 poses herein specified. 15

16 9. DRILLING TO DISCOVERY. Within six (6) months after the 16
17 effective date hereof, the Unit Operator shall begin to drill an 17
18 adequate test well at a location approved by the Supervisor, if on 18
19 Federal land, or by the Land Commissioner, if on State land, unless 19
20 on such effective date a well is being drilled conformably with the 20
21 terms hereof, and thereafter continue such drilling diligently until 21
22 the base of the Morrow formation has been penetrated 22
23 and all formations of the Pennsylvanian age have been tested, or un- 23
24 til at a lesser depth unitized substances shall be discovered which 24
25 can be produced in paying quantities (to-wit: quantities sufficient 25
26 to repay the costs of drilling, completing and producing operations, 26
27 with a reasonable profit) or the Unit Operator shall at any time es- 27
28 tablish to the satisfaction of the Supervisor if on Federal land, or 28
29 the Land Commissioner if on State land, that further drilling of said 29
30 well would be unwarranted or impracticable; provided, however, that 30
31 Unit Operator shall not in any event be required to drill said well 31
32 to a depth in excess of 10,300 feet. Until the discovery 32
33 of a deposit of unitized sub- 33

1 stances capable of being produced in paying quantities, the Unit 1
2 Operator shall continue drilling diligently one well at a time, 2
3 allowing not more than six (6) months between the completion of one 3
4 well and the beginning of the next well, until a well capable of 4
5 producing unitized substances in paying quantities is completed to 5
6 the satisfaction of said Supervisor if it be on Federal land or of 6
7 the Land Commissioner if on State land, or until it is reasonably 7
8 proved that the unitized land is incapable of producing unitized 8
9 substances in paying quantities in the formations drilled hereunder. 9
10 Nothing in this section shall be deemed to limit the right of the 10
11 Unit Operator to resign as provided in Section 5 hereof, or as re- 11
12 quiring Unit Operator to commence or continue any drilling during 12
13 the period pending such resignation becoming effective in order to 13
14 comply with the requirements of this section. The Director and 14
15 Land Commissioner may modify the drilling requirements of this sec- 15
16 tion by granting reasonable extensions of time when, in their opin- 16
17 ion, such action is warranted. 17
18 Upon failure to commence any well provided for in this section 18
19 within the time allowed, including any extension of time granted by 19
20 the Supervisor and the Land Commissioner, this agreement will auto- 20
21 matically terminate; upon failure to continue drilling diligently 21
22 any well commenced hereunder, the Supervisor and the Land Commission- 22
23 er may, after 15-days notice to the Unit Operator, declare this unit 23
24 agreement terminated. 24
25 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 25
26 months after completion of a well capable of producing unitized sub- 26
27 stances in paying quantities, the Unit Operator shall submit for the 27
28 approval of the Supervisor and the Land Commissioner an acceptable 28
29 plan of development and operation for the unitized land which, when 29
30 approved by the Supervisor and the Land Commissioner, shall con- 30
31 stitute the further drilling and operating obligations of the Unit 31

1 Operator under this agreement for the period specified therein. 1
2 Thereafter, from time to time before the expiration of any existing 2
3 plan, the Unit Operator shall submit for the approval of the Super- 3
4 visor and the Land Commissioner a plan for an additional specified 4
5 period for the development and operation of the unitized land. 5
6 Any plan submitted pursuant to this section shall provide for 6
7 the exploration of the unitized area and for the diligent drilling 7
8 necessary for determination of the area or areas thereof capable of 8
9 producing unitized substances in paying quantities in each and every 9
10 productive formation and shall be as complete and adequate as the 10
11 Supervisor and the Land Commissioner may determine to be necessary 11
12 for timely development and proper conservation of the oil and gas 12
13 resources of the unitized area and shall: 13
14 (a) specify the number and locations of any wells to be 14
15 drilled and the proposed order and time for such drilling; and 15
16 (b) to the extent practicable specify the operating practices 16
17 regarded as necessary and advisable for proper conservation of 17
18 natural resources. 18
19 Separate plans may be submitted for separate productive zones, sub- 19
20 ject to the approval of the Supervisor and the Land Commissioner. 20
21 Plans shall be modified or supplemented when necessary to meet 21
22 changed conditions or to protect the interests of all parties to 22
23 this agreement. Reasonable diligence shall be exercised in comply- 23
24 ing with the obligations of the approved plan of development. The 24
25 Supervisor and the Land Commissioner are authorized to grant a 25
26 reasonable extension of the 6-month period herein prescribed for 26
27 submission of an initial plan of development where such action is 27
28 justified because of unusual conditions or circumstances. After com- 28
29 pletion hereunder of a well capable of producing any unitized sub- 29
30 stance in paying quantities, no further wells, except such as may 30
31 be necessary to afford protection against operations not under this 31

1 agreement and such as may be specifically approved by the Supervisor 1
2 and the Land Commissioner, shall be drilled except in accordance 2
3 with a plan of development approved as herein provided. 3

4 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well 4
5 capable of producing unitized substances in paying quantities or as 5
6 soon thereafter as required by the Supervisor or the Land Commission- 6
7 er, the Unit Operator shall submit for approval by the Supervisor 7
8 and the Land Commissioner a schedule, based on subdivisions of the 8
9 public-land survey or aliquot parts thereof, of all land then re- 9
10 garded as reasonably proved to be productive in paying quantities; 10
11 all lands in said schedule on approval of the Supervisor and the Land 11
12 Commissioner to constitute a participating area, effective as of the 12
13 date of completion of such well or the effective date of this unit 13
14 agreement, whichever is later. The acreages of both Federal and non- 14
15 Federal lands shall be based upon appropriate computations from the 15
16 courses and distances shown on the last approved public-land survey 16
17 as of the effective date of each initial participating area. Said 17
18 schedule shall also set forth the percentage of unitized substances 18
19 to be allocated as herein provided to each tract in the participating 19
20 area so established, and shall govern the allocation of production 20
21 commencing with the effective date of the participating area. A 21
22 separate participating area shall be established for each separate 22
23 pool or deposit of unitized substances or for any group thereof which 23
24 is produced as a single pool or zone, and any two or more partici- 24
25 pating areas so established may be combined into one, on approval of 25
26 the Supervisor and the Land Commissioner. When production from two 26
27 or more participating areas, so established, is subsequently found 27
28 to be from a common pool or deposit said participating areas shall 28
29 be combined into one effective as of such appropriate date as may be 29
30 approved or prescribed by the Supervisor and the Land Commissioner. 30
31 The participating area or areas so established shall be revised from 31

1 time to time, subject to like approval, to include additional land 1
2 then regarded as reasonably proved to be productive in paying quan- 2
3 tities or necessary for unit operations, or to exclude land then 3
4 regarded as reasonably proved not to be productive in paying quan- 4
5 tities and the schedule of allocation percentages shall be revised 5
6 accordingly. The effective date of any revision shall be the first 6
7 of the month in which is obtained the knowledge or information on 7
8 which such revision is predicated, provided, however, that a more 8
9 appropriate effective date may be used if justified by the Unit 9
10 Operator and approved by the Supervisor and the Land Commissioner. 10
11 No land shall be excluded from a participating area on account of 11
12 depletion of the unitized substances, except that any participating 12
13 area established under the provisions of this unit agreement shall 13
14 terminate automatically whenever all completions in the formation on 14
15 which the participating area is based are abandoned. 15

16 It is the intent of this section that a participating area 16
17 shall represent the area known or reasonably estimated to be produc- 17
18 tive in paying quantities; but, regardless of any revision of the 18
19 participating area, nothing herein contained shall be construed as 19
20 requiring any retroactive adjustment for production obtained prior 20
21 to the effective date of the revision of the participating area. 21

22 In the absence of agreement at any time between the Unit 22
23 Operator and the Supervisor and the Land Commissioner as to the 23
24 proper definition or redefinition of a participating area, or until 24
25 a participating area has, or areas have, been established as pro- 25
26 vided herein, the portion of all payments affected thereby shall be 26
27 impounded in a manner mutually acceptable to the owners of working 27
28 interests and the Supervisor and the Land Commissioner. Royalties 28
29 due the United States shall be determined by the Supervisor for 29
30 Federal lands and the Land Commissioner for State lands and the 30
31 amount thereof shall be deposited, as directed by the Supervisor and 31

1 the Land Commissioner, to be held as unearned money until a partici- 1
2 pating area is finally approved and then applied as earned or re- 2
3 turned in accordance with a determination of the sum due as Federal 3
4 and State royalty on the basis of such approved participating area. 4

5 Whenever it is determined, subject to the approval of the 5
6 Supervisor and the Land Commissioner, that a well drilled under this 6
7 agreement is not capable of production in paying quantities and in- 7
8 clusion of the land on which it is situated in a participating area 8
9 is unwarranted, production from such well shall, for the purposes of 9
10 settlement among all parties other than working interest owners, be 10
11 allocated to the land on which the well is located unless such land 11
12 is already within the participating area established for the pool 12
13 or deposit from which such production is obtained. Settlement for 13
14 working interest benefits from such a well shall be made as provided 14
15 in the unit operating agreement. 15

16 12. ALLOCATION OF PRODUCTION. All unitized substances pro- 16
17 duced from each participating area established under this agreement, 17
18 except any part thereof used in conformity with good operating prac- 18
19 tices within the unitized area for drilling, operating, camp and 19
20 other production or development purposes, for repressuring or re- 20
21 cycling in accordance with a plan of development approved by the 21
22 Supervisor and Land Commissioner, or unavoidably lost, shall be 22
23 deemed to be produced equally on an acreage basis from the several 23
24 tracts of unitized land of the participating area established for 24
25 such production and, for the purpose of determining any benefits 25
26 accruing under this agreement, each such tract of unitized land shall 26
27 have allocated to it such percentage of said production as the num- 27
28 ber of acres of such tract included in said participating area bears 28
29 to the total acres of unitized land in said participating area, ex- 29
30 cept that allocation of production hereunder for purposes other than 30
31 for settlement of the royalty, overriding royalty, or payment out of 31

1 production obligations of the respective working interest owners, 1
2 shall be on the basis prescribed in the unit operating agreement 2
3 whether in conformity with the basis of allocation herein set forth 3
4 or otherwise. It is hereby agreed that production of unitized sub- 4
5 stances from a participating area shall be allocated as provided 5
6 herein regardless of whether any wells are drilled on any particular 6
7 part or tract of said participating area. If any gas produced from 7
8 one participating area is used for repressuring or recycling pur- 8
9 poses in another participating area, the first gas withdrawn from 9
10 such last-mentioned participating area for sale during the life of 10
11 this agreement shall be considered to be the gas so transferred un- 11
12 til an amount equal to that transferred shall be so produced for 12
13 sale and such gas shall be allocated to the participating area from 13
14 which initially produced as such area was last defined at the time 14
15 of such final production. 15

16 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR 16
17 FORMATIONS. Any party hereto owning or controlling the working 17
18 interest in any unitized land having thereon a regular well location 18
19 may with the approval of the Supervisor and the Land Commissioner, 19
20 at such party's sole risk, costs, and expense, drill a well to test 20
21 any formation for which a participating area has not been established 21
22 or to test any formation for which a participating area has been 22
23 established if such location is not within said participating area, 23
24 unless within 90 days of receipt of notice from said party of his 24
25 intention to drill the well the Unit Operator elects and commences 25
26 to drill such a well in like manner as other wells are drilled by 26
27 the Unit Operator under this agreement. 27

28 If any well drilled as aforesaid by a working interest owner 28
29 results in production such that the land upon which it is situated 29
30 may properly be included in a participating area, such participating 30
31 area shall be established or enlarged as provided in this agreement 31

1 and the well shall thereafter be operated by the Unit Operator in 1
2 accordance with the terms of this agreement and the unit operating 2
3 agreement. 3

4 If any well drilled as aforesaid by a working interest owner 4
5 obtains production in quantities insufficient to justify the in- 5
6 clusion of the land upon which such well is situated in a partici- 6
7 pating area, such well may be operated and produced by the party 7
8 drilling the same subject to the conservation requirements of this 8
9 agreement. The royalties in amount or value of production from any 9
10 such well shall be paid as specified in the underlying lease and 10
11 agreements affected. 11

12 14. ROYALTY SETTLEMENT. The United States and any State 12
13 and any royalty owner who, is entitled to take in kind a share of 13
14 the substances now unitized hereunder shall hereafter be entitled 14
15 to the right to take in kind its share of the unitized substances, 15
16 and Unit Operator, or the working interest owner in case of the 16
17 operation of a well by a working interest owner as herein provided 17
18 for in special cases, shall make deliveries of such royalty share 18
19 taken in kind in conformity with the applicable contracts, laws, 19
20 and regulations. Settlement for royalty interest not taken in kind 20
21 shall be made by working interest owners responsible therefor under 21
22 existing contracts, laws and regulations, or by the Unit Operator, 22
23 on or before the last day of each month for unitized substances 23
24 produced during the preceding calendar month; provided, however, 24
25 that nothing herein contained shall operate to relieve the lessees 25
26 of any land from their respective lease obligations for the pay- 26
27 ment of any royalties due under their leases. 27

28 If gas obtained from lands not subject to this agreement is 28
29 introduced into any participating area hereunder, for use in re- 29
30 pressuring, stimulation of production, or increasing ultimate re- 30
31 covery, in conformity with a plan of operations approved by the 31

1 Supervisor and the Land Commissioner, a like amount of gas, after 1
2 settlement as herein provided for any gas transferred from any other 2
3 participating area and with appropriate deduction for loss from any 3
4 cause, may be withdrawn from the formation into which the gas is 4
5 introduced, royalty free as to dry gas, but not as to any products 5
6 which may be extracted therefrom; provided that such withdrawal 6
7 shall be at such time as may be provided in the approved plan of 7
8 operations or as may otherwise be consented to by the Supervisor and 8
9 the Land Commissioner as conforming to good petroleum engineering 9
10 practice; and provided further, that such right of withdrawal shall 10
11 terminate on the termination of this unit agreement. 11

12 Royalty due the United States shall be computed as provided 12
13 in the operating regulations and paid in value or delivered in kind 13
14 as to all unitized substances on the basis of the amounts thereof 14
15 allocated to unitized Federal land as provided herein at the rates 15
16 specified in the respective Federal leases, or at such lower rate 16
17 or rates as may be authorized by law or regulation; provided, that 17
18 for leases on which the royalty rate depends on the daily average 18
19 production per well, said average production shall be determined in 19
20 accordance with the operating regulations as though each partici- 20
21 pating area were a single consolidated lease. 21

22 Royalty due on account of State lands shall be computed and 22
23 paid on the basis of all unitized substances allocated to such lands. 23

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

1 leases from the United States unless such rental or minimum royalty 1
2 is waived, suspended, or reduced by law or by approval of the Secre- 2
3 tary or his duly authorized representative. 3

4 Rentals on State of New Mexico lands subject to this agree- 4
5 ment shall be paid at the rates specified in the respective leases. 5

6 With respect to any lease on non-Federal land containing pro- 6
7 visions which would terminate such lease unless drilling operations 7
8 are commenced upon the land covered thereby within the time therein 8
9 specified or rentals are paid for the privilege of deferring such 9
10 drilling operations, the rentals required thereby shall, notwith- 10
11 standing any other provision of this agreement, be deemed to accrue 11
12 and become payable during the term thereof as extended by this agree- 12
13 ment and until the required drilling operations are commenced upon 13
14 the land covered thereby or until some portion of such land is in- 14
15 cluded within a participating area. 15

16 16. CONSERVATION. Operations hereunder and production of 16
17 unitized substances shall be conducted to provide for the most econ- 17
18 omical and efficient recovery of said substances without waste, as 18
19 defined by or pursuant to State or Federal law or regulation. 19

20 17. DRAINAGE. The Unit Operator shall take such measures 20
21 as the Supervisor and Land Commissioner deem appropriate and ade- 21
22 quate to prevent drainage of unitized substances from unitized land 22
23 by wells on land not subject to this agreement. 23

24 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, 24
25 conditions, and provisions of all leases, subleases, and other con- 25
26 tracts relating to exploration, drilling, development, or operation 26
27 for oil or gas on lands committed to this agreement are hereby ex- 27
28 pressly modified and amended to the extent necessary to make the 28
29 same conform to the provisions hereof, but otherwise to remain in 29
30 full force and effect; and the parties hereto hereby consent that 30
31 the Secretary, as to Federal leases and the Land Commissioner, as to 31

1 State leases, shall and each by his approval hereof, or by the 1
2 approval hereof by his duly authorized representative, does hereby 2
3 establish, alter, change, or revoke the drilling, producing, rental, 3
4 minimum royalty, and royalty requirements of Federal and State 4
5 leases committed hereto and the regulations in respect thereto to 5
6 conform said requirements to the provisions of this agreement, and, 6
7 without limiting the generality of the foregoing, all leases, sub- 7
8 leases, and contracts are particularly modified in accordance with 8
9 the following: 9

10 (a) The development and operation of lands subject to this 10
11 agreement under the terms hereof shall be deemed full performance of 11
12 all obligations for development and operation with respect to each 12
13 and every separately owned tract subject to this agreement, regard- 13
14 less of whether there is any development of any particular tract of 14
15 the unit area. 15

16 (b) Drilling and producing operations performed hereunder 16
17 upon any tract of unitized lands will be accepted and deemed to be 17
18 performed upon and for the benefit of each and every tract of uni- 18
19 tized land, and no lease shall be deemed to expire by reason of 19
20 failure to drill or produce wells situated on the land therein em- 20
21 braced. 21

22 (c) Suspension of drilling or producing operations on all 22
23 unitized lands pursuant to direction or consent of the Secretary and 23
24 the Land Commissioner, or his duly authorized representative, shall 24
25 be deemed to constitute such suspension pursuant to such direction 25
26 or consent as to each and every tract of unitized land. A suspension 26
27 of drilling or producing operations limited to specified lands shall 27
28 be applicable only to such lands. 28

29 (d) Each lease, sublease or contract relating to the ex- 29
30 ploration, drilling, development or operation for oil or gas of 30
31 lands other than those of the United States and State of New Mexico 31

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

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

20 (f) Each sublease or contract relating to the operation 20
21 and development of unitized substances from lands of the United 21
22 States committed to this agreement, which by its terms would expire 22
23 prior to the time at which the underlying lease, as extended by the 23
24 immediately preceding paragraph, will expire, is hereby extended 24
25 beyond any such term so provided therein so that it shall be con- 25
26 tinued in full force and effect for and during the term of the under- 26
27 lying lease as such term is herein extended. 27

28 (g) The segregation of any Federal lease committed to this 28
29 agreement is governed by the following provision in the fourth para- 29
30 graph of Sec. 17(j) of the Mineral Leasing Act, as amended by the 30
31 Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease 31

1 heretofore or hereafter committed to any such (unit) plan embracing 1
2 lands that are in part within and in part outside of the area 2
3 covered by any such plan shall be segregated into separate leases 3
4 as to the lands committed and the lands not committed as of the 4
5 effective date of unitization: Provided, however, That any such 5
6 lease as to the nonunitized portion shall continue in force and 6
7 effect for the term thereof but for not less than two years from 7
8 the date of such segregation and so long thereafter as oil or gas is 8
9 produced in paying quantities." 9

10 (h) Any lease embracing lands of the State of New Mexico 10
11 which is made subject to this agreement, shall continue in force 11
12 beyond the term provided therein as to the lands committed hereto 12
13 until the termination hereof. 13

14 (i) Any lease embracing lands of the State of New Mexico 14
15 having only a portion of its lands committed hereto, shall be segre- 15
16 gated as to the portion committed and the portion not committed, 16
17 and the terms of such lease shall apply separately to such segre- 17
18 gated portions commencing as of the effective date hereof; provided, 18
19 however, notwithstanding any of the provisions of this agreement to 19
20 the contrary any lease embracing lands of the State of New Mexico 20
21 having only a portion of its lands committed hereto shall continue 21
22 in full force and effect beyond the term provided therein as to all 22
23 lands embraced in such lease, if oil or gas is discovered and is 23
24 capable of being produced in paying quantities from some part of 24
25 the lands embraced in such lease at the expiration of the secondary 25
26 term of such lease; or if, at the expiration of the secondary term, 26
27 the lessee or the Unit Operator is then engaged in bona fide drill- 27
28 ing or reworking operations on some part of the lands embraced in 28
29 such lease, the same, as to all lands embraced therein, shall re- 29
30 main in full force and effect so long as such operations are being 30
31 diligently prosecuted, and if they result in the production of oil 31

1 or gas; said lease shall continue in full force and effect as to all 1
2 of the lands embraced therein, so long thereafter as oil or gas in 2
3 paying quantities is being produced from any portion of said lands. 3

4 19. COVENANTS RUN WITH LAND. The covenants herein shall 4
5 be construed to be covenants running with the land with respect to 5
6 the interest of the parties hereto and their successors in interest 6
7 until this agreement terminates, and any grant, transfer, or convey- 7
8 ance, of interest in land or leases subject hereto shall be and here- 8
9 by is conditioned upon the assumption of all privileges and obli- 9
10 gations hereunder by the grantee, transferee, or other successor in 10
11 interest. No assignment or transfer of any working interest, roy- 11
12 alty, or other interest subject hereto shall be binding upon Unit 12
13 Operator until the first day of the calendar month after Unit Opera- 13
14 tor is furnished with the original, photostatic, or certified copy 14
15 of the instrument of transfer. 15

16 20. EFFECTIVE DATE AND TERM. This agreement shall become 16
17 effective upon approval by the Secretary and the Land Commissioner 17
18 or their duly authorized representatives, and shall terminate five (5) 18
19 years from said effective date unless 19

20 (a) such date of expiration is extended by the Director and 20
21 the Land Commissioner, or 21

22 (b) it is reasonably determined prior to the expiration of 22
23 the fixed term or any extension thereof that the unitized land is 23
24 incapable of production of unitized substances in paying quantities 24
25 in the formations tested hereunder and after notice of intention to 25
26 terminate the agreement on such ground is given by the Unit Operator 26
27 to all parties in interest at their last known addresses, the agree- 27
28 ment is terminated with the approval of the Supervisor and the Land 28
29 Commissioner, or 29

30 (c) a valuable discovery of unitized substances has been 30
31 made or accepted on unitized land during said initial term or any 31

1 extension thereof, in which event the agreement shall remain in 1
2 effect for such term and so long as unitized substances are pro- 2
3 duced in quantities sufficient to pay for the cost of producing 3
4 same from wells on unitized land within any participating area es- 4
5 tablished hereunder and, should production cease, so long thereafter 5
6 as diligent operations are in progress for the restoration of pro- 6
7 duction or discovery of new production and so long thereafter as 7
8 unitized substances so discovered are produced as aforesaid, or 8
9 (d) it is terminated as heretofore provided in this agree- 9
10 ment. This agreement may be terminated at any time by not less than 10
11 75 per centum, on an acreage basis, of the working interest owners 11
12 signatory hereto, with the approval of the Supervisor and the Land 12
13 Commissioner; notice of any such approval to be given by the Unit 13
14 Operator to all parties hereto. 14
15 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The 15
16 Director is hereby vested with authority to alter or modify from 16
17 time to time in his discretion the quantity and rate of production 17
18 under this agreement when such quantity and rate is not fixed pur- 18
19 suant to Federal or State law or does not conform to any state-wide 19
20 voluntary conservation or allocation program, which is established, 20
21 recognized, and generally adhered to by the majority of operators 21
22 in such State, such authority being hereby limited to alteration or 22
23 modification in the public interest, the purpose thereof and the 23
24 public interest to be served thereby to be stated in the order of 24
25 alteration or modification. Without regard to the foregoing, the 25
26 Director and the Commissioner are also hereby vested with authority 26
27 to alter or modify from time to time in his discretion the rate of 27
28 prospecting and development and the quantity and rate of production 28
29 under this agreement when such alteration or modification is in the 29
30 interest of attaining the conservation objectives stated in this 30
31 agreement and is not in violation of any applicable Federal or State 31
law.

1 Powers in this section vested in the Director and the Com- 1
2 missioner shall only be exercised after notice to Unit Operator and 2
3 opportunity for hearing to be held not less than 15 days from notice. 3

4 22. APPEARANCES. Unit Operator shall, after notice to other 4
5 parties affected, have the right to appear for and on behalf of any 5
6 and all interests affected hereby before the Department of the 6
7 Interior and the Commissioner of Public Lands and to appeal from 7
8 orders issued under the regulations of said Department or Land 8
9 Commissioner or to apply for relief from any of said regulations or 9
10 in any proceedings relative to operations before the Department of 10
11 the Interior or the Land Commissioner or any other legally consti- 11
12 tuted authority; provided, however, that any other interested party 12
13 shall also have the right at his own expense to be heard in any such 13
14 proceeding. 14

15 23. NOTICES. All notices, demands or statements required 15
16 hereunder to be given or rendered to the parties hereto shall be 16
17 deemed fully given if given in writing and personally delivered to 17
18 the party or sent by postpaid registered or certified mail, addressed 18
19 to such party or parties at their respective addresses set forth in 19
20 connection with the signatures hereto or to the ratification or con- 20
21 sent hereof or to such other address as any such party may have fur- 21
22 nished in writing to party sending the notice, demand or statement. 22

23 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement 23
24 contained shall be construed as a waiver by any party hereto of the 24
25 right to assert any legal or constitutional right or defense as to 25
26 the validity or invalidity of any law of the State wherein said uni- 26
27 tized lands are located, or of the United States, or regulations 27
28 issued thereunder in any way affecting such party, or as a waiver by 28
29 any such party of any right beyond his or its authority to waive. 29

30 25. UNAVOIDABLE DELAY. All obligations under this agree- 30
31 ment requiring the Unit Operator to commence or continue drilling or 31

1 to operate on or produce unitized substances from any of the lands 1
2 covered by this agreement shall be suspended while the Unit Operator 2
3 despite the exercise of due care and diligence, is prevented from 3
4 complying with such obligations, in whole or in part, by strikes, 4
5 acts of God, Federal, State, or municipal law or agencies, unavoi- 5
6 dable accidents, uncontrollable delays in transportation, inability 6
7 to obtain necessary materials in open market, or other matters be- 7
8 yond the reasonable control of the Unit Operator whether similar to 8
9 matters herein enumerated or not. No unit obligation which is sus- 9
10 pended under this section shall become due less than thirty (30) 10
11 days after it has been determined that the suspension is no longer 11
12 applicable. Determination of creditable "Unavoidable Delay" time 12
13 shall be made by the unit operator subject to approval of the Super- 13
14 visor and the Land Commissioner. 14

15 26. NONDISCRIMINATION. In connection with the performance 15
16 of work under this agreement, the operator agrees to comply with 16
17 all the provisions of section 202 (1) to (7) inclusive of Executive 17
18 Order 11246 (30 F.R. 12319), which are hereby incorporated by refer- 18
19 ence in this agreement. 19

20 27. LOSS OF TITLE. In the event title to any tract of 20
21 unitized land shall fail and the true owner cannot be induced to 21
22 join in this unit agreement, such tract shall be automatically re- 22
23 garded as not committed hereto and there shall be such readjustment 23
24 of future costs and benefits as may be required on account of the 24
25 loss of such title. In the event of a dispute as to title as to any 25
26 royalty, working interest, or other interests subject thereto, pay- 26
27 ment or delivery on account thereof may be withheld without liability 27
28 for interest until the dispute is finally settled; provided, that, 28
29 as to Federal and State land or leases, no payments of funds due 29
30 the United States or the State of New Mexico should be withheld, but 30
31 such funds shall be deposited as directed by the Supervisor and such 31

1 funds of the State of New Mexico shall be deposited as directed by 1
2 the Land Commissioner, to be held as unearned money pending final 2
3 settlement of the title dispute, and then applied as earned or re- 3
4 turned in accordance with such final settlement. 4

5 Unit Operator as such is relieved from any responsibility 5
6 for any defect or failure of any title hereunder. 6

7 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of 7
8 any substantial interest in a tract within the unit area fails or 8
9 refuses to subscribe or consent to this agreement, the owner of the 9
10 working interest in that tract may withdraw said tract from this 10
11 agreement by written notice delivered to the Supervisor and the 11
12 Land Commissioner and the Unit Operator prior to the approval of 12
13 this agreement by the Supervisor. Any oil or gas interests in lands 13
14 within the unit area not committed hereto prior to submission of 14
15 this agreement for final approval may thereafter be committed hereto 15
16 by the owner or owners thereof subscribing or consenting to this 16
17 agreement, and, if the interest is a working interest, by the owner 17
18 of such interest also subscribing to the unit operating agreement. 18
19 After operations are commenced hereunder, the right of subsequent 19
20 joinder, as provided in this section, by a working interest owner 20
21 is subject to such requirements or approvals, if any, pertaining to 21
22 such joinder, as may be provided for in the unit operating agree- 22
23 ment. After final approval hereof, joinder by a non-working inter- 23
24 est owner must be consented to in writing by the working interest 24
25 owner committed hereto and responsible for the payment of any bene- 25
26 fits that may accrue hereunder in behalf of such non-working inter- 26
27 est. A non-working interest may not be committed to this unit 27
28 unless the corresponding working interest is committed hereto. 28
29 Joinder to the unit agreement by a working-interest owner, at any 29
30 time, must be accompanied by appropriate joinder to the unit opera- 30
31 ting agreement, if more than one committed working-interest owner 31

1 is involved, in order for the interest to be regarded as committed 1
2 to this unit agreement. Except as may otherwise herein be provided, 2
3 subsequent joinders to this agreement shall be effective as of the 3
4 first day of the month following the filing with the Supervisor and 4
5 the Land Commissioner of duly executed counterparts of all or any 5
6 papers necessary to establish effective commitment of any tract to 6
7 this agreement unless objection to such joinder is duly made within 7
8 60 days by the Supervisor and the Land Commissioner. 8

9 29. COUNTERPARTS. This agreement may be executed in any 9
10 number of counterparts no one of which needs to be executed by all 10
11 parties or may be ratified or consented to by separate instrument in 11
12 writing specifically referring hereto and shall be binding upon all 12
13 those parties who have executed such a counterpart, ratification, 13
14 or consent hereto with the same force and effect as if all such 14
15 parties had signed the same document and regardless of whether or 15
16 not it is executed by all other parties owning or claiming an inter- 16
17 est in the lands within the above-described unit area. 17

18 30. SURRENDER. Nothing in this agreement shall prohibit 18
19 the exercise by any working interest owner of the right to surrender 19
20 vested in such party by any lease, sublease, or operating agreement 20
21 as to all or any part of the lands covered thereby, provided that 21
22 each party who will or might acquire such working interest by such 22
23 surrender or by forfeiture as hereafter set forth, is bound by the 23
24 terms of this agreement. 24

25 If as a result of any such surrender the working interest 25
26 rights as to such lands become vested in any party other than the 26
27 fee owner of the unitized substances, said party may forfeit such 27
28 rights and further benefits from operation hereunder as to said 28
29 land to the party next in the chain of title who shall be and become 29
30 the owner of such working interest. 30

31 If as the result of any such surrender or forfeiture working 31

1 interest rights become vested in the fee owner of the unitized sub- 1
2 stances, such owner may: 2

3 (1) Accept those working interest rights subject to this 3
4 agreement and the unit operating agreement; or 4

5 (2) Lease the portion of such land as is included in a 5
6 participating area established hereunder subject to this agreement 6
7 and the unit operating agreement. 7

8 (3) Provide for the independent operation of any part of 8
9 such land that are not then included within a participating area 9
10 established hereunder. 10

11 If the fee owner of the unitized substances does not accept 11
12 the working interest rights subject to this agreement and the unit 12
13 operating agreement or lease such lands as above provided within 13
14 six (6) months after the surrendered or forfeited working interest 14
15 rights become vested in the fee owner, the benefits and obligations 15
16 of operations accruing to such lands under this agreement and the 16
17 unit operating agreement shall be shared by the remaining owners of 17
18 unitized working interests in accordance with their respective 18
19 working interest ownerships, and such owners of working interests 19
20 shall compensate the fee owner of unitized substances in such lands 20
21 by paying sums equal to the rentals, minimum royalties, and royal- 21
22 ties applicable to such lands under the lease in effect when the 22
23 lands were unitized. 23

24 An appropriate accounting and settlement shall be made, for 24
25 all benefits accruing to or payments and expenditures made or in- 25
26 curred on behalf of such surrendered or forfeited working interest 26
27 subsequent to the date of surrender or forfeiture, and payment of 27
28 any moneys found to be owing by such an accounting shall be made as 28
29 between the parties within thirty (30) days. In the event no unit 29
30 operating agreement is in existence and a mutually acceptable agree- 30
31 ment between the proper parties thereto cannot be consummated, the 31

1 Supervisor may prescribe such reasonable and equitable agreement as 1
2 he deems warranted under the circumstances. 2

3 The exercise of any right vested in a working interest owner 3
4 to reassign such working interest to the party from whom obtained 4
5 shall be subject to the same conditions as set forth in this section 5
6 in regard to the exercise of a right to surrender. 6

7 31. TAXES. The working interest owners shall render and 7
8 pay for their account and the account of the royalty owners all 8
9 valid taxes on or measured by the unitized substances in and under 9
10 or that may be produced, gathered and sold from the land subject to 10
11 this contract after the effective date of this agreement, or upon 11
12 the proceeds derived therefrom. The working interest owners on each 12
13 tract shall and may charge the proper proportion of said taxes to 13
14 the royalty owners having interests in said tract, and may currently 14
15 retain and deduct sufficient of the unitized substances or deriva- 15
16 tive products, or net proceeds thereof from the allocated share of 16
17 each royalty owner to secure reimbursement for the taxes so paid. 17
18 No such taxes shall be charged to the United States or the State of 18
19 New Mexico or to any lessor who has a contract with his lessee which 19
20 requires the lessee to pay such taxes. 20

21 32. NO PARTNERSHIP. It is expressly agreed that the re- 21
22 lation of the parties hereto is that of independent contractors and 22
23 nothing in this agreement contained, expressed or implied, nor any 23
24 operations conducted hereunder, shall create or be deemed to have 24
25 created a partnership or association between the parties hereto or 25
26 any of them. 26

27 33. CONFLICT OF SUPERVISION. Neither the Unit Operator 27
28 nor the working interest owners, nor any of them, shall be subject 28
29 to any forfeiture, termination or expiration of any right hereunder 29
30 or under any leases or contracts subject hereto, or to any penalty 30
31 or liability on account of delay or failure in whole or in part to 31

1 comply with any applicable provisions thereof to the extent that 1
2 the said Unit Operator or the working interest owners, or any of 2
3 them, are hindered, delayed or prevented from complying therewith 3
4 by reason of failure of the Unit Operator to obtain, in the exercise 4
5 of due diligence, the concurrence of proper representatives of the 5
6 United States and proper representatives of the State of New Mexico 6
7 in and about any matters or things concerning which it is required 7
8 herein that such concurrence be obtained. The parties hereto, in- 8
9 cluding the State Commission, agree that all powers and authority 9
10 vested in the State Commission in and by any provisions of this 10
11 agreement are vested in the State Commission and shall be exercised 11
12 by it pursuant to the provisions of the laws of the State of New 12
13 Mexico and subject in any case to appeal or judicial review as may 13
14 now or hereafter be provided by the laws of the State of New Mexico. 14

15 IN WITNESS WHEREOF, the parties hereto have caused this agree- 15
16 ment to be executed and have set opposite their respective names 16
17 the date of execution. 17

18 UNIT OPERATOR AND WORKING INTEREST OWNER 18
19 ATTEST: AMERICAN QUASAR PETROLEUM CO. OF 19
NEW MEXICO

20 By: _____ By: _____ 20
21 Secretary President 21

22 Address: 606 Vaughn Building 22
23 Midland, Texas 79701 23

24 WORKING INTEREST OWNERS 24
25 EL PASO NATURAL GAS COMPANY 25

26 By: _____ 26

27 Date _____ 27

28 Address _____ 28

29 _____ 29

CORPORATE

STATE OF TEXAS

||

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this _____ day
of _____, 1974, by TED COLLINS, JR. who is President of
American Quasar Petroleum Co. of New Mexico, a New Mexico Corporation,
for and on behalf of said Corporation.

MY COMMISSION EXPIRES

Notary Public in and for Midland County,
Texas

CORPORATE

STATE OF TEXAS

||

COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of
_____, 1974, by _____ who is Attorney-in-
Fact for EL PASO NATURAL GAS COMPANY a _____,
for and on behalf of said Corporation.

MY COMMISSION EXPIRES

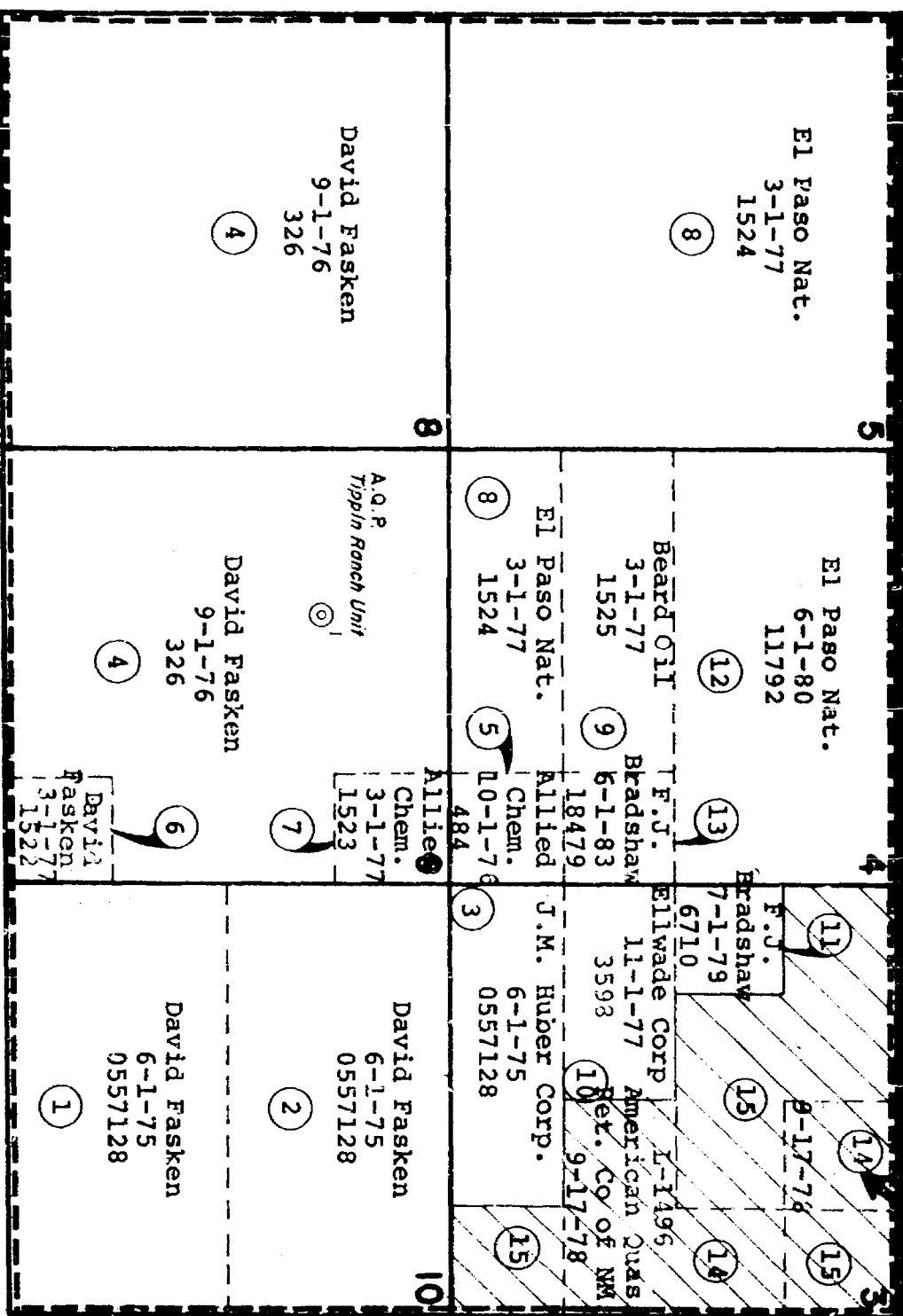
Notary Public

R - 23 - E

American Quasar
Pet. of N.M.
L-1496

Serial Numbers of
Federal Leases:

NM 0557128-A
0557128-C
0557128
376
484
1522
1523
1524
1525
3598
6710
11792
18479



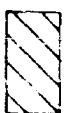
UNIT OUTLINE AREA

①

TRACT NUMBERS



FEDERAL LAND, 3,440.00 Ac.
89.583% of UNIT AREA



STATE LAND, 400.00 Ac.
10.417% of UNIT AREA

TOTAL: 3,840.00 Acs.

EXHIBIT "A"

TIPPIN RANCH UNIT
EDDY COUNTY, NEW MEXICO

EXHIBIT "B"
SCHEDULE OF LANDS AND LEASES
TIPPIN RANCH UNIT AREA
EDDY COUNTY, NEW MEXICO

TOWNSHIP 23 SOUTH, RANGE 23 EAST, N.M.P.M.										
Tract No.	Description	Number of Acres	Lease Serial No. Expiration Date	Basic Royalty and Percent	Lessee of Record	Interest	Overriding Royalty Owner and Percentage		Working Interest Owner and Percentage	
FEDERAL LANDS										
1	Section 10: S/2	320.00	N.M. 0557128-A 6-1-75	U.S.A. 12.5	David Fasken	All	Esther H. Levy and husband, William B. Levy	2.50	David Fasken	All
2	Section 10: N/2	320.00	N.M. 0557128-C 6-1-75	U.S.A. 12.5	David Fasken	All	Elaine Wolf	2.50		
							Esther H. Levy and husband, William B. Levy	3.00	David Fasken	All
							Olen F. Featherstone, II and wife, Charla Featherstone	2.00		
3	Section 3: S/2 SW/4 and SW/4 SE/4	120.00	N.M. 0557128 6-1-75	U.S.A. 12.5	J.M. Huber Corp.	All	Esther H. Levy and husband, William B. Levy	3.00	J.M. Huber Corp.	All
							Olen F. Featherstone II and wife, Charla Featherstone			
							\$500.00 per/ac. out of 6.25%, less the above 3%			

SCHEDULE OF LANDS AND LEASES
TIPPIN RANCH UNIT AREA
EDDY COUNTY, NEW MEXICO

Tract No.	Description	Number of Acres	Lease Serial No. Expiration Date	Basic Royalty and Percent	Lessee of Record	Interest	Overriding		Working	
							Royalty Owner and Percentage	Interest Owner and Percentage		
TOWNSHIP 23 SOUTH, RANGE 23 EAST, N.M.P.M.										
FEDERAL LANDS										
4	Section 8: All Section 9: W/2, W/2 E/2, SE/4 NE/4 and NE/4 SE/4	1,200.00	N.M. 326 9-1-76	U.S.A. 12.5	David Fasken	All	A. W. Rutter and wife, Virginia Rutter	4.00	David Fasken	All
5	Section 4: SE/4 SE/4	40.00	N.M. 484 10-1-76	U.S.A. 12.5	Allied Chemical Co.	All	Celeste C. Grynberg and husband, Jack J. Grynberg	6.25	Allied Chem. Co.	All
6	Section 9: SE/4 SE/4	40.00	N.M. 1522 3-1-77	U.S.A. 12.5	David Fasken	All	F. J. Bradshaw and wife, B. J. Bradshaw	5.00	David Fasken	All
7	Section 9: NE/4 NE/4	40.00	N.M. 1523 3-1-77	U.S.A. 12.5	Allied Chemical Co.	All	Jack J. Grynberg and wife, Celeste C. Grynberg	6.25	Allied Chem. Co.	All
8	Section 5: All Section 4: S/2 SW/4 and SW/4 SE/4	760.00	N.M. 1524 3-1-77	U.S.A. 12.5	El Paso Natural Gas Co.	All	Husky Oil Co. of Delaware Billie Robinson	2.00 3.00	El Paso Nat. Gas Co.	All

EXHIBIT "B"
SCHEDULE OF LANDS AND LEASES
TIPPIN RANCH UNIT AREA
EDDY COUNTY, NEW MEXICO

Page Three

Tract No.	Description	Number of Acres	Lease Serial No. Expiration Date	Basic		Lessees of Record	Interest	Overriding		Working	
				Royalty and Percent				Royalty Owner and Percentage	Interest Owner and Percentage		
TOWNSHIP 23 SOUTH, RANGE 23 EAST, N.M.P.M.											
FEDERAL LANDS											
9	Section 4: N/2 SW/4 and NW/4 SE/4	120.00	N.M. 1525 3-1-77	U.S.A. 12.5	Beard Oil Co.	All		Michelle A. Carbarino	1.00	Beard Oil Co.	All
								Thelma F. De Smet, 4.00 Ind. and as Exr. of the Estate of Richard P. De Smet			
10	Section 3: N/2 SW/4	80.00	N.M. 3598 11-1-77	U.S.A. 12.5	Ellwade Corp.	All		Howard B. Cahoon and wife, Alice Cahoon	2.25	Ellwade Corp.	All
								John Oakason and wife, Jean Oakason.			
11	Section 3: SW/4 NW/4	40.00	N.M. 6710 7-1-78	U.S.A. 12.5	F. J. Bradshaw	All		None		F. J. Bradshaw	All
12	Section 4: N/2	320.00	N.M. 11792 6-1-80	U.S.A. 12.5	El Paso Natural Gas Co.	All		Donald W. Sidwell and wife, Janet C. Sidwell	5.00	El Paso Nat. Gas Co.	All
13	Section 4: NE/4 SE/4	40.00	N.M. 18479 6-1-83	U.S.A. 12.5	F. J. Bradshaw	All		None		F. J. Bradshaw	All

TOTAL 3,440.00 Acres Federal Lands

EXHIBIT "B"
SCHEDULE OF LANDS AND LEASES
TIPPIN RANCH UNIT AREA
EDDY COUNTY, NEW MEXICO

Page Four

Tract No.	Description	Number of Acres	Lease Serial No. Expiration Date	Basic		Lessee of Record	Interest	Overriding		Working Interest Owner and Percentage
				Royalty and Percent				Royalty Owner and Percentage		

TOWNSHIP 23 SOUTH, RANGE 23 EAST, N. M. P. M.

STATE OF NEW MEXICO LANDS

14	Section 3: N/2 NE/4, NW/4 NE/4 and SE/4 NE/4	160.00	L-1496 9-17-78	State of N. M. 12.5	American Quasar Petroleum Co. of New Mexico	ALL	Mary C. Burton and husband, John H. Burton	6.25	American Qua- sar Pet. Co. of New Mexico
15	Section 3: N/2 NW/4, SE/4 NW/4, NE/4 NE/4, SW/4 NE/4 and SE/4 SE/4	240.00		State of N.M.	Open		None		Open

TOTAL 400.00 Acres State of New Mexico Lands

EXHIBIT "B"

SCHEDULE OF LANDS AND LEASES

Page Five

TIPPIN RANCH UNIT AREA
EDDY COUNTY, NEW MEXICO

Tract No.	Description	Number of Acres	Lease Serial No. Expiration Date	Basic Royalty and Percent	Lessee of Record	Interest	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage

TOWNSHIP 23 SOUTH, RANGE 23 EAST, N.M.P.M.

PATENTED (FEE) LANDS

NONE

RECAPITULATION

3,440.00	Acres Federal Lands,	89.583% of the Unit
400.00	Acres State Lands,	10.417% of the Unit
<u>3,840.00</u>		<u>100.00%</u>

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
APPLICATION FOR APPROVAL OF
TIPPIN RANCH UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission
Santa Fe, New Mexico 87501

Case 5-370

Comes the undersigned, American Quasar Petroleum Co. of New Mexico at Midland, Texas, and files herewith one copy of the proposed Unit Agreement for the development and operation of the Tippin Ranch Unit Area, Eddy County, New Mexico, and hereby makes application for approval of said Unit Agreement as provided by law, and in support thereof, states:

1. That the proposed Unit Area covered by said Agreement embraces 3,840.00 acres of land, more or less, more particularly described as follows:

Township 23 South, Range 23 East, NMPM

Section 3: All
Section 4: All
Section 5: All
Section 8: All
Section 9: All
Section 10: All

Eddy County, New Mexico

2. That of the lands embraced within the proposed unit, 400.00 acres are State of New Mexico Lands, being 10.417% of the Area; 3,440.00 acres are Lands of the United States, being 89.583% of the Area. There are no patented or fee lands in the Unit area.

3. That Application is being made for the designation of said area and for approval of the form of Unit Agreement by the Commissioner of Public Lands, State of New Mexico.

That Applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all or substantially all of the geological feature involved, and that in the event of a discovery of oil or gas thereon, that said Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That American Quasar Petroleum Co. of New Mexico is designated as the Unit Operator in said Unit Agreement, and as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to test the lower Morrow formation, but applicant is not obligated to drill said well in any event to a depth in excess of 10,300 feet.

5. That applicant believes that in the event oil or gas is discovered in paying quantities on lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that maximum recovery will be obtained of unitized substances and that said Unit Agreement is in the interest of conservation of prevention of waste as contemplated by the New Mexico Oil Conservation rules and regulations.

6. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval thereof by the Commissioner of Public Lands of the State of New Mexico and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Commission.

7. Wherefore, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and the prevention of waste. Applicant respectfully requests that this matter be heard at the hearing scheduled for November 27, 1974.

Dated this 6th day of November, 1974.

AMERICAN QUASAR PETROLEUM CO.
OF NEW MEXICO

BY Ted Collins, Jr.
Ted Collins, Jr., President
606 Vaughn Building
Midland, Texas 79701

J. T. Dickerson
J. T. Dickerson
Attorney-at-Law
1209 Western United Life Building
Midland, Texas 79701

J. T. DICKERSON
LAND, LEASE AND UNIT SPECIALIST
1209 WESTERN UNITED LIFE BUILDING
MIDLAND, TEXAS 79701

915 682-1436 OFFICE

November 15, 1974

915 694-2979 HOME

Case 5370

Mr. Pete Porter
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Tippin Ranch Unit Area
T-23-S, R-23-E
Eddy County, New Mexico

Dear Mr. Porter:

Reference is made to my November 6, 1974 letter enclosing an application for approval of the Tippin Ranch Unit Agreement.

Enclosed herewith is copy of said Unit Agreement.

Very truly yours,

J. T. Dickerson
J. T. Dickerson

JTD:ku
Enclosures

(26)

Unit Agreement - for No. 27

American Quasar Petroleum Co. of New Mexico.

for a unit comprising 3840 acres

comprised of Sections 3, 4, 5, 9, 10 of T 23 South,

Range 23 East, N.M.P.M. Eddy County

New Mexico.

for a 10,300' Morrow test well.

Written application following from
Mr. Dickerson (Midland).

(Just name?)

J.F. & F.

3

Tipple Ranch

DRAFT

jr/

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. 5370

Order No. R-4923

APPLICATION OF AMERICAN QUASAR PETROLEUM COMPANY of New Mexico
FOR APPROVAL OF THE TIPPIN RANCH
UNIT AGREEMENT, EDDY, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
November 26, 1967⁷⁴, at Santa Fe, New Mexico, before Examiner
Daniel S. Nutter.

NOW, on this _____ day of December, 1967⁷⁴, 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, American Quasar Petroleum Company of
New Mexico
seeks approval of the Tippin Ranch Unit Agreement
State, and
covering 3840 acres, more or less, of Federal lands
and Fee
described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 23 SOUTH, RANGE 23 EAST, NMPM

Sections 3, 4, and 5: All
Sections 8, 9, and 10: 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 Tippin Ranch 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.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 26, 1974

EXAMINER HEARING

IN THE MATTER OF:

Application of American Quasar)
Petroleum Company of New Mexico)
for a unit agreement, Eddy)
County, New Mexico.)

CASE NO. 5370

BEFORE: Daniel S. Nutter, Examiner

For the New Mexico Oil
Conservation Commission:

Thomas Derryberry, Esq.
Legal Counsel for the
Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant:

Randolph M. Richardson, Esq.
J. P. White Building
Roswell, New Mexico

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

I N D E X

PAGE

EDGAR KING

Direct Examination by Mr. Richardson
Cross Examination by Mr. Nutter

3
8

E X H I B I T S

Applicant's Exhibits Nos. 1, 2 and 3

7

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

MR. NUTTER: Case 5370.

MR. FERRYBERRY: Case 5370. Application of American Quasar Petroleum Company of New Mexico for a unit agreement, Eddy County, New Mexico.

MR. RICHARDSON: Randolph M. Richardson, Roswell, New Mexico, appearing on behalf of the Applicant. We have one witness to be sworn.

(Witness sworn.)

MR. RICHARDSON: A copy of the Unit Agreement has already been furnished, and here are the geologic reports marked Exhibits, 1 through 3.

EDGAR KING

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. RICHARDSON:

Q Mr. King, will you please state your name and present occupation?

A Edgar King, Division Geologist, American Quasar Petroleum Company, Midland, Texas.

Q Will you please state your educational and professional background which would enable you to testify as an expert witness in this case?

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0366

A I graduated with a B.S. in Geology from Oklahoma State University in 1955, and I worked for 19 years as an exploration geologist for Cities Service Oil Company until the last six months, at which time I have been employed by American Quasar. For the last seven years, my work has been primarily in southeastern New Mexico.

Q Are you familiar with the Tippin Ranch Unit Area and the matters contained in the application to the Commission for approval of a unit agreement?

A Yes.

MR. RICHARDSON: Are his qualifications acceptable?

MR. NUTTER: Yes, they are.

BY MR. RICHARDSON:

Q Is the form of Unit Agreement that prescribed by Federal Regulations?

A Yes.

Q Has the unit area been designated by the United States Geological Survey as an area allowed to pursue for development under a unit plan of development?

A No. This case has been made to the U.S.G.S. and they advise that all is in order and the letters of designation will be submitted within the next 10 days.

Q Will you please tell the Commission the total

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

KING-DIRECT

Page 2

number of acres within the unit area and the number and percentage of acres, Federal, State and fee land?

A It is a total of 3840 acres, which is 3450 acres of Federal land, or 89.583 percent. There is 400 acres of State land, or 10.417 percent.

Q Could you tell the Commission, for the record, the township and range in which the unit is located and approximate location with reference to the nearest town?

A The well will be located in 23 South, 23 East, and it is approximately 40 miles west of Carlsbad, New Mexico.

Q Would you now please refer to your geological report which has been handed to the Examiner, marked Exhibits 1 through 3. Was this report prepared by you or under your direct control and supervision?

A Yes, sir, by people under my supervision.

Q Now, would you please briefly go through the report, referring to the maps by name, and indicating the significance of the maps and cross sections?

A Exhibit 1 is a geological discussion of the proposed unit. It briefly outlines the geological report of the area.

Exhibit 2 is a structure map on top of the Morrow Formation with an isopach of the lower Morrow Sand

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

superimposed.

Exhibit 3 is a series of cross sections through the proposed unit area. It includes three cross sections: One, a north-south structural section; one, a regional east-west stratigraphic section; and the third is a detailed north-south stratigraphic section showing the pinch-out of the lower Morrow Sand. All of the cross sections are -- the line of the section is illustrated on Exhibit 2 in different colors. They are designated by alphabetic letters.

Q Would you please tell the Commission your conclusion as to the formations that are likely to be encountered and considered prospective for production?

A The primary objective of the test is the lower Morrow Sand which produces from both stratigraphic and structural traps in the area of southeast New Mexico. The primary objective, again, is the lower Morrow Sand which we believe crosses the proposed unit area.

Q Could you please tell the Commission your projected total depth and location for your initial test well?

A We plan to drill the initial well 1980 from the north and west line of Section 9, 23 South, 23 East. The projected total depth will be 9900 feet.

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

Q Have the other working interest owners in the unit been contacted?

A Yes.

Q In your opinion, what percentage of the working interest will be committed to the unit?

A One hundred percent.

Q What percentage of the royalty will be committed?

A One hundred percent.

Q In your opinion, will the operation of this area under the proposed unit plan of operation be in the interest of conservation, prevention of waste?

A Yes.

Q In the event of production, will the correlative rights of all parties to the unit be protected?

A Yes.

MR. RICHARDSON: We would now like to enter the geological reports marked Exhibits 1 through 3 into evidence.

MR. NUTTER: American Quasar's Exhibits 1 through 3 will be admitted in evidence.

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

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

MR. RICHARDSON: That is all we have.

CROSS EXAMINATION

BY MR. NOTTER:

Q Mr. King, you say that you already do have 100 percent of the working interest committed here, is that correct?

A One hundred percent has been contacted, and this has been a pretty fast put together deal. I am not 100 percent certain that all of them have agreed to join, but the ones that don't will be carried by the American Quasar in the initial --

Q (Interrupting) In effect, it will be unitized?

A Yes, sir.

Q And the Federal Government has agreed to the unit and likewise --

A (Interrupting) Verbally, they have. They have not issued the letter, but they have assured us that it will be issued very shortly.

Q And the form of contact to the unit agreement is satisfactory to them?

A Yes.

Q Is the unitization satisfactory to both of those agencies?

A Yes, sir.

Q It more or less follows this structural high that you have depicted here on your plat of the area?

A Right. This is a fairly well known geological feature, subsurface. It is a projection of the producing feature of the Indian Basin Field which is about six miles to the north. The other key factor in the unit area is the outline of the sands, and we have chosen the 10-foot isopach as the cut-off for the effective limits of the reservoir, so, you see, it is controlled on the west side by a down to the west fault, and probably on the east side both by a pinching-in of the sand and dip on the east side.

Q You called this the "Indian Basin Fault." Does it go on up into the Indian Basin?

A It goes up to the west side of the Indian Basin Field and may -- I wouldn't guarantee it -- controls production of the Cisco Canyon Reef in that field.

MR. NUTTER: Are there further questions of Mr. King? He may be excused.

(Witness dismissed.)

MR. NUTTER: Do you have anything further, Mr. Richardson?

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

KING-CROSS

MR. RICHARDSON: No, sir.

MR. NUTTER: Does anyone have anything they
wish to add to Case No. 5370?

We will take the case under advisement.

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

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

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.

COURT REPORTER.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5370, heard by me on 11/26, 1974.

_____, Examiner
New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 26, 1974

EXAMINER HEARING

-----+
IN THE MATTER OF:)
)
)

Application of American Quasar)
Petroleum Company of New Mexico)
for a unit agreement, Eddy)
County, New Mexico.)
-----)

CASE NO. 5370

BEFORE: Daniel S. Nutter, Examiner

For the New Mexico Oil
Conservation Commission:

Thomas Derryberry, Esq.
Legal Counsel for the
Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant:

Randolph M. Richardson, Esq.
J. P. White Building
Roswell, New Mexico

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

I N D E X

PAGE

EDGAR KING

Direct Examination by Mr. Richardson
Cross Examination by Mr. Nutter

3
8

E X H I B I T S

Applicant's Exhibits Nos. 1, 2 and 3

7

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 962-0386

KING-DIRECT

MR. NUTTER: Case 5370.

MR. DERRYBERRY: Case 5370. Application of American Quasar Petroleum Company of New Mexico for a unit agreement, Eddy County, New Mexico.

MR. RICHARDSON: Randolph M. Richardson, Roswell, New Mexico, appearing on behalf of the Applicant. We have one witness to be sworn.

(Witness sworn.)

MR. RICHARDSON: A copy of the Unit Agreement has already been furnished, and here are the geologic reports marked Exhibits, 1 through 3.

EDGAR KING

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. RICHARDSON:

Q Mr. King, will you please state your name and present occupation?

A Edgar King, Division Geologist, American Quasar Petroleum Company, Midland, Texas.

Q Will you please state your educational and professional background which would enable you to testify as an expert witness in this case?

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

A I graduated with a B.S. in Geology from Oklahoma State University in 1955, and I worked for 19 years as an exploration geologist for Cities Service Oil Company until the last six months, at which time I have been employed by American Quasar. For the last seven years, my work has been primarily in southeastern New Mexico.

Q Are you familiar with the Tippin Ranch Unit Area and the matters contained in the application to the Commission for approval of a unit agreement?

A Yes.

MR. RICHARDSON: Are his qualifications acceptable?

MR. NUTTER: Yes, they are.

BY MR. RICHARDSON:

Q Is the form of Unit Agreement that prescribed by Federal Regulations?

A Yes.

Q Has the unit area been designated by the United States Geological Survey as an area allowed to pursue for development under a unit plan of development?

A No. This case has been made to the U.S.G.S. and they advise that all is in order and the letters of designation will be submitted within the next 10 days.

Q Will you please tell the Commission the total

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 932-0386

KING-DIRECT

number of acres within the unit area and the number and percentage of acres, Federal, State and fee land?

A It is a total of 3840 acres, which is 3450 acres of Federal land, or 89.583 percent. There is 400 acres of State land, or 10.417 percent.

Q Could you tell the Commission, for the record, the township and range in which the unit is located and approximate location with reference to the nearest town?

A The well will be located in 23 South, 23 East, and it is approximately 40 miles west of Carlsbad, New Mexico.

Q Would you now please refer to your geological report which has been handed to the Examiner, marked Exhibits 1 through 3. Was this report prepared by you or under your direct control and supervision?

A Yes, sir, by people under my supervision.

Q Now, would you please briefly go through the report, referring to the maps by name, and indicating the significance of the maps and cross sections?

A Exhibit 1 is a geological discussion of the proposed unit. It briefly outlines the geological report of the area.

Exhibit 2 is a structure map on top of the Morrow Formation with an isopach of the lower Morrow Sand

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0366

superimposed.

Exhibit 3 is a series of cross sections through the proposed unit area. It includes three cross sections: One, a north-south structural section; one, a regional east-west stratigraphic section; and the third is a detailed north-south stratigraphic section showing the pinch-out of the lower Morrow Sand. All of the cross sections are -- the line of the section is illustrated on Exhibit 2 in different colors. They are designated by alphabetic letters.

Q Would you please tell the Commission your conclusion as to the formations that are likely to be encountered and considered prospective for production?

A The primary objective of the test is the lower Morrow Sand which produces from both stratigraphic and structural traps in the area of southeast New Mexico. The primary objective, again, is the lower Morrow Sand which we believe crosses the proposed unit area.

Q Could you please tell the Commission your projected total depth and location for your initial test well?

A We plan to drill the initial well 1980 from the north and west line of Section 9, 23 South, 23 East. The projected total depth will be 9900 feet.

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

Q Have the other working interest owners in the unit been contacted?

A Yes.

Q In your opinion, what percentage of the working interest will be committed to the unit?

A One hundred percent.

Q What percentage of the royalty will be committed?

A One hundred percent.

Q In your opinion, will the operation of this area under the proposed unit plan of operation be in the interest of conservation, prevention of waste?

A Yes.

Q In the event of production, will the correlative rights of all parties to the unit be protected?

A Yes.

MR. RICHARDSON: We would now like to enter the geological reports marked Exhibits 1 through 3 into evidence.

MR. NUTTER: American Quasar's Exhibits 1 through 3 will be admitted in evidence.

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

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

MR. RICHARDSON: That is all we have.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. King, you say that you already do have 100 percent of the working interest committed here, is that correct?

A One hundred percent has been contacted, and this has been a pretty fast put together deal. I am not 100 percent certain that all of them have agreed to join, but the ones that don't will be carried by the American Quasar in the initial --

Q (Interrupting) In effect, it will be unitized?

A Yes, sir.

Q And the Federal Government has agreed to the unit and likewise --

A (Interrupting) Verbally, they have. They have not issued the letter, but they have assured us that it will be issued very shortly.

Q And the form of contact to the unit agreement is satisfactory to them?

A Yes.

Q Is the unitization satisfactory to both of those agencies?

A Yes, sir.

Q It more or less follows this structural high that you have depicted here on your plat of the area?

A Right. This is a fairly well known geological feature, subsurface. It is a projection of the producing feature of the Indian Basin Field which is about six miles to the north. The other key factor in the unit area is the outline of the sands, and we have chosen the 10-foot isopach as the cut-off for the effective limits of the reservoir, so, you see, it is controlled on the west side by a down to the west fault, and probably on the east side both by a pinching-in of the sand and dip on the east side.

Q You called this the "Indian Basin Fault." Does it go on up into the Indian Basin?

A It goes up to the west side of the Indian Basin Field and may -- I wouldn't guarantee it -- controls production of the Cisco Canyon Reef in that field.

MR. NUTTER: Are there further questions of Mr. King? He may be excused.

(Witness dismissed.)

MR. NUTTER: Do you have anything further, Mr. Richardson?

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

MR. RICHARDSON: No, sir.

MR. NUTTER: Does anyone have anything they
wish to add to Case No. 5370?

We will take the case under advisement.

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

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

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.

COURT REPORTER.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5370, heard by me on 11/26, 1974.

[Signature], Examiner
New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386