

CASE 5839: TRANSOCEAN OIL, INC. :  
FOR APPROVAL OF THE REMUDA UNIT  
AGREEMENT, CATRON COUNTY, N. MEX.

CASE NO.

58 39

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,

ETC.



## TransOcean Oil, Inc.

1700 FIRST CITY EAST BUILDING  
1111 FANNIN • HOUSTON, TEXAS 77002  
713 - 654-2100

November 5, 1976

Director  
United States Geological Survey  
Washington, D. C. 20025

Attention: Area Oil and Gas Supervisor  
United States Geological Survey  
Drawer 1857  
Roswell, New Mexico 88201

Re: Application for Designation  
Proposed Unit Area and  
Determination of Depth  
of Test Well for the  
Remuda Unit Area  
Catron County, New Mexico

Dear Sir:

TransOcean Oil, Inc. respectfully requests that the area outlined on the map enclosed herewith labeled Exhibit "A" be designated as a logical unit area pursuant to the unitization provisions of the Mineral Leasing Act, as amended.

In addition to the proposed unit boundary, Exhibit "A" shows the boundaries and identity of the various tracts and leases in the proposed unit area to extent of our present knowledge. The proposed unit area contains 15,493.34 acres of Federal lands, 2,117.00 acres of State lands, and 16,893.72 acres of Patented lands for the combined unit total of 34,504.06 acres, more or less.

It is requested that one well drilled to a depth of 5,500 feet, or 30 feet into the basement complex, whichever is the lesser depth, be approved for the proposed unit.

All owners of an oil and gas leasehold working interest have been advised of our plans to form the unit proposed hereby.

Upon approval hereof, TransOcean proposes to submit a standard form unit agreement (1968 Reprint) which will deviate from the standard form as follows:

1. Modify those provisions of the standard form to permit the inclusion of lands owned by the State of New Mexico. Those provisions to be modified and the modifications are attached as an addendum hereto.

Director  
United States Geological Survey  
Page 2  
November 5, 1976

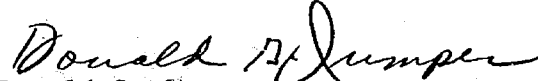
2. FOREST LAND STIPULATION: Notwithstanding any other terms and conditions contained in this agreement, all of the stipulations and conditions of the individual leases between the United States and its lessees or their successors or assigns embracing lands within the unit area included for the protection of lands or functions under the jurisdiction of the Secretary of Agriculture shall remain in full force and effect the same as though this agreement had not been entered into, and no modification thereof is authorized except with the prior consent in writing of the Regional Forester, United States Forest Service, Cibola National Forest, 517 Gold, S.W., Albuquerque, New Mexico 87101.

To the best of our knowledge, there are no Federal lands within the proposed unit area requiring the inclusion of special provisions in the unit agreement other than those set forth above.

In support of this application, we are submitting, in triplicate, a geological report with a map showing the structural conditions within the proposed unit area.

Yours very truly,

TRANSOCEAN OIL, INC.

  
Donald G. Jumper  
Land Operations Manager  
Western Division

DGJ:cw

Encl.

cc: New Mexico State Land Office  
P. O. Box 1148  
Santa Fe, New Mexico 87501  
Attention: Mr. Ray D. Graham

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

EXHIBIT "B"

AREA and DEPTH APPLICATION  
REMUDA UNIT AREA  
CATRON COUNTY, NEW MEXICO

<u>Tract No.</u>	<u>Federal Serial No.</u>	<u>Effective Date of Lease</u>
1	NM 22160	5-1-75
2	NM 22279	4-1-75
3	NM 22280	9-1-75
4	NM 22285	4-1-75
5	NM 22286	4-1-75
6	NM 22330	7-1-75
7	NM 22331	7-1-75
8	NM 22332	7-1-75
9	NM 22333	7-1-75
10	NM 22674	9-1-75

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE

UNIT AREA

COUNTY OF \_\_\_\_\_

STATE OF NEW MEXICO

NO. \_\_\_\_\_

W I T N E S S E T H:

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

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

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to State of New Mexico lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State of New Mexico are hereby accepted and made a part of this agreement.

2. UNIT AREA. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the 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 two (2) copies thereof shall be filed with The

NOTE: Only those portions of the Agreement which modify the provisions of the model form have been included in this exhibit.

Land Commissioner and one (1) copy with The New Mexico Oil Conservation Commission, hereinafter referred to as "Conservation Commission."

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", or on demand of The Land Commissioner, but only after preliminary concurrence by the Director and The Land Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reason therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

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

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

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

(e) The Unit Operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Land Commissioner and promptly notify all parties in interest.

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES.

4. UNIT OPERATOR.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six months after notice of intention to resign has been served by Unit Operator on all working interests owners, the Supervisor, the Land Commissioner and Conservation Commission, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and by the Conservation Commission as to State lands unless a new Unit operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

6. SUCCESSOR UNIT OPERATOR. If no successor Unit Operator is selected and qualified as herein provided, the Director and the Land Commissioner at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Land Commissioner, prior to approval of this unit agreement.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR.

9. DRILLING TO DISCOVERY. within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on Federal land, or by the Land Commissioner if on State Land, or by the Conservation Commission if on privately owned land, date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the entire San Andres Formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land, of the Land Commissioner if on State land, or of the Conservation Commission if on privately owned land, that further drilling of a particular well would be unwarranted or impractical. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, Unit Operator



shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances if on Federal land, of the Land Commissioner if on State land, or of the Conservation Commission if on privately owned land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Upon failure to commence any well provided for in this section within the time allowed, including any extension of time granted by the Supervisor, this agreement will automatically terminate; upon failure to continue drilling diligently any well commenced hereunder, the Supervisor and Land Commissioner may, after 15-days notice to the Unit Operator, declare this unit agreement terminated.

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

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Land Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area.

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

The Supervisor and Land Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Supervisor and Land Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor and Land Commissioner, the Unit Operator shall submit for approval by the Supervisor and the Land Commissioner, a schedule based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor and the Land Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor and the Land Commissioner. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Supervisor and the Land Commissioner. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor and the Land Commissioner.

In the absence of agreement at any time between the Unit Operator and the Supervisor and the Land Commissioner as to the proper definition all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Supervisor and the Land Commissioner. Royalties due the United States and the State of New Mexico shall be determined by the Supervisor and the Land Commissioner, respectively, and the amounts thereof shall be deposited, as directed by the Supervisor and the Land Commissioner to be held as unearned monies until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sums due as Federal royalty and State of New Mexico royalty, respectively, on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor, as to wells drilled on Federal land and the Land Commissioner as to wells drilled on State land and of the Conservation Commission as to wells drilled on privately owned land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purpose of settlement among all parties other than working interest owners, be allocated to the land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, the Land Commissioner and the Conservation Commission.

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

14. ROYALTY SETTLEMENT. The United States, the State of New Mexico, and any royalty owner who, is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or the working interest owner in case of the operation of a well by a working interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of operations approved by the Supervisor, the Land Commissioner and the Conservation Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of operations or as may otherwise be consented to by the Supervisor, the Land Commissioner and the Conservation Commission, as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination date of this unit agreement.

Royalty due the State of New Mexico shall be computed and paid on the basis of the amounts allocated to unitized State land as provided herein at the rate specified in the State oil and gas lease.

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

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

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

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

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. To remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases, and the Land Commissioner as to State leases, shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement.

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

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

(i) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contract any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the

secondary term of such lease; or if, at the expiration of the secondary term, the Lessee or the Unit Operator is then engaged in bona fide drilling or re-working operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

19. COVENANTS RUN WITH LAND.

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

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

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

This agreement may be terminated at any time by not less than 75 per centum, on a acreage basis, of the working interest owners signatory hereto, with the approval of the Supervisor and Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. Provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission. . .

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator,

working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Conservation Commission, agree that all powers and authority vested in the Conservation Commission in and by any provisions of this by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

24. NOTICES.

25. NO WAIVER OF CERTAIN RIGHTS.

26. UNAVOIDABLE DELAY. Determination of creditable "Unavoidable Delay" time shall be made by the Unit Operator subject to approval of the Supervisor and the Land Commissioner.

27. NONDISCRIMINATION.

28. LOSS OF TITLE. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written

notice delivered to the Supervisor and the Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Supervisor. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the Land Commissioner and the Conservation Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Supervisor or Land Commissioner, provided, that as to State lands, all subsequent joinders must be approved by the Land Commissioner.

30. COUNTERPARTS.

31. SURRENDER.

32. TAXES. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

33. NO PARTNERSHIP.

GENERAL GEOLOGICAL SUMMARY  
FRENCH, OMEGA AND REMUDA UNIT AREAS  
CATRON COUNTY, NEW MEXICO

I. ENCLOSURES

Figure 1. Regional Basin and Production Map for Pueblo Area

Figure 2. Cross-Section C-D "Relationship Pueblo Area to San Juan Basin"

Figure 3. Regional Facies Summary Maps with Unit Outlines

II. LOCATION

TransOcean Oil, Inc. proposes to form three Federal Units in Catron County, New Mexico. Pursuant to this end, this general summary letter has been formulated because the area of interest is a non-productive region that has had a distinct lack of petroleum activity. The French, Omega and Remuda Units are located in the here defined Zuni Basin. The Zuni Basin is a Laramide structural stratigraphic feature bounded on the north and northeast by the Zuni Mountains and Lucero Uplift (See Figure 1). Plio-Pleistocene Rio Grande rifting terminates the Zuni Basin on the east and the Mogollon Rim forms the south and southwest flanks of the basin (Figure 1 & 2).

III. GEOLOGICAL SUMMARY

A. Stratigraphy

The Pennsylvanian, Permian and Cretaceous are the only potential petro-liferous reservoirs in the Zuni Basin.

1. Pennsylvanian - Pennsylvanian oil and gas potential is limited to a wedge edge of sediments that bounds the Pennsylvanian age Zuni Uplift (See Plate 3).
2. Permian - Hydrocarbon accumulations in the Permian could occur in three formations: the San Andres Limestone, the Glorietta Sandstone and in Dolomitic-Biogenic carbonate zones of the Yeso interval. The San Andres and Glorietta are regional porous and permeable formations which would require anticlinal closure to trap hydrocarbons. However, stratigraphic potential does exist in the Yeso Dolomitic-Biogenic zones. This Dolomitic-Biogenic zone strikes northwest-southeast through the Zuni Basin. South of this zone is a Yeso saline deposit. Northeast of the zone is a typical Permian red bed silt and micritic limestone facies (Figure 3).



3. Cretaceous - Sufficient wells have not been drilled in the Zuni Basin to delineate a precise depositional pattern for the Cretaceous. However, extrapolation from the San Juan Basin to outcrops occurring on the northern edge of the Pueblo Area suggest that depositional patterns found to be present throughout the San Juan Basin occur in the Zuni Basin and that Gallup and Dakota sandbars deposited in near shore environments should trend northwest-southeast. These would become excellent hydrocarbon reservoirs when elevated by oblique or normal anticlinal trends (Figure 1 & 2).

#### B. Structure

Laramide folding and faulting created several north-south trending anticlinal noses. These noses should serve as areas of favorable structural improvement where Pennsylvanian, Permian and Cretaceous stratigraphically trapped hydrocarbons could be relocated in legitimate structural traps. Present structural interpretation in the region is based mainly on data gathered from surface field mapping by TransOcean Oil, Inc., and published data.

#### IV. SUMMARY

It is important to note that this is a sparsely explored area with only 12 legitimate oil and gas tests in approximately 4500 square miles of prospective area. No commercial production has been established, but rock units present do provide legitimate hydrocarbon potential. Jurassic and Triassic sediments are not present in much of the area due to pre-Cretaceous erosion. Cretaceous sediments could be excellent oil and gas reservoirs when viewed with respect to the San Juan Basin which lies immediately north of the Zuni Uplift.

Dennis W. Belnap  
District Geologist  
TransOcean Oil, Inc.

Unit Name REMUDA UNIT (EXPLORATORY)  
 Operator TRANSOCEAN OIL, INC  
 County CATRON

DATE	OCC CASE NO. <u>2839</u>	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	SENDER-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO. R-5371	DATE						
Commissioner	Approved: 2-8-77	3-1-77	34,504.06	2,117.00	15,493.34	16,893.72	Yes	5 Yrs.
1-24-77								

UNIT AREA

TOWNSHIP 2 NORTH. RANGE 9 WEST. NMPM  
 Sections 2 through 5: All  
 Sections 8 through 11: All  
 Sections 14 through 23: All  
 Section 34: All

TOWNSHIP 3 NORTH. RANGE 9 WEST. NMPM  
 Sections 4 through 10: All  
 Sections 14 through 23: All  
 Sections 26 through 35: All

TOWNSHIP 3 NORTH. RANGE 10 WEST. NMPM  
 Sections 12 and 13: All  
 Section 24: All

TERMINATED  
 11-6-77  
 EKH.

Unit Name REMUDA UNIT (EXPLORATORY)  
 Operator TRANSOCEAN OIL, INC.  
 County CATRON

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
11	LG-2092	C.S.	2	2N	9W	Lots 1, 4, S/2NE/4, S/2	1-7-77	837.00		TransOcean Oil, Inc.
12	LG-2136	C.S.	16	3N	9W	Lots 1, 2, 3, 4, S/2N/2, NW/4SW/4	1-7-77	640.00		TransOcean Oil, Inc.
13	LG-2137	C.S.	32	3N	9W	All	1-7-77	640.00		TransOcean Oil, Inc.

TERMINATED  
 11-6-77  
 388



# TransOcean Oil, Inc.

1700 FIRST CITY EAST BUILDING  
1111 FANNIN • HOUSTON, TEXAS 77002  
713 - 654-2100

October 3, 1977

United States Department of the Interior  
Geological Survey  
P. O. Drawer 1857  
Roswell, New Mexico 88201

Attention: Mr. Carl C. Traywick  
Assistant Area Oil and Gas Supervisor

Re: Catron County, New Mexico  
Pueblo Area  
Remuda Unit  
Unit No. 14-08-0001-14287

Gentlemen:

The captioned unit will be permitted to expire under its own terms (Section 9 of the Unit Agreement). The results of the unit test were not encouraging enough for the drilling of a second test at this time.

Yours very truly,

TRANSOCEAN OIL, INC.

*Don Jumper*

Don Jumper  
Land Operations Manager  
Western Division

DJ:sw

cc: Oil Conservation Commission  
Commissioner of Public Lands  
The Estate of William O. Hallis  
Keller Oilfield Services Company, Inc.

OCT 06 1977  
OIL CONSERVATION COMMISSION  
Stamp No. 5-8-27

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BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION

APPLICANT'S EXHIBIT NO. 23

CASE NO. 5837, 5838, 5839

Submitted by Belnap GEOLOGIC REPORT

Hearing Date 1/22/77 PROPOSED REMUDA UNIT

CATRON COUNTY, NEW MEXICO

I. ENCLOSURES

Exhibit A. Remuda Unit Area Geological Summary Map

II. LOCATION

The proposed Remuda Unit is located in northeast Catron County, west central New Mexico. The unit lies in Townships 2 and 3 North, Ranges 9 and 10 West. Elevations range from 6900' to 8000' in this semi-arid uninhabited region.

III. GEOLOGICAL SUMMARY

A. Stratigraphy

Geological studies indicate that petroleum potential in the Remuda Unit Area exists in sedimentary rocks of Pennsylvanian, Permian and Cretaceous age. Pennsylvanian sediments thicken rapidly from west to east in the unit area, reflecting a sedimentary wedge edge that bounds the Zuni Uplift. The aforementioned Pennsylvanian sediment wedge is an ideal locale for stratigraphic accumulation of oil and gas.

Permian, San Andres Limestone and Glorieta Sandstone are regional reservoirs in the Remuda Unit Area. These formations have sufficient permeability and porosity to qualify as hydrocarbon reservoirs, but structural closure will be necessary to trap hydrocarbon within these sediments.

The Gallup through Dakota sediments of the Cretaceous period are preserved in the Remuda Area. Based on outcrop studies and subsurface studies in the San Juan Basin, it is suggested that Gallup, Tres Hermanos and Dakota sands are present in the form of northwest-southeast trending bar and beach sands. Simple stratigraphic traps are potentially present in the unit area, but Laramide folding would relocate stratigraphically trapped oil to anticlinal crests.

B. Structure

Post-Cretaceous Laramide folding created several regional north-south trending anticlines in the Zuni Basin. The Remuda Unit is located on one of these south documented plunging anticlinal trends. Field mapping in the area has shown that an anticlinal closure exists within the Remuda Unit outlined.

IV. BASIS FOR PROPOSED UNIT

Acreage within the Remuda Unit and boundaries of the unit were determined to be structurally high to the 5500' closing structural contour which is drawn on the base of the Cretaceous. Justification for such contouring is

field mapping and strike and dip attitudes of Cretaceous rocks. Two oil and gas tests drilled by E. J. Gorman are located in the northwest 1/4 of Section 34, Township 3 North, Range 9 West, the Gorman #1 T.D. at 168' in 1924, and the Gorman #2 T.D. in Cretaceous Gallup (?) at 501' in 1933. No other data is available on these tests and they are located low on the structure and did not test a significant portion of the sedimentary section. They do not condemn or enhance the oil and gas potential of the Remuda Unit.

V. INITIAL TEST WELL

The initial test well will be drilled to a depth of 5500' or 30' into the basement complex, whichever is the lesser depth. Drill depths for an average well in the proposed unit area are as follows:

Tertiary, Surface, Ground Elevation - 7100'  
Gallup - 400'  
Tres Hermanos - 800'  
Dakota - 1000'  
San Andres - 2700'  
Glorieta - 2900'  
Pennsylvanian - 4900'  
Basement - 5500'  
TD - 5500'

Dennis W. Belnap  
District Geologist  
TransOcean Oil, Inc.



## TransOcean Oil, Inc.

1700 FIRST CITY EAST BUILDING  
1111 FANNIN • HOUSTON, TEXAS 77002  
713 - 654-2100

5839

March 7, 1977

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

Re: Remuda Unit  
Catron County, New Mexico

Dear Mr. Stamets:

The United States Geological Survey has approved the Remuda Unit effective March 1, 1977 and has assigned Contact Number 14-08-0001-14287 to it. A copy of the approval letter is enclosed.

I wish to thank you for your assistance in helping us prepare for the hearing held on January 19 before the Commission. If I can be of any assistance in the future, please feel free to call on me. Until such time, I remain

Very truly yours,

TRANSOCEAN OIL, INC.,

*Jerry Bemberg*  
Jerry Bemberg  
Land Department

JB:sw

Enclosure (1)



# United States Department of the Interior

GEOLOGICAL SURVEY  
Conservation Division  
Western Bank Building  
505 Marquette, NW, Room 815  
Albuquerque, New Mexico 87102

MAR 01 1977

TransOcean Oil, Inc.  
Attention: Mr. Jerry Bemberg  
1700 First City East Building  
1111 Fannin  
Houston, Texas 77002

Gentlemen:

Three approved copies of the Remuda unit agreement, Catron County New Mexico, with TransOcean Oil, Inc. as unit operator are returned herewith. Such agreement has been assigned No. 14-08-0001-14287, and is effective as of the date of approval.

You are requested to furnish the New Mexico Oil Conservation Commission and all other interested principals with evidence of this approval.

Sincerely yours,

JAMES W. SUTHERLAND  
Area Oil and Gas Supervisor

Enclosures



CERTIFICATION--DETERMINATION

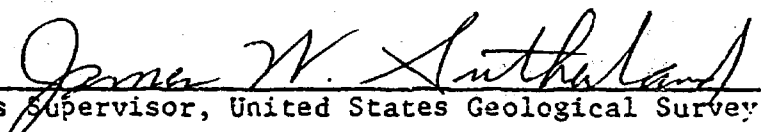
Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. Secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey (33 F.R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the Remuda Unit Area, State of New Mexico.

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

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

Dated MAR 01 1977.

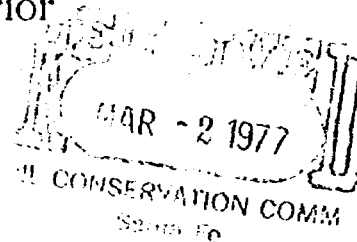
  
Oil and Gas Supervisor, United States Geological Survey





United States Department of the Interior

5839  
GEOLOGICAL SURVEY  
Western Bank Building  
505 Marquette, NW, Room 815  
Albuquerque, New Mexico 87102



MAR 01 1977

TransOcean Oil, Inc.  
Attention: Mr. Jerry Bemberg  
1700 First City East Building  
1111 Fannin  
Houston, Texas 77002

Gentlemen:

Three approved copies of the Remuda unit agreement, Catron County New Mexico, with TransOcean Oil, Inc. as unit operator are returned herewith. Such agreement has been assigned No. 14-08-0001-14237, and is effective as of the date of approval.

You are requested to furnish the New Mexico Oil Conservation Commission and all other interested principals with evidence of this approval.

Sincerely yours,

(ORIG. SGD.) JAMES W. SUTHERLAND

Area Oil and Gas Supervisor

Enclosures

cc: Forest Supervisor, Cibola Nat'l. Forest (w/cy agr.)  
10308 Candelaria NE  
Albuquerque, N. M. 87112  
N.M.O.C.C., Santa Fe (ltr. only) ← This Copy for  
Com. Pub. Lands, Santa Fe (ltr. only)

Unit Name REMUDA UNIT (EXPLORATORY)  
Operator TRANSOCEAN OIL, INC  
County CATRON

DATE	OCC CASE NO.	5839	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	MINIMUM-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC. ORDER NO.	R-5371	DATE	34,504.06	2,117.00	15,493.34	16,893.72	yes	5 Yrs.

Commissioner  
1-24-77

UNIT AREA

TOWNSHIP 2 NORTH, RANGE 9 WEST, NPM  
Sections 2 through 5: All  
Sections 8 through 11: All  
Sections 14 through 23: All  
Section 34: All

TOWNSHIP 3 NORTH, RANGE 9 WEST, NPM  
Sections 4 through 10: All  
Sections 14 through 23: All  
Sections 26 through 35: All

TOWNSHIP 3 NORTH, RANGE 10 WEST, NPM  
Sections 12 and 13: All  
Section 24: All

Unit Name REMUDA UNIT (EXPLORATORY)  
 Operator TRANSOCEAN OIL, INC.  
 County CATRON

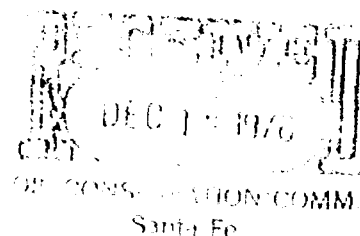
STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
11	LG-2092	C.S.	2	2N	9W	Lots 1, 4, S/2NE/4, S/2	1-7-77	837.00		TransOcean Oil, Inc.
			4	2N	9W	Lots 1, 2, 3, 4, S/2N/2, NW/4SW/4				
12	LG-2136	C.S.	16	3N	9W	A11	1-7-77	640.00		TransOcean Oil, Inc.
13	LG-2137	C.S.	32	3N	9W	A11	1-7-77	640.00		TransOcean Oil, Inc.



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY  
FEDERAL CENTER, DENVER, COLORADO 80225

IN REPLY REFER TO:

DEC 8 1976



TransOcean Oil, Inc.  
Attention: Mr. Donald G. Jumper  
1700 First City East Building  
1111 Famin  
Houston, Texas 77002

Gentlemen:

Your application of November 5, 1976, filed with the Assistant Area Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Remuda unit area embracing 34,504.06 acres, more or less, Catron County, New Mexico as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A', Remuda Unit" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to penetrate 30 feet into the basement complex or to a depth of 5,500 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application provided it is further modified as follows:

Add the words "as amended" after (30 F.R. 12319) in Section 26, Nondiscrimination.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Oil and Gas Supervisor for preliminary approval.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice

is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to Roswell, New Mexico for the Supervisor's approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

Inasmuch as this unit agreement involves State land, we are sending a copy of the letter to the Commissioner of Public Lands. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely yours,

*George W. Horn*

Regional Conservation Manager  
For the Director

cc:

CD Reading File

Area Office (2)

File

Commissioner of Public Lands, Santa Fe

NMCC, Santa Fe ← This copy to

Regional Forester, U.S. Forest Service, Cibola National Forest (w/cy appln ltr)  
517 Gold, SW, Albuquerque, NM 87101

ARStall:dlk:11/22/76:476-9257



## TransOcean Oil, Inc.

1700 FIRST CITY EAST BUILDING  
1111 FANNIN • HOUSTON, TEXAS 77002  
713 - 225-0281

February 9, 1977

Director  
United States Geological Survey  
Washington, D. C. 20025

Attention: Area Oil and Gas Supervisor  
United States Geological Survey  
Drawer 1857  
Roswell, New Mexico 88201

Re: Application for Final Approval  
Proposed Unit Agreement  
Remuda Unit Area  
Catron County, New Mexico

Dear Sir:

TransOcean Oil, Inc. respectfully requests final approval of the executed Remuda Unit Agreements enclosed herewith. Seven (7) copies with accompanying ratifications and joinders have been submitted for approval; three (3) numbered 1-3 for use by the Geological Survey, and four (4) extra copies that we request be approved and returned to TransOcean for further handling. Also submitted are two (2) copies of an executed Unit Operating Agreement.

It is requested that the Unit be approved to all depths.

All persons owning a working interest, royalty interest or overriding royalty interest within the unit area have been sent certified letters asking that they join the unit, and to date the various interests have executed Consent, Ratification and Joinder in the Remuda Unit Agreement as follows:

1. Working Interest Owners: 100% joined
2. Royalty Interest Owners: 99.488% joined, 0.00512% unsigned as below
  - a. Tract 14: 100% declined 0.0035 % of unit
  - b. Tract 18: 96.88% unsigned 0.00162% of unit

0.00512% total
3. Overriding Royalty Owners: 100% joined

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4. Unleased Interest Owners: 1.07%  
1.07% unleased as below

a. Tract 15: 25 % unleased	0.0020% of unit
b. Tract 16: 37.5% unleased	0.0017% of unit
c. Tract 17: 75 % unleased	0.0070% of unit
	0.0107 total

The State of New Mexico Land Office and the State of New Mexico Oil Conservation Commission have approved the Unit as here presented. A copy of the State Land Office approval is attached to the Unit Agreement and the Oil Conservation Commission approval letter will be forwarded under separate cover when received.

Yours very truly,

TRANSOCEAN OIL, INC.

Jerry Bemberg  
Land Department

JB:cw

Encl.

cc: New Mexico State Land Office  
P. O. Box 1148  
Santa Fe, New Mexico 87501  
Attention: Mr. Ray D. Graham

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



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



DIRECTOR .  
JOE D. RAMEY

**LAND COMMISSIONER  
PHIL R. LUCERO**

STATE GEOLOGIST  
EMERY C. ARNOLD

Mr. William F. Carr  
Catron, Catron & Sawtell  
Attorneys at Law  
P. O. Box 788  
Santa Fe, New Mexico

Re: CASE NO. 5839  
ORDER NO. R-5371

Applicant:

TransOcean Oil, Inc.

Dear Sir:

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

Yours very truly,

JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC	x
Artesia OCC	x
Aztec OCC	

Other \_\_\_\_\_



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. 5839  
Order No. R-5371

APPLICATION OF TRANSOCEAN OIL, INC.  
FOR APPROVAL OF THE REMUDA UNIT  
AGREEMENT, CATRON COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on  
January 19, 1977, at Santa Fe, New Mexico, before Examiner  
Richard L. Stamets.

NOW, on this 8th day of February, 1977, 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, TransOcean Oil, Inc., seeks  
approval of the Remuda Unit Agreement covering 34,504.06 acres,  
more or less, of State, Federal and Fee lands described as  
follows:

CATRON COUNTY, NEW MEXICO

TOWNSHIP 2 NORTH, RANGE 9 WEST, NMPM  
Sections 2 through 5: All  
Sections 8 through 11: All  
Sections 14 through 23: All  
Sections 26 through 30: All  
Section 34: All

-2-

Case No. 5839  
Order No. R-5371

TOWNSHIP 3 NORTH, RANGE 9 WEST, NMPM  
Sections 4 through 10: All  
Sections 14 through 23: All  
Sections 26 through 35: All

TOWNSHIP 3 NORTH, RANGE 10 WEST, NMPM  
Sections 12 and 13: All  
Section 24: 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 Remuda 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.

-3-

Case No. 5839  
Order No. R-5371

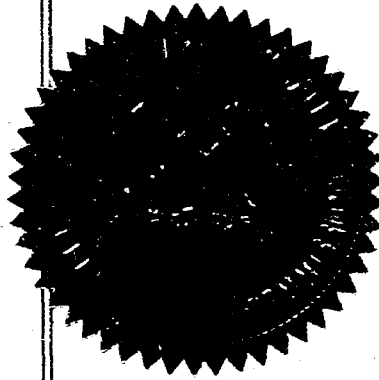
DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Phil R. Lucero*  
PHIL R. LUCERO, Chairman

*Emery C. Arnold*  
EMERY C. ARNOLD, Member

*Joe D. Ramey*  
JOE D. RAMEY, Member & Secretary



S E A L

dr/

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. Secs. 181, et seq., and delegated to the 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 Remuda Unit Area, State of New Mexico.

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

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

Dated \_\_\_\_\_.

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

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

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
APPLICANTS	EXHIBIT NO. <u>11</u>
CASE NO. <u>5837, 5838, 5839</u>	
Submitted by <u>JUMPER</u>	
Hearing Date <u>1/19/77</u>	

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
REMUDA UNIT AREA  
COUNTY OF CATRON  
STATE OF NEW MEXICO  
NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 20th day of December, 1976,  
by and between the parties subscribing, ratifying, or consenting hereto,  
and herein referred to as the "parties hereto,"

WITNESSETH:

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

WHEREAS the Mineral Leasing Act of February 25, 1920, 41 Stat. 437,  
as amended, 30 U. S. C. Secs. 181 et seq., authorizes Federal lessees and  
their representatives to unite with each other, or jointly or separately  
with others, in collectively adopting and operating a cooperative or unit  
plan of development or 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. 7-11-39 N.M. Statutes  
1953 Annotated) to consent to or approve this agreement on behalf of the  
State of New Mexico, insofar as it covers and includes lands and mineral  
interests of the State of New Mexico; and

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

WHEREAS the parties hereto hold sufficient interests in the Remuda  
Unit Area covering the land hereinafter described to give reasonably

1 effective control of operations therein; and 1

2 WHEREAS, it is the purpose of the parties hereto to conserve natural 2  
3 resources, prevent waste, and secure other benefits obtainable through 3  
4 development and operation of the area subject to this agreement under the 4  
5 terms, conditions, and limitations herein set forth; 5

6 NOW, THEREFORE, in consideration of the premises and the promises 6  
7 herein contained, the parties hereto commit to this agreement their 7  
8 respective interests in the below-defined unit area, and agree severally 8  
9 among themselves as follows: 9

10 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of 10  
11 February 25, 1920, as amended, supra, and all valid pertinent regulations, 11  
12 including operating and unit plan regulations, heretofore issued thereunder 12  
13 or valid, pertinent, and reasonable regulations hereafter issued thereunder 13  
14 are accepted and made a part of this agreement as to Federal lands, pro- 14  
15 vided such regulations are not inconsistent with the terms of this agree- 15  
16 ment; and as to State of New Mexico lands, the oil and gas operating 16  
17 regulations in effect as of the effective date hereof governing drilling 17  
18 and producing operations, not inconsistent with the terms hereof or the 18  
19 laws of the State of New Mexico are hereby accepted and made a part of this 19  
20 agreement. 20

21 2. UNIT AREA. The area specified on the map attached hereto marked 21  
22 Exhibit A is hereby designated and recognized as constituting the unit 22  
23 area, containing 34,504.06 acres, more or less. 23

24 Exhibit A shows, in addition to the boundary of the unit area, the 24  
25 boundaries and identity of tracts and leases in said area to the extent 25  
26 known to the Unit Operator. Exhibit B attached hereto is a schedule 26  
27 showing to the extent known to the Unit Operator the acreage, percentage, 27  
28 and kind of ownership of oil and gas interests in all land in the unit 28  
29 area. However, nothing herein or in said schedule or map shall be con- 29  
30 strued as a representation by any party hereto as to the ownership of any 30  
31 interest other than such interest or interests as are shown in said map or 31  
32 schedule as owned by such party. Exhibits A and B shall be revised by the 32  
33 Unit Operator whenever changes in the unit area render such revision 33  
34 necessary, or when requested by the Oil and Gas Supervisor, hereinafter 34  
35 referred to as "Supervisor", or when requested by the Commissioner of 35

1 Public Lands of the State of New Mexico, hereinafter referred to as "Land 1  
2 Commissioner", and not less than five (5) copies of the revised exhibits 2  
3 shall be filed with the Supervisor, and two (2) copies thereof shall be 3  
4 filed with the Land Commissioner and one (1) copy with The New Mexico Oil 4  
5 Conservation Commission, hereinafter referred to as "Conservation 5  
6 Commission." 6

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

12 (a) Unit Operator, on its own motion or on demand of the Director of 12  
13 the Geological Survey, hereinafter referred to as "Director," after pre- 13  
14 liminary concurrence by the Director, or on demand of the Land Commissioner 14  
15 but only after preliminary concurrence by the Director and the Land 15  
16 Commissioner, shall prepare a notice of proposed expansion or contraction 16  
17 describing the contemplated changes in the boundaries of the unit area, 17  
18 the reasons therefor, and the proposed effective date thereof, preferably 18  
19 the first day of a month subsequent to the date of notice. 19

20 (b) Said notice shall be delivered to the Supervisor, the Land 20  
21 Commissioner and the Conservation Commission, and copies thereof mailed 21  
22 to the last known address of each working interest owner, lessee, and 22  
23 lessor whose interests are affected, advising that thirty (30) days will 23  
24 be allowed for submission to the Unit Operator of any objections. 24

25 (c) Upon expiration of the thirty (30) day period provided in the 25  
26 preceding item (b) hereof, Unit Operator shall file with the Supervisor, 26  
27 Land Commissioner and Conservation Commission evidence of mailing of the 27  
28 notice of expansion or contraction and a copy of any objections thereto 28  
29 which have been filed with the Unit Operator, together with an application 29  
30 in sufficient number, for approval of such expansion or contraction and 30  
31 with appropriate joinders. 31

32 (d) After due consideration of all pertinent information, the expan- 32  
33 sion or contraction shall, upon approval of the Supervisor, the Land 33  
34 Commissioner and Conservation Commission, become effective as of the date 34  
35 prescribed in the notice thereof. 35

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

28 If conditions warrant extension of the ten-year period specified in 28  
29 this subsection 2(e), a single extension of not to exceed two (2) years 29  
30 may be accomplished by consent of the owners of ninety (90) percent of the 30  
31 working interests in the current nonparticipating unitized lands and the 31  
32 owners of sixty (60) percent of the basic royalty interests (exclusive of 32  
33 the basic royalty interests of the United States) in nonparticipating 33  
34 unitized lands with approval of the Director and the Land Commissioner, 34  
35 provided such extension application is submitted to the Director and the 35



1 Land Commissioner not later than sixty (60) days prior to the expiration of 1  
2 said ten-year period. 2

3 Any expansion of the unit area pursuant to this section which embraces 3  
4 lands theretofore eliminated pursuant to this subsection 2(a) shall not be 4  
5 considered automatic commitment or recommitment of such lands. 5

6 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this 6  
7 agreement shall constitute land referred to herein as "unitized land" or 7  
8 "land subject to this agreement." All oil and gas in any and all formations 8  
9 of the unitized land are unitized under the terms of this agreement and 9  
10 herein are called "unitized substances." 10

11 4. UNIT OPERATOR. TransOcean Oil, Inc. is hereby designated as Unit 11  
12 Operator and by signature hereto as Unit Operator agrees and consents to 12  
13 accept the duties and obligations of Unit Operator for the discovery, 13  
14 development, and production of unitized substances as herein provided. 14  
15 Whenever reference is made herein to the Unit Operator, such reference 15  
16 means the Unit Operator acting in that capacity and not as an owner of 16  
17 interest in unitized substances, and the term "working interest owner" when 17  
18 used herein shall include or refer to Unit Operator as the owner of a 18  
19 working interest when such an interest is owned by it. 19

20 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have 20  
21 the right to resign at any time prior to the establishment of a partici- 21  
22 pating area or areas hereunder, but such resignation shall not become 22  
23 effective so as to release Unit Operator from the duties and obligations of 23  
24 Unit Operator and terminate Unit Operator's rights as such for a period of 24  
25 six (6) months after notice of intention to resign has been served by 25  
26 Unit Operator on all working interest owners, the Supervisor, the Land 26  
27 Commissioner and Conservation Commission, and until all wells then drilled 27  
28 hereunder are placed in a satisfactory condition for suspension or aban- 28  
29 donment whichever is required by the Supervisor as to Federal lands and by 29  
30 the Conservation Commission as to State lands unless a new Unit Operator 30  
31 shall have been selected and approved and shall have taken over and assumed 31  
32 the duties and obligations of Unit Operator prior to the expiration of said 32  
33 period. 33

34 Unit Operator shall have the right to resign in like manner and subject 34  
35 to like limitations as above provided at any time in participating area 35

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

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

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

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

25 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender 25  
26 his or its resignation as Unit Operator or shall be removed as hereinabove 26  
27 provided, or a change of Unit Operator is negotiated by working interest 27  
28 owners, the owners of the working interests in the participating area or 28  
29 areas according to their respective acreage interests in such participating 29  
30 area or areas, or, until a participating area shall have been established, 30  
31 the owners of the working interests according to their respective acreage 31  
32 interests in all unitized land, shall by majority vote select a successor 32  
33 Unit Operator: Provided, That, if a majority but less than seventy-five 33  
34 (75) percent of the working interests qualified to vote are owned by one 34  
35 party to this agreement, a concurring vote of one or more additional 35

1 working interest owners shall be required to select a new operator. Such 1  
2 selection shall not become effective until: 2

3 (a) A Unit Operator so selected shall accept in writing the duties and 3  
4 responsibilities of Unit Operator, and 4

5 (b) The selection shall have been approved by the Supervisor. 5

6 If no successor Unit Operator is selected and qualified as herein 6  
7 provided, the Director and the Land Commissioner, at their election may 7  
8 declare this unit agreement terminated. 8

9 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit 9  
10 Operator is not the sole owner of working interests, costs and expenses 10  
11 incurred by Unit Operator in conducting unit operations hereunder shall be 11  
12 paid and apportioned among and borne by the owners of working interests, all 12  
13 in accordance with the agreement or agreements entered into by and between 13  
14 the Unit Operator and the owners of working interests, whether one or more, 14  
15 separately or collectively. Any agreement or agreements entered into 15  
16 between the working interest owners and the Unit Operator as provided in 16  
17 this section, whether one or more, are herein referred to as the "unit 17  
18 operating agreement." Such unit operating agreement shall also provide the 18  
19 manner in which the working interest owners shall be entitled to receive 19  
20 their respective proportionate and allocated share of the benefits accruing 20  
21 hereto in conformity with their underlying operating agreements, leases or 21  
22 other independent contracts, and such other rights and obligations as 22  
23 between Unit Operator and the working interest owners as may be agreed upon 23  
24 by Unit Operator and the working interest owners; however, no such unit 24  
25 operating agreement shall be deemed either to modify any of the terms and 25  
26 conditions of this unit agreement or to relieve the Unit Operator of any 26  
27 right or obligation established under this unit agreement, and in case of 27  
28 any inconsistency or conflict between this unit agreement and the unit 28  
29 operating agreement, this unit agreement shall govern. Three (3) true 29  
30 copies of any unit operating agreement executed pursuant to this section 30  
31 should be filed with the Supervisor and one (1) true copy with the Land 31  
32 Commissioner, prior to approval of this unit agreement. 32

33 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise 33  
34 specifically provided herein, the exclusive right, privilege, and duty of 34  
35 exercising any and all rights of the parties hereto which are necessary or 35

1 convenient for prospecting for, producing, storing, allocating, and distri- 1  
2 buting the unitized substances are hereby delegated to and shall be 2  
3 exercised by the Unit Operator as herein provided. Acceptable evidence of 3  
4 title to said rights shall be deposited with said Unit Operator and, 4  
5 together with this agreement, shall constitute and define the rights, privi- 5  
6 leges, and obligations of Unit Operator. Nothing herein, however, shall be 6  
7 construed to transfer title to any land or to any lease or operating 7  
8 agreement, it being understood that under this agreement the Unit Operator, 8  
9 in its capacity as Unit Operator, shall exercise the rights of possession 9  
10 and use vested in the parties hereto only for the purposes herein specified. 10  
11 9. DRILLING TO DISCOVERY. Within six (6) months after the effective 11  
12 date hereof, the Unit Operator shall begin to drill an adequate test well 12  
13 at a location approved by the Supervisor if on Federal land, or by the 13  
14 Land Commissioner if on State Land, or by the Conservation Commission if on 14  
15 privately owned land, unless on such effective date a well is being drilled 15  
16 conformably with the terms hereof, and thereafter continue such drilling 16  
17 diligently until the basement complex has been penetrated thirty (30) feet 17  
18 or until at a lesser depth unitized substances shall be discovered which 18  
19 can be produced in paying quantities (to wit: quantities sufficient to 19  
20 repay the costs of drilling, completing, and producing operations, with a 20  
21 reasonable profit) or the Unit Operator shall at any time establish to the 21  
22 satisfaction of the Supervisor if on Federal land, of the Land Commissioner 22  
23 if on State land, or of the Conservation Commission if on privately owned 23  
24 land, that further drilling of said well would be unwarranted or impracti- 24  
25 cable, provided however, that Unit Operator shall not in any event be 25  
26 required to drill said well to a depth in excess of 5,500 feet. Until the 26  
27 discovery of a deposit of unitized substances capable of being produced in 27  
28 paying quantities, the Unit Operator shall continue drilling one well at a 28  
29 time, allowing not more than six (6) months between the completion of one 29  
30 well and the beginning of the next well, until a well capable of producing 30  
31 unitized substances in paying quantities is completed to the satisfaction 31  
32 of said Supervisor if on Federal land, of the Land Commissioner if on State 32  
33 Land, or of the Conservation Commission if on privately owned land, or until 33  
34 it is reasonably proved that the unitized land is incapable of producing 34  
35 unitized substances in paying quantities in the formations drilled here- 35

1 under. Nothing in this section shall be deemed to limit the right of the 1  
2 Unit Operator to resign as provided in Section 5, hereof, or as requiring 2  
3 Unit Operator to commence or continue any drilling during the period pending 3  
4 such resignation becoming effective in order to comply with the requirements 4  
5 of this section. The Supervisor may modify the drilling requirements of 5  
6 this section by granting reasonable extensions of time when, in his opinion 6  
7 such action is warranted. 7

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

14 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months 14  
15 after completion of a well capable of producing unitized substances in 15  
16 paying quantities, the Unit Operator shall submit for the approval of the 16  
17 Supervisor and the Land Commissioner an acceptable plan of development and 17  
18 operation for the unitized land which, when approved by the Supervisor and 18  
19 the Land Commissioner, shall constitute the further drilling and operating 19  
20 obligations of the Unit Operator under this agreement for the period 20  
21 specified therein. Thereafter, from time to time before the expiration of 21  
22 any existing plan, the Unit Operator shall submit for the approval of the 22  
23 Supervisor and the Land Commissioner a plan for an additional specified 23  
24 period for the development and operation of the unitized land. 24

25 Any plan submitted pursuant to this section shall provide for the 25  
26 exploration of the unitized area and for the diligent drilling necessary 26  
27 for determination of the area or areas thereof capable of producing 27  
28 unitized substances in paying quantities in each and every productive 28  
29 formation and shall be as complete and adequate as the Supervisor and the 29  
30 Land Commissioner may determine to be necessary for timely development and 30  
31 proper conservation of the oil and gas resources of the unitized area and 31  
32 shall: 32

33 (a) Specify the number and locations of any wells to be drilled 33  
34 and the proposed order and time for such drilling; and 34

35 (b) To the extent practicable specify the operating practices regarded 35

1 as necessary and advisable for proper conservation of natural resources. 1  
2 Separate plans may be submitted for separate productive zones, subject to 2  
3 the approval of the Supervisor and the Land Commissioner. 3

4 Plans shall be modified or supplemented when necessary to meet changed 4  
5 conditions or to protect the interests of all parties to this agreement. 5

6 Reasonable diligence shall be exercised in complying with the obligations of 6  
7 the approved plan of development. The Supervisor and the Land Commissioner 7  
8 are authorized to grant a reasonable extension of the six-month period 8  
9 herein prescribed for submission of an initial plan of development where 9  
10 such action is justified because of unusual conditions or circumstances. 10

11 After completion hereunder of a well capable of producing any unitized sub- 11  
12 stance in paying quantities, no further wells, except such as may be 12  
13 necessary to afford protection against operations not under this agreement 13  
14 and such as may be specifically approved by the Supervisor and the Land 14  
15 Commissioner, shall be drilled except in accordance with a plan of develop- 15  
16 ment approved as herein provided. 16

17 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable 17  
18 of producing unitized substances in paying quantities or as soon thereafter 18  
19 as required by the Supervisor and the Land Commissioner, the Unit Operator 19  
20 shall submit for approval by the Supervisor and the Land Commissioner a 20  
21 schedule, based on subdivisions of the public-land survey or aliquot parts 21  
22 thereof, of all land then regarded as reasonably proved to be productive 22  
23 in paying quantities; all lands in said schedule on approval of the 23  
24 Supervisor and the Land Commissioner to constitute a participating area, 24  
25 effective as of the date of completion of such well or the effective date of 25  
26 this unit agreement, whichever is later. The acreages of both Federal and 26  
27 non-Federal lands shall be based upon appropriate computations from the 27  
28 courses and distances shown on the last approved public-land survey as of 28  
29 the effective date of each initial participating area. Said schedule shall 29  
30 also set forth the percentage of unitized substances to be allocated as 30  
31 herein provided to each tract in the participating area so established, 31  
32 and shall govern the allocation of production commencing with the effective 32  
33 date of the participating area. A separate participating area shall be 33  
34 established for each separate pool or deposit of unitized substances or for 34  
35 any group thereof which is produced as a single pool or zone, and any two 35

1 or more participating areas so established may be combined into one, on 1  
2 approval of the Supervisor and the Land Commissioner. When production from 2  
3 two or more participating areas, so established, is subsequently found to be 3  
4 from a common pool or deposit said participating areas shall be combined 4  
5 into one effective as of such appropriate date as may be approved or pre- 5  
6 scribed by the Supervisor and the Land Commissioner. The participating 6  
7 area or areas so established shall be revised from time to time, subject 7  
8 to like approval, to include additional land then regarded as reasonably 8  
9 proved to be productive in paying quantities or necessary for unit 9  
10 operations, or to exclude land then regarded as reasonably proved not to be 10  
11 productive in paying quantities and the schedule of allocation percentages 11  
12 shall be revised accordingly. The effective date of any revision shall be 12  
13 the first of the month in which is obtained the knowledge or information on 13  
14 which such revision is predicated, provided, however, that a more appro- 14  
15 priate effective date may be used if justified by the Unit Operator and 15  
16 approved by the Supervisor and the Land Commissioner. No land shall be 16  
17 excluded from a participating area on account of depletion of the unitized 17  
18 substances, except that any participating area established under the pro- 18  
19 visions of this unit agreement shall terminate automatically whenever all 19  
20 completion in the formation on which the participating area is based are 20  
21 abandoned. 21

22 It is the intent of this section that a participating area shall 22  
23 represent the area known or reasonably estimated to be productive in paying 23  
24 quantities; but, regardless of any revision of the participating area, 24  
25 nothing herein contained shall be construed as requiring any retroactive 25  
26 adjustment for production obtained prior to the effective date of the 26  
27 revision of the participating area. 27

28 In the absence of agreement at any time between the Unit Operator and 28  
29 the Supervisor and the Land Commissioner as to the proper definition or 29  
30 redefinition of a participating area, or until a participating area has, 30  
31 or areas have, been established as provided herein, the portion of all 31  
32 payments affected thereby shall be impounded in a manner mutually accept- 32  
33 able to the owners of working interests and the Supervisor and the Land 33  
34 Commissioner. Royalties due the United States and the State of New Mexico 34  
35 shall be determined by the Supervisor and the Land Commissioner, respec- 35

1 tively, and the amount thereof shall be deposited, as directed by the 1  
2 Supervisor and the Land Commissioner, to be held as unearned monies until 2  
3 a participating area is finally approved and then applied as earned or 3  
4 returned in accordance with a determination of the sums due as Federal 4  
5 royalty and State of New Mexico royalty, respectively, on the basis of such 5  
6 approved participating area. 6

7 Whenever it is determined, subject to the approval of the Supervisor, 7  
8 as to wells drilled on Federal land and the Land Commissioner as to wells 8  
9 drilled on State land and of the Conservation Commission as to wells drilled 9  
10 on privately owned land, that a well drilled under this agreement is not 10  
11 capable of production in paying quantities and inclusion of the land on 11  
12 which it is situated in a participating area is unwarranted, production 12  
13 from such well shall, for the purposes of settlement among all parties 13  
14 other than working interest owners, be allocated to the land on which the 14  
15 well is located unless such land is already within the participating area 15  
16 established for the pool or deposit from which such production is obtained. 16  
17 Settlement for working interest benefits from such a well shall be made as 17  
18 provided in the unit operating agreement. 18

19 12. ALLOCATION OF PRODUCTION. All unitized substances produced from 19  
20 each participating area established under this agreement, except any part 20  
21 thereof used in conformity with good operating practices within the unitized 21  
22 area for drilling, operating, camp and other production or development 22  
23 purposes, for repressuring or recycling in accordance with a plan of devel- 23  
24 opment approved by the Supervisor, the Land Commissioner and the 24  
25 Conservation Commission, or unavoidably lost, shall be deemed to be pro- 25  
26 duced equally on an acreage basis from the several tracts of unitized land 26  
27 of the participating area established for such production and, for the 27  
28 purpose of determining any benefits accruing under this agreement, each 28  
29 such tract of unitized land shall have allocated to it such percentage of 29  
30 said production as the number of acres of such tract included in said 30  
31 participating area bears to the total acres of unitized land in said 31  
32 participating area, except that allocation of production hereunder for 32  
33 purposes other than for settlement of the royalty, overriding royalty, or 33  
34 payment out of production obligations of the respective working interest 34  
35 owners, shall be on the basis prescribed in the unit operating agreement 35



1 whether in conformity with the basis of allocation herein set forth or 1  
2 otherwise. It is hereby agreed that production of unitized substances from 2  
3 a participating area shall be allocated as provided herein regardless of 3  
4 whether any wells are drilled on any particular part or tract of said part- 4  
5 icipating area. If any gas produced from one participating area is used for 5  
6 repressuring or recycling purposes in another participating area, the first 6  
7 gas withdrawn from such last-mentioned participating area for sale during 7  
8 the life of this agreement shall be considered to be the gas so transferred 8  
9 until an amount equal to that transferred shall be so produced for sale and 9  
10 such gas shall be allocated to the participating area from which initially 10  
11 produced as such area was last defined at the time of such final production. 11

12 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 12  
13 Any party hereto owning or controlling the working interest in any unitized 13  
14 land having thereon a regular well location may with the approval of the 14  
15 Supervisor as to Federal land, the Land Commissioner as to State land, and 15  
16 the Conservation Commission as to privately owned land, at such party's sole 16  
17 risk, costs, and expense, drill a well to test any formation for which a 17  
18 participating area has not been established or to test any formation for 18  
19 which a participating area has been established if such location is not 19  
20 within said participating area, unless within ninety (90) days of receipt 20  
21 of notice from said party of his intention to drill the well the Unit 21  
22 Operator elects and commences to drill such a well in like manner as other 22  
23 wells are drilled by the Unit Operator under this agreement. 23

24 If any well drilled as aforesaid by a working interest owner results 24  
25 in production such that the land upon which it is situated may properly be 25  
26 included in a participating area, such participating area shall be estab- 26  
27 lished or enlarged as provided in this agreement and the well shall there- 27  
28 after be operated by the Unit Operator in accordance with the terms of this 28  
29 agreement and the unit operating agreement. 29

30 If any well drilled as aforesaid by a working interest owner obtains 30  
31 production in quantities insufficient to justify the inclusion of the land 31  
32 upon which such well is situated in a participating area, such well may be 32  
33 operated and produced by the party drilling the same subject to the 33  
34 conservation requirements of this agreement. The royalties in amount or 34  
35 value of production from any such well shall be paid as specified in the 35

1 underlying lease and agreements affected. 1

2 14. ROYALTY SETTLEMENT. The United States, the State of New Mexico, 2

3 and any royalty owner who, is entitled to take in kind a share of the 3

4 substances now unitized hereunder shall hereafter be entitled to the right 4

5 to take in kind its share of the unitized substances, and Unit Operator, or 5

6 the working interest owner in case of the operation of a well by a working 6

7 interest owner as herein provided for in special cases, shall make deliveries7

8 of such royalty share taken in kind in conformity with the applicable 8

9 contracts, laws, and regulations. Settlement for royalty interest not taken 9

10 in kind shall be made by working interest owners responsible therefor under 10

11 existing contracts, laws and regulations, or by the Unit Operator on or 11

12 before the last day of each month for unitized substances produced during 12

13 the preceding calendar month; provided, however, that nothing herein con- 13

14 tained shall operate to relieve the lessees of any land from their respec- 14

15 tive lease obligations for the payment of any royalties due under their 15

16 leases. 16

17 If gas obtained from lands not subject to this agreement is introduced 17

18 into any participating area hereunder, for use in repressuring, stimulation 18

19 of production, or increasing ultimate recovery, in conformity with a plan of 19

20 operations approved by the Supervisor, the Land Commissioner and the 20

21 Conservation Commission, a like amount of gas, after settlement as herein 21

22 provided for any gas transferred from any other participating area and 22

23 with appropriate deduction for loss from any cause, may be withdrawn from 23

24 the formation into which the gas is introduced, royalty free as to dry gas, 24

25 but not as to any products which may be extracted therefrom; provided that 25

26 such withdrawal shall be at such time as may be provided in the approved 26

27 plan of operations or as may otherwise be consented to by the Supervisor, 27

28 the Land Commissioner and the Conservation Commission as conforming to 28

29 good petroleum engineering practice; and provided further, that such right 29

30 of withdrawal shall terminate on the termination of this unit agreement. 30

31 Royalty due the United States shall be computed as provided in the 31

32 operating regulations and paid in value or delivered in kind as to all 32

33 unitized substances on the basis of the amounts thereof allocated to 33

34 unitized Federal land as provided herein at the rates specified in the 34

35 respective Federal leases, or at such lower rate or rates as may be 35

1 authorized by law or regulation; provided, that for leases on which the 1  
2 royalty rate depends on the daily average production per well, said average 2  
3 production shall be determined in accordance with the operating regulations 3  
4 as though each participating area were a single consolidated lease. 4

5 Royalty due the State of New Mexico shall be computed and paid on the 5  
6 basis of the amounts allocated to unitized State land as provided herein at 6  
7 the rate specified in the State oil and gas lease. 7

8 Royalty due on account of privately owned lands shall be computed and 8  
9 paid on the basis of all unitized substances allocated to such lands. 9

10 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases 10  
11 committed hereto shall be paid by working interest owners responsible there- 11  
12 for under existing contracts, laws, and regulations, provided that nothing 12  
13 herein contained shall operate to relieve the lessees of any land from their 13  
14 respective lease obligations for the payment of any rental or minimum 14  
15 royalty due under their leases. Rental or minimum royalty for lands of the 15  
16 United States subject to this agreement shall be paid at the rate specified 16  
17 in the respective leases from the United States unless such rental or mini- 17  
18 mum royalty is waived, suspended, or reduced by law or by approval of the 18  
19 Secretary or his duly authorized representative. 19

20 Rentals on State of New Mexico lands subject to this agreement shall 20  
21 be paid at the rates specified in the respective leases. 21

22 With respect to any lease on non-Federal land containing provisions 22  
23 which would terminate such lease unless drilling operations are commenced 23  
24 upon the land covered thereby within the time therein specified or rentals 24  
25 paid for the privilege of deferring such drilling operations, the rentals 25  
26 required thereby shall, notwithstanding any other provisions of this agree- 26  
27 ment, be deemed to accrue and become payable during the term thereof as 27  
28 extended by this agreement and until the required drilling operations are 28  
29 commenced upon the land covered thereby or until some portion of such land is 29  
30 included within a participating area. 30

31 16. CONSERVATION. Operations hereunder and production of unitized 31  
32 substances shall be conducted to provide for the most economical and effi- 32  
33 cient recovery of said substances without waste, as defined by or pursuant 33  
34 to State or Federal law or regulation. 34

35 17. DRAINAGE. The Unit Operator shall take such measures as the 35

1 Supervisor and Land Commissioner deem appropriate and adequate to prevent 1  
2 drainage of unitized substances from unitized land by wells on land not 2  
3 subject to this agreement. 3

4 13. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, condi- 4  
5 tions, and provisions of all leases, subleases, and other contracts relating 5  
6 to exploration, drilling, development, or operation for oil or gas on lands 6  
7 committed to this agreement are hereby expressly modified and amended to the 7  
8 extent necessary to make the same conform to the provisions hereof, but 8  
9 otherwise to remain in full force and effect; and the parties hereto hereby 9  
10 consent that the Secretary as to Federal leases, and the Land Commissioner 10  
11 as to State leases, shall and each by his approval hereof, or by the approval 11  
12 hereof by his duly authorized representative, does hereby establish, alter, 12  
13 change or revoke the drilling, producing, rental, minimum royalty, and 13  
14 royalty requirements of Federal and State leases committed hereto and the 14  
15 regulations in respect thereto to conform said requirements to the provi- 15  
16 sions of this agreement, and, without limiting the generality of the fore- 16  
17 going, all leases, subleases, and contracts are particularly modified in 17  
18 accordance with the following: 18

19 (a) The development and operation of lands subject to this agreement 19  
20 under the terms hereof shall be deemed full performance of all obligations 20  
21 for development and operation with respect to each and every separately 21  
22 owned tract subject to this agreement, regardless of whether there is any 22  
23 development of any particular tract of the unit area. 23

24 (b) Drilling and producing operations performed hereunder upon any 24  
25 tract of unitized lands will be accepted and deemed to be performed upon 25  
26 and for the benefit of each and every tract of unitized land, and no lease 26  
27 shall be deemed to expire by reason of failure to drill or produce wells 27  
28 situated on the land therein embraced. 28

29 (c) Suspension of drilling or producing operations on all unitized 29  
30 lands pursuant to direction or consent of the Secretary and the Land 30  
31 Commissioner or their duly authorized representatives shall be deemed to 31  
32 constitute such suspension pursuant to such direction or consent as to each 32  
33 and every tract of unitized land. A suspension of drilling or producing 33  
34 operations limited to specified lands shall be applicable only to such lands. 34

35 (d) Each lease, sublease or contract relating to the exploration, 35

1 drilling, development or operation for oil or gas of lands other than those 1  
2 of the United States committed to this agreement, which, by its terms might 2  
3 expire prior to the termination of this agreement, is hereby extended beyond 3  
4 any such terms so provided therein so that it shall be continued in full 4  
5 force and effect for and during the term of this agreement. 5

6 (e) Any Federal lease for a fixed term of twenty (20) years or any 6  
7 renewal thereof or any part of such lease which is made subject to this 7  
8 agreement shall continue in force beyond the term provided therein until the 8  
9 termination hereof. Any other Federal lease committed hereto shall continue 9  
10 in force beyond the term so provided therein or by law as to the land com- 10  
11 mitted so long as such lease remains subject hereto, provided that production 11  
12 is had in paying quantities under this unit agreement prior to the expira- 12  
13 tion date of the term of such lease, or in the event actual drilling 13  
14 operations 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 lease and 15  
16 are being diligently prosecuted at that time, such lease shall be extended 16  
17 for two (2) years and so long thereafter as oil or gas is produced in paying 17  
18 quantities in accordance with the provisions of the Mineral Leasing Act 18  
19 Revisions of 1960. 19

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

27 (g) The segregation of any Federal lease committed to this agreement 27  
28 is governed by the following provision in the fourth paragraph of Sec. 17(j) 28  
29 of the Mineral Leasing Act, as amended by the Act of September 2, 1960 29  
30 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed 30  
31 to any such (unit) plan embracing lands that are in part within and in part 31  
32 outside of the area covered by any such plan shall be segregated into sep- 32  
33 arate leases as to the lands committed and the lands not committed as of the 33  
34 effective date of unitization: Provided, however, That any such lease as to 34  
35 the nonunitized portion shall continue in force and effect for the term 35

1 thereof but for not less than two (2) years from the date of such segre- 1  
2 gation and so long thereafter as oil or gas is produced in paying quantities. 2

3 Any lease embracing lands of the State of New Mexico which is made 3  
4 subject to this agreement, shall continue in force beyond the term provided 4  
5 therein as to lands committed hereto with the termination hereof. 5

6 (h) Any lease, other than a Federal lease, having only a portion of 6  
7 its lands committed hereto shall be segregated as to the portion committed 7  
8 and the portion not committed, and the provisions of such lease shall apply 8  
9 separately to such segregated portions commencing as of the effective date 9  
10 hereof. In the event any such lease provides for a lump-sum rental payment, 10  
11 such payment shall be prorated between the portions so segregated in pro- 11  
12 portion to the acreage of the respective tracts. 12

13 (i) Any lease embracing lands of the State of New Mexico having only 13  
14 a portion of its land committed hereto, shall be segregated as to the 14  
15 portion committed and the portion not committed, and the provisions of such 15  
16 lease shall apply separately to such segregated portions commencing as of 16  
17 the effective date hereof; provided, however, notwithstanding any of the 17  
18 provisions of this agreement to the contract any lease embracing lands of 18  
19 the State of New Mexico having only a portion of its lands committed hereto 19  
20 shall continue in full force and effect beyond the term provided therein as 20  
21 to all lands embraced in such lease, if oil or gas is discovered and is 21  
22 capable of being produced in paying quantities from some part of the lands 22  
23 embraced in such lease at the expiration of the secondary term of such lease; 23  
24 or if, at the expiration of the secondary term, the lessee or the Unit 24  
25 Operator is then engaged in bona fide drilling or reworking operations on 25  
26 some part of the lands embraced in such lease, the same, as to all lands 26  
27 embraced therein, shall remain in full force and effect so long as such 27  
28 operations are being diligently prosecuted, and if they result in the pro- 28  
29 duction of oil or gas, said lease shall continue in full force and effect as 29  
30 to all of the lands embraced therein, so long thereafter as oil or gas in 30  
31 paying quantities is being produced from any portion of said lands. 31

32 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed 32  
33 to be covenants running with the land with respect to the interest of the 33  
34 parties hereto and their successors in interest until this agreement 34  
35 terminates, and any grant, transfer, or conveyance, of interest in land or 35

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

8 20. EFFECTIVE DATE AND TERM. This agreement shall become effective 8  
9 upon approval by the Secretary and the Land Commissioner or their duly 9  
10 authorized representatives and shall terminate five (5) years from said 10  
11 effective date unless, 11

12 (a) Such date of expiration is extended by the Director and the 12  
13 Land Commissioner, or 13

14 (b) It is reasonably determined prior to the expiration of the fixed 14  
15 term or any extension thereof that the unitized land is incapable of pro- 15  
16 duction of unitized substances in paying quantities in the formations tested 16  
17 hereunder and after notice of intention to terminate the agreement on such 17  
18 ground is given by the Unit Operator to all parties in interest at their 18  
19 last known addresses, the agreement is terminated with the approval of the 19  
20 Supervisor and Land Commissioner, or 20

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

30 (d) It is terminated as heretofore provided in this agreement. 30  
31 This agreement may be terminated at any time by not less than seventy-five 31  
32 (75) per centum, on an acreage basis, of the working interest owners 32  
33 signatory hereto, with the approval of the Supervisor and Land Commissioner; 33  
34 notice of any such approval to be given by the Unit Operator to all parties 34  
35 hereto. 35

1           21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is 1  
2 hereby vested with authority to alter or modify from time to time in his 2  
3 discretion the quantity and rate of production under this agreement when such 3  
4 quantity and rate is not fixed pursuant to Federal or State law or does not 4  
5 conform to any state-wide voluntary conservation or allocation program, which 5  
6 is established, recognized, and generally adhered to by the majority of 6  
7 operators in such State, such authority being hereby limited to alteration or 7  
8 modification in the public interest, the purpose thereof and the public 8  
9 interest to be served thereby to be stated in the order of alteration or mod- 9  
10 ification. Without regard to the foregoing, the Director is also hereby 10  
11 vested with authority to alter or modify from time to time in his discretion 11  
12 the rate of prospecting and development and the quantity and rate of pro- 12  
13 duction under this agreement when such alteration or modification is in the 13  
14 interest of attaining the conservation objectives stated in this agreement 14  
15 and is not in violation of any applicable Federal or State law. 15

16           Powers in this section vested in the Director shall only be exercised 16  
17 after notice to Unit Operator and opportunity for hearing to be held not less 17  
18 than fifteen (15) days from notice. 18

19           Provided, further, That no such alteration or modification shall be 19  
20 effective as to any land of the State of New Mexico, as to the rate of 20  
21 prospecting and developing in the absence of the specific written approval 21  
22 thereof by the Commissioner and as to any lands of the State of New Mexico 22  
23 or privately owned lands subject to this agreement as to the quantity and 23  
24 rate of production in the absence of specific written approval thereof by 24  
25 the Commission. 25

26           22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the 26  
27 working interest owners nor any of them shall be subject to any forfeiture, 27  
28 termination or expiration of any rights hereunder or under any leases or 28  
29 contracts subject hereto, or to any penalty or liability on account of delay 29  
30 or failure in whole or in part to comply with any applicable provision 30  
31 thereof to the extent that the Unit Operator, working interest owners or any 31  
32 of them are hindered, delayed or prevented from complying therewith by 32  
33 reason of failure of the Unit Operator to obtain in the exercise of due 33  
34 diligence, the concurrence of proper representatives of the United States 34  
35 and proper representatives of the State of New Mexico in and about any 35



1 matters or thing concerning which it is required herein that such con- 1  
2 currence be obtained. The parties hereto, including the Conservation 2  
3 Commission, agree that all powers and authority vested in the Conservation 3  
4 Commission in and by any provisions of this by it pursuant to the provisions 4  
5 of the laws of the State of New Mexico and subject in any case to appeal or 5  
6 judicial review as may now or hereafter be provided by the laws of the State 6  
7 of New Mexico. 7

8 23. APPEARANCES. Unit Operator shall, after notice to other parties 8  
9 affected, have the right to appear for and on behalf of any and all interests 9  
10 affected hereby before the Department of the Interior, the Commissioner 10  
11 of Public Lands of the State of New Mexico and the New Mexico Oil 11  
12 Conservation Commission and to appeal from orders issued under the regu- 12  
13 lations of said Department, the Conservation Commission or Land 13  
14 Commissioner or to apply for relief from any of said regulations or in any 14  
15 proceedings relative to operations before the Department of the Interior, 15  
16 the Land Commissioner, or Conservation Commission or any other legally 16  
17 constituted authority; provided, however, that any other interested party 17  
18 shall also have the right at his own expense to be heard in any such pro- 18  
19 ceeding. 19

20 24. NOTICES. All notices, demands or statements required hereunder 20  
21 to be given or rendered to the parties hereto shall be deemed fully given 21  
22 if given in writing and personally delivered to the party or sent by post- 22  
23 paid registered or certified mail, addressed to such party or parties at 23  
24 their respective addresses set forth in connection with the signatures 24  
25 hereto or to the ratification or consent hereof or to such other address as 25  
26 any such party may have furnished in writing to party sending the notice, 26  
27 demand or statement. 27

28 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained 28  
29 shall be construed as a waiver by any party hereto of the right to assert 29  
30 any legal or constitutional right or defense as to the validity or invalid- 30  
31 ity of any law of the State wherein said unitized lands are located, or of 31  
32 the United States, or regulations issued thereunder in any way affecting 32  
33 such party, or as a waiver by any such party of any right beyond his or its 33  
34 authority to waive. 34

35 26. UNAVOIDABLE DELAY. All obligations under this agreement requiring 35

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

14 27. NONDISCRIMINATION. In connection with the performance of work 14  
15 under this agreement, the operator agrees to comply with all the provisions 15  
16 of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319) 16  
17 as amended, which are hereby incorporated by reference in this agreement. 17

18 28. LOSS OF TITLE. In the event title to any tract of unitized land 18  
19 shall fail and the true owner cannot be induced to join in this unit 19  
20 agreement, such tract shall be automatically regarded as not committed here-20  
21 to and there shall be such readjustment of future costs and benefits as may 21  
22 be required on account of the loss of such title. In the event of a dispute 22  
23 as to title as to any royalty, working interest, or other interests subject 23  
24 thereto, payment or delivery on account thereof may be withheld without 24  
25 liability for interest until the dispute is finally settled; provided, that, 25  
26 as to Federal and State land or leases, no payments of funds due the 26  
27 United States or the State of New Mexico should be withheld, but such funds 27  
28 of the United States shall be deposited as directed by the Supervisor and 28  
29 such funds of the State of New Mexico shall be deposited as directed by the 29  
30 Land Commissioner to be held as unearned money pending final settlement of 30  
31 the title dispute, and then applied as earned or returned in accordance 31  
32 with such final settlement. 32

33 Unit Operator as such is relieved from any responsibility for any 33  
34 defect or failure of any title hereunder. 34

35 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any sub- 35

1   stantial interest in a tract within the unit area fails or refuses to sub-   1  
2   scribe or consent to this agreement, the owner of the working interest in   2  
3   that tract may withdraw said tract from this agreement by written notice   3  
4   delivered to the Supervisor and the Land Commissioner, and the Unit Operator   4  
5   prior to the approval of this agreement by the Supervisor. Any oil or gas   5  
6   interests in lands within the unit area not committed hereto prior to sub-   6  
7   mission of this agreement for final approval may thereafter be committed   7  
8   hereto by the owner or owners thereof subscribing or consenting to this   8  
9   agreement, and, if the interest is a working interest, by the owner of such   9  
10   interest also subscribing to the unit operating agreement. After operations   10  
11   are commenced hereunder, the right of subsequent joinder, as provided in   11  
12   this section, by a working interest owner is subject to such requirements   12  
13   or approvals, if any, pertaining to such joinder, as may be provided for in   13  
14   the unit operating agreement. After final approval hereof, joinder by a   14  
15   non-working interest owner must be consented to in writing by the working   15  
16   interest owner committed hereto and responsible for the payment of any   16  
17   benefits that may accrue hereunder in behalf of such non-working interest.   17  
18   A non-working interest may not be committed to this unit agreement unless   18  
19   the corresponding working interest is committed hereto. Joinder to the   19  
20   unit agreement by a working-interest owner, at any time, must be accom-   20  
21   panied by appropriate joinder to the unit operating agreement, if more than   21  
22   one committed working-interest owner is involved, in order for the interest   22  
23   to be regarded as committed to this unit agreement. Except as may otherwise   23  
24   herein be provided, subsequent joinders to this agreement shall be effective   24  
25   as of the first day of the month following the filing with the Supervisor,   25  
26   the Land Commissioner and the Conservation Commission of duly executed   26  
27   counterparts of all or any papers necessary to establish effective commit-   27  
28   ment of any tract to this agreement unless objection to such joinder is   28  
29   duly made within sixty (60) days by the Supervisor or Land Commissioner,   29  
30   provided, that as to State lands, all subsequent joinders must be approved   30  
31   by the Land Commissioner.   31

32       30. COUNTERPARTS. This agreement may be executed in any number of   32  
33   counterparts no one of which needs to be executed by all parties or may be   33  
34   ratified or consented to by separate instrument in writing specifically   34  
35   referring hereto and shall be binding upon all those parties who have   35

1 executed such a counterpart, ratification, or consent hereto with the same 1  
2 force and effect as if all such parties had signed the same document and 2  
3 regardless of whether or not it is executed by all other parties owning or 3  
4 claiming an interest in the lands within the above-described unit area. 4

5 30. SURRENDER. Nothing in this agreement shall prohibit the exercise 5  
6 by any working interest owner of the right to surrender vested in such party 6  
7 by any lease, sublease, or operating agreement as to all or any part of the 7  
8 lands covered thereby, provided that each party who will or might acquire 8  
9 such working interest by such surrender or by forfeiture as hereafter set 9  
10 forth, is bound by the terms of this agreement. 10

11 If as a result of any such surrender the working interest rights as to 11  
12 such lands become vested in any party other than the fee owner of the 12  
13 unitized substances, said party may forfeit such rights and further benefits 13  
14 from operation hereunder as to said land to the party next in the chain of 14  
15 title who shall be and become the owner of such working interest. 15

16 If as the result of any such surrender or forfeiture working interest 16  
17 rights become vested in the fee owner of the unitized substances, such 17  
18 owner may: 18

19 (1) Accept those working interest rights subject to this agreement 19  
20 and the unit operating agreement; or 20

21 (2) Lease the portion of such land as is included in a participating 21  
22 area established hereunder subject to this agreement and the unit operating 22  
23 agreement; or 23

24 (3) Provide for the independent operation of any part of such land 24  
25 that is not then included within a participating area established here- 25  
26 under. 26

27 If the fee owner of the unitized substance does not accept the 27  
28 working interest rights subject to this agreement and the unit operating 28  
29 agreement or lease such lands as above provided within six (6) months after 29  
30 the surrendered or forfeited working interest rights become vested in the 30  
31 fee owner, the benefits and obligations of operations accruing to such 31  
32 lands under this agreement and the unit operating agreement shall be shared 32  
33 by the remaining owners of unitized working interests in accordance with 33  
34 their respective working interest ownerships, and such owners of working 34  
35 interests shall compensate the fee owner of unitized substances in such 35

1 lands by paying sums equal to the rentals, minimum royalties, and royalties 1  
2 applicable to such lands under the lease in effect when the lands were 2  
3 unitized. 3

4 An appropriate accounting and settlement shall be made for all benefits 4  
5 accruing to or payments and expenditures made or incurred on behalf of such 5  
6 surrendered or forfeited working interest subsequent to the date of sur- 6  
7 render or forfeiture, and payment of any monies found to be owing by such an 7  
8 accounting shall be made as between the parties within thirty (30) days. 8  
9 In the event no unit operating agreement is in existence and a mutually 9  
10 acceptable agreement between the proper parties thereto cannot be consum- 10  
11 mated, the Supervisor may prescribe such reasonable and equitable agreement 11  
12 as he deems warranted under the circumstances. 12

13 The exercise of any right vested in a working interest owner to 13  
14 reassign such working interest to the party from whom obtained shall be 14  
15 subject to the same conditions as set forth in this section in regard to 15  
16 the exercise of a right to surrender. 16

17 32. TAXES. The working interest owners shall render and pay for 17  
18 their account and the account of the royalty owners all valid taxes on or 18  
19 measured by the unitized substances in and under or that may be produced, 19  
20 gathered and sold from the land subject to this contract after the 20  
21 effective date of this agreement, or upon the proceeds or net proceeds 21  
22 derived therefrom. The working interest owners on each tract shall and may 22  
23 charge the proper proportion of said taxes to the royalty owners having 23  
24 interests in said tract, and may currently retain and deduct sufficient 24  
25 of the unitized substances or derivative products, or net proceeds thereof 25  
26 from the allocated share of each royalty owner to secure reimbursement for 26  
27 the taxes so paid. No such taxes shall be charged to the United States or 27  
28 to the State of New Mexico or to any lessor who has a contract with his 28  
29 lessee which requires the lessee to pay such taxes. 29

30 33. NO PARTNERSHIP. It is expressly agreed that the relation of 30  
31 the parties hereto is that of independent contractors and nothing in this 31  
32 agreement contained, expressed or implied, nor any operations conducted 32  
33 hereunder, shall create or be deemed to have created a partnership or 33  
34 association between the parties hereto or any of them. 34

1 34. FOREST LAND STIPULATION. Notwithstanding any other terms and 1  
2 conditions contained in this agreement, all of the stipulations and conditions 2  
3 of the individual leases between the United States and its lessees or their 3  
4 successors or assigns embracing lands within the unit area included for the 4  
5 protection of lands or functions under the jurisdiction of the Secretary of 5  
6 Agriculture shall remain in full force and effect the same as though this 6  
7 agreement had not been entered into, and no modification thereof is authorized 7  
8 except with the prior consent in writing of the Regional Forester, United 8  
9 States Forest Service, Cibola National Forest, 517 Gold, S.W., Albuquerque, 9  
10 New Mexico 87101. 10

11 IN WITNESS WHEREOF, the parties hereto have caused this agreement to 11  
12 be executed and have set opposite their respective names the date of 12  
13 execution. 13

14  
15

16 UNIT OPERATOR AND  
16 WORKING INTEREST OWNER  
17 TRANSOCEAN OIL, INC. 17  
18 Date January 7, 1977 By [Signature] 18  
19 Attorney-in-Fact 19  
19 1700 First City East Building 19  
20 Houston, Texas 77002 20

21  
22 STATE OF TEXAS ) 22  
23 ) SS 22  
23 COUNTY OF HARRIS ) 23

24 On this 7th day of January, 1977, before me personally 24  
25 appeared C. R. Church, to me known to be the person who executed the 25  
26 foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledged 26  
27 that he executed the same as the free act and deed of TRANSOCEAN OIL, INC. 27

28 GIVEN under my hand and seal this 7th day of January, 28  
29 A.D., 1977. 29

30  
31 [Signature] 31  
31 Notary Public 31

32 My commission expires: 32  
32 KAPON SUE GIBNEY 32  
32 Notary Public in and for Harris County, Texas 32  
33 My Commission Expires Nov. 4, 1977. 33

34  
35

**EXHIBIT "B"**  
**SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS**  
**REMUDA UNIT AREA**  
**CAIRON COUNTY, NEW MEXICO**

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<b>FEDERAL LANDS</b>							
1	T3N-R10W, NMPM Section 12: All Section 24: All	1,280.00	NM-22160 ** 4-30-85	United States 100%	*TransOcean Helts Keller 62.50% 33.75% 3.75%	Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 Bruce A. Black Mark E. Weidler 1.0% 1.5% 1.5%	*TransOcean Helts Keller 62.50% 33.75% 3.75%
2	T3N-R9W, NMPM Section 4: All Section 6: All Section 8: All	1,910.94	NM-22279 ** 3-31-85	United States 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
3	T3N-R9W, NMPM Section 10: All Section 14: All	1,280.00	NM-22280 ** 8-31-85	United States 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
4	T3N-R9W, NMPM Section 18: All Section 20: All Section 30: All	1,908.00	NM-22285 ** 3-31-85	United States 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
5	T3N-R9W, NMPM Section 22: All Section 26: All Section 28: S½, NE¼ Section 34: All	2,400.00	NM-22286 ** 3-31-85	United States 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
6	T2N-R9W, NMPM Section 8: W½, SW¼NE¼ W½SE¼, SE¼SE¼ Section 18: All Section 20: W½, N¼NE¼, SE¼NE¼, SW¼SE¼ Section 30: All	2,234.40	NM-22330 ** 6-30-85	United States 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
7	T2N-R9W, NMPM Section 10: All Section 14: All Section 16: All	1,920.00	NM-22331 ** 6-30-85	United States 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
8	T2N-R9W, NMPM Section 22: All Section 26: All	1,280.00	NM-22332 ** 6-30-85	United States 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
9	T2N-R9W, NMPM Section 28: S $\frac{1}{2}$ , NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{2}$ NW $\frac{1}{4}$ Section 34: N $\frac{1}{2}$ , SW $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$	1,120.00	NM-22333 ** 6-30-85	United States 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
10	T3N-R9W, NMPM Section 28: NW $\frac{1}{4}$	160.00	NM-22674 ** 8-31-85	United States 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%

10 FEDERAL TRACTS TOTALING 15,493.34 acres or 44.90% of unit area.

# STATE LANDS

11	T2N-R9W, NMPM Section 2: Lots 1,4, S $\frac{1}{2}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ Section 4: Lots 1,2,3,4 S $\frac{1}{2}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$	837.00	LG-2092 ** 8-31-79	State of New Mexico - 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
12	T3N-R9W, NMPM Section 16: All	640.00	LG-2136 ** 8-31-79	State of New Mexico - 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%



TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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13	T3N-R9W, NMPM Section 32: All	640.00	LG-2137** 8-31-79	State of New Mexico - 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
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3 STATE TRACTS TOTALING 2,117.00 or 6.14% of unit area.

#### PATENTED LANDS

14	T2N-R9W, NMPM Section 34: S $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$	120.00	7-1-81	J. L. Taylor 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
15	T2N-R9W, NMPM Section 2: Lots 2,3 S $\frac{1}{2}$ NW $\frac{1}{4}$	279.64	8-5-84	Alpha Irene Ringer - 25%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
	Section 4: S $\frac{1}{2}$ SW $\frac{1}{4}$		7-16-86	Gatewood Newberry, et al 50%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
	Section 28: SW $\frac{1}{4}$ NW $\frac{1}{4}$			Karl Kothman 25%	Unleased		
16	T2N-R9W, NMPM Section 4: SE $\frac{1}{4}$	160.00	8-5-84	Alpha Irene Ringer - 37.5%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
				Gatewood Newberry, et al 25%	TransOcean Helts Keller 62.50% 33.75% 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
				Karl Kothman 37.5%	Unleased		

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
17	T2N-R9W, NMPM Section 8: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 20: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$	320.00	8-5-84	Alpha Irene Ringer - 25%	TransOcean Helis 62.50% Helis 33.75% Keller 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean 62.50% Helis 33.75% Keller 3.75%
				Robert O. Anderson - 50% Karl Kothman 25%	Unleased Unleased		
18	T2N-R9W, NMPM Section 4: NE $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	2-12-82	R. C. Cline 48.44%	TransOcean Helis 62.50% Helis 33.75% Keller 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean 62.50% Helis 33.75% Keller 3.75%
			1-27-82	E. J. McCortt 48.44%	TransOcean Helis 62.50% Helis 33.75% Keller 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean 62.50% Helis 33.75% Keller 3.75%
			1-30-82	George L. Criswell 3.12%	TransOcean Helis 62.50% Helis 33.75% Keller 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean 62.50% Helis 33.75% Keller 3.75%
19	T3N-R9W, NMPM Section 5: All Section 7: All Section 9: All Section 15: All Section 17: All Section 19: All Section 21: All Section 23: All Section 27: All Section 29: All Section 31: All Section 33: All Section 35: All	15,974.08	Development Contract dtd. 5-8-75	Santa Fe *** Pacific Railroad Company - 100%	TransOcean Helis 62.50% Helis 33.75% Keller 3.75%	Colorado Plateau Geological Svc. Inc. 3%	TransOcean 62.50% Helis 33.75% Keller 3.75%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
19	T2N-R9W, NMPM (cont'd)						
	Section 3: All						
	Section 5: All						
	Section 9: All						
	Section 11: All						
	Section 15: All						
	Section 17: All						
	Section 19: All						
	T2N-R9W, NMPM						
	Section 21: All						
	Section 23: All						
	Section 27: All						
	Section 29: All						
	T3N-R10W, NMPM						
	Section 13: All						

6 PATENTED TRACTS TOTALING 16,893.72 acres or 48.96% of unit area.

TOTAL 19 tracts totaling 34,504.06 acres in entire unit area.

\*TransOcean shall mean - TransOcean Oil, Inc.  
Helis shall mean - The Estate of William G. Helis, a Partnership  
Keller shall mean - Keller Oilfield Services Company, Inc.

\*\*\*Santa Fe has the option to become a 40% working  
interest owner on lands covered by Development  
Contract dated 5-8-75.

\*\*Assignments have been filed with the Bureau of Land Management and/or the State of New Mexico;  
as appropriate, vesting record title as shown.

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION

Applicant's EXHIBIT NO. 23  
CASE NO. 5837, 5838, 5839

Submitted by Belnap GEOLOGIC REPORT  
PROPOSED REMUDA UNIT  
Hearing Date 1/20/77 CATRON COUNTY, NEW MEXICO

I. ENCLOSURES

Exhibit A. Remuda Unit Area Geological Summary Map

II. LOCATION

The proposed Remuda Unit is located in northeast Catron County, west central New Mexico. The unit lies in Townships 2 and 3 North, Ranges 9 and 10 West. Elevations range from 6900' to 8000' in this semi-arid uninhabited region.

III. GEOLOGICAL SUMMARY

A. Stratigraphy

Geological studies indicate that petroleum potential in the Remuda Unit Area exists in sedimentary rocks of Pennsylvanian, Permian and Cretaceous age. Pennsylvanian sediments thicken rapidly from west to east in the unit area, reflecting a sedimentary wedge edge that bounds the Zuni Uplift. The aforementioned Pennsylvanian sediment wedge is an ideal locale for stratigraphic accumulation of oil and gas.

Permian, San Andres Limestone and Glorieta Sandstone are regional reservoirs in the Remuda Unit Area. These formations have sufficient permeability and porosity to qualify as hydrocarbon reservoirs, but structural closure will be necessary to trap hydrocarbon within these sediments.

The Gallup through Dakota sediments of the Cretaceous period are preserved in the Remuda Area. Based on outcrop studies and subsurface studies in the San Juan Basin, it is suggested that Gallup, Tres Hermanos and Dakota sands are present in the form of northwest-southeast trending bar and beach sands. Simple stratigraphic traps are potentially present in the unit area, but Laramide folding would relocate stratigraphically trapped oil to anticlinal crests.

B. Structure

Post-Cretaceous Laramide folding created several regional north-south trending anticlines in the Zuni Basin. The Remuda Unit is located on one of these south documented plunging anticlinal trends. Field mapping in the area has shown that an anticlinal closure exists within the Remuda Unit outlined.

IV. BASIS FOR PROPOSED UNIT

Acreage within the Remuda Unit and boundaries of the unit were determined to be structurally high to the 5500' closing structural contour which is drawn on the base of the Cretaceous. Justification for such contouring is

field mapping and strike and dip attitudes of Cretaceous rocks. Two oil and gas tests drilled by E. J. Gorman are located in the northwest  $\frac{1}{4}$  of Section 34, Township 3 North, Range 9 West, the Gorman #1 T.D. at 168' in 1924, and the Gorman #2 T.D. in Cretaceous Gallup (?) at 501' in 1933. No other data is available on these tests and they are located low on the structure and did not test a significant portion of the sedimentary section. They do not condemn or enhance the oil and gas potential of the Remuda Unit.

#### V. INITIAL TEST WELL

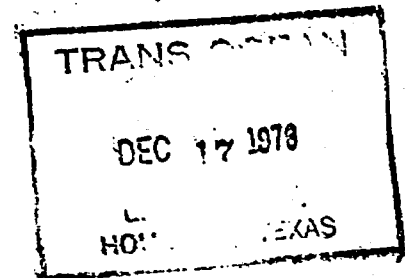
The initial test well will be drilled to a depth of 5500' or 30' into the basement complex, whichever is the lesser depth. Drill depths for an average well in the proposed unit area are as follows:

Tertiary, Surface, Ground Elevation - 7100'  
Gallup - 400'  
Tres Hermanos - 800'  
Dakota - 1000'  
San Andres - 2700'  
Glorietta - 2900'  
Pennsylvanian - 4900'  
Basement - 5500'  
TD - 5500'

Dennis W. Belnap  
District Geologist  
TransOcean Oil, Inc.



State of New Mexico



Commissioner of Public Lands

December 14, 1976

PHIL R. LUCERO  
COMMISSIONER

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

TransOcean Oil, Inc.  
1700 First City East Building  
1111 Fannin  
Houston, Texas 77002

Re: Proposed-Remuda Unit  
Catron County, New Mexico

ATTENTION: Donald G. Junper

Gentlemen:

We have reviewed the unexecuted copy of unit agreement and Exhibits "A" and "B" which you submitted for the Remuda Unit, Catron County, New Mexico. The form of agreement meets the requirements of the Commissioner of Public Lands, therefore, the Commissioner has this date approved your agreement as to form and content and as a logical area for unitization.

When submitting your agreement for final approval, please remit a filing fee in the amount of Five Hundred Forty (\$540.00) Dollars.

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION

APPLICANTS EXHIBIT NO. 12

CASE NO. 5837, 5838, 5839

Submitted by JUNPERS

Hearing Date 1/19/77

PRL/RDG/s

Very truly yours,

PHIL R. LUCERO  
COMMISSIONER OF PUBLIC LANDS

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



United States Department of the Interior

GEOLOGICAL SURVEY  
Denver Federal Center  
Denver, Colorado 80225

IN REPLY REFER TO:

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION

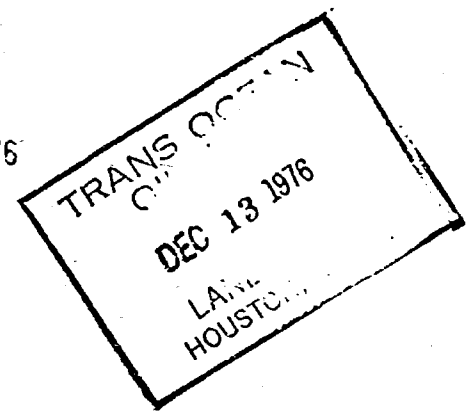
APPLICANT'S EXHIBIT NO. 10

CASE NO. 5837, 5838, 5839

Submitted by JUMPER

Hearing Date 1/19/77

DEC 8 1976



~~TransOcean Oil, Inc.~~

Attention: Mr. Donald G. Jumper  
1700 First City East Building  
1111 Famin  
Houston, Texas 77002

Gentlemen:

Your application of November 5, 1976, filed with the Assistant Area Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Remuda unit area embracing 34,504.06 acres, more or less, Catron County, New Mexico as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A', Remuda Unit" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to penetrate 30 feet into the basement complex or to a depth of 5,500 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application provided it is further modified as follows:

Add the words "as amended" after (30 F.R. 12319) in Section 26, Nondiscrimination.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Oil and Gas Supervisor for preliminary approval.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice

is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to Roswell, New Mexico for the Supervisor's approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

Inasmuch as this unit agreement involves State land, we are sending a copy of the letter to the Commissioner of Public Lands. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely yours,

*George W. Horn*  
Regional Conservation Manager  
For the Director



CASE 5836: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit James W. Strawn, American Employers Insurance Company, and all other interested parties to appear and show cause why the Morton Well No. 1 located in Unit A of Section 32, Township 11 North, Range 7 East, Santa Fe County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5810: Continued from November 23, 1976, Examiner Hearing

Application of Yates Petroleum Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Stonewall "EP" Com Well No. 1, located in Unit F of Section 30, Township 20 South, Range 28 East, Eddy County, New Mexico, to produce gas from the North Burton Flat-Wolfcamp Gas Pool and an undesignated Morrow gas pool.

CASE 5837: Application of TransOcean Oil, Inc., for a unit agreement, Catron County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Omega Unit Area comprising 35,196 acres, more or less, of State, Federal, and fee lands in Townships 2, 3, and 4 North, Range 14 West, Catron County, New Mexico.

CASE 5838: Application of TransOcean Oil, Inc. for a unit agreement, Catron County, New Mexico. Applicant, in the above-styled cause, seeks approval of the French Unit Area comprising 34,542 acres, more or less, of State, Federal, and fee lands in Townships 1 and 2 North, Ranges 16, 17, and 18 West, Catron County, New Mexico.

CASE 5839: Application of TransOcean Oil, Inc. for a unit agreement, Catron County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Remuda Unit Area comprising 34,504 acres, more or less, of State, Federal, and fee lands in Townships 2 and 3 North, Ranges 9 and 10 West, Catron County, New Mexico.

CASE 5840: Application of Dome Petroleum Corporation for pool creation and assignment of a discovery allowable, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Entrada production and the assignment of approximately 25,800 barrels of oil discovery allowable to the discovery well, being applicant's Federal 15 Well No. 1 located in Unit F of Section 15, Township 19 North, Range 5 West, McKinley County, New Mexico.

CASE 5048: (Reopened)

In the matter of Case 5048 being reopened pursuant to the provisions of Order No. R-4637-A, which order extended the temporary special pool rules for the South Dagger Draw-Upper Pennsylvanian Associated Pool, Eddy County, New Mexico. All interested parties may appear and show cause why said temporary special pool rules should not be rescinded.

CASE 5599: (Reopened)

In the matter of Case 5599 being reopened pursuant to the provisions of Order No. R-5142 which order established temporary special pool rules for the Twin Lakes-Devonian Pool, Chaves County, New Mexico. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units and why the limiting gas-oil ratio should not revert to 2,000 to 1.

CASE 5841: Application of Bettis, Boyle & Stovall for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian formation underlying the E/2 NE/4 of Section 34, Township 12 South, Range 37 East, Southwest Gladiola-Devonian Pool, Lea County, New Mexico, to be dedicated to the Lowe Well No. 1 located in Unit A of said Section 34. Also to be considered will be the cost of recompleting said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in recompletion of said well.

CASE 5842: Application of Hanagan Petroleum Corporation for an exception to the provisions of Order No. R-1670, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 15(B) of the Southeast Gas Proration Rules contained in Order No. R-1670, as amended, to permit its Catclaw Draw Unit Well No. 9, located in Unit F of Section 35, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, to make up its overproduction at a rate less than complete shut-in.

CATRON, CATRON & SAWTELL

THOMAS B. CATRON, 1840-1921  
FLETCHER A. CATRON, 1890-1961

THOMAS B. CATRON, III  
JOHN S. CATRON  
WILLIAM A. SAWTELL, JR.  
FLETCHER R. CATRON

WILLIAM F. CARR  
W. ANTHONY SAWTELL

ATTORNEYS AND COUNSELORS AT LAW

THE PLAZA

SANTA FE, NEW MEXICO 87501

POST OFFICE BOX 788

TELEPHONE 982-1047  
AREA CODE 505

December 27, 1976

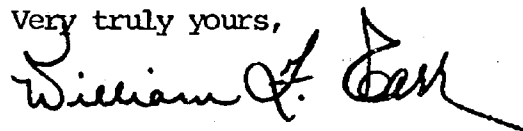
Oil Conservation Commission  
State of New Mexico  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey, State Petroleum Engineer

Dear Mr. Ramey:

Enclosed herewith, in triplicate, is the application of Trans-Ocean Oil, Inc. for approval of the Remuda Unit Agreement, embracing 34,504.06 acres of land, more or less, in Catron County, New Mexico. TransOcean requests that this matter be set for the Examiner's Hearing to be held on January 19, 1977.

Very truly yours,



William F. Carr

WFC:eas  
Enclosures

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLI-  
CATION OF TRANSOCEAN OIL, INC.  
FOR APPROVAL OF A UNIT AGREEMENT,  
CATRON COUNTY, NEW MEXICO.

CASE 5839

APPLICATION

Comes now TransOcean Oil, Inc., by their undersigned attorneys, and hereby makes application for an order approving its Remuda Unit Agreement and in support of this application would show the Commission:

1. That the proposed Unit Agreement consists of 34,504.06 acres, more or less, situated in Catron County, New Mexico, of which 15,493.34 acres are federal lands, 2,117.00 acres are state lands and 16,893.72 acres are fee lands. The horizontal limits of said unit are described as follows:

Township 2 North, Range 9 West, N.M.P.M.

Sections 2 through 5: All  
Sections 8 through 11: All  
Sections 14 through 23: All  
Sections 26 through 30: All  
Section 34: All

Township 3 North, Range 9 West, N.M.P.M.

Sections 4 through 10: All  
Sections 14 through 23: All  
Sections 26 through 35: All

Township 3 North, Range 10 West, N.M.P.M.

Section 12: All  
Section 13: All  
Section 24: All

2. That all owners of interest within the Unit Area have been or will be offered the opportunity to join the Unit Agreement.

3. That the Unit Agreement has been approved by most of the working interest owners holding interests within the proposed Unit Area. It is expected that by the date which will be set for hearing on this

application, the Unit Agreement will have been executed by all, or substantially all, of the owners of working interest, overriding royalty interest and other interests in the land included within the Unit Area.

4. That the applicant, TransOcean Oil, Inc., is designated as Unit Operator in said Unit Agreement and all oil and gas in any and all formations down through the Pennsylvanian formation and 30 feet into the basement complex are being unitized.

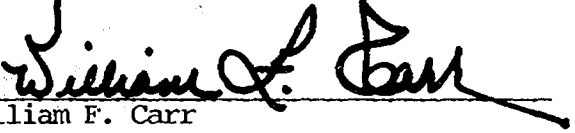
5. That the Unit Area has been designated by the United States Geological Survey as an area logically subject to unitization pursuant to the provisions of the Mineral Leasing Act as amended.

6. That the Unit Agreement has been approved as to form and content by the State Land Office.

7. That, in the opinion of the applicant, the proposed Unit Area covers all, or substantially all, of the geological structures or anomaly involved; and in the event said Unit Agreement is approved and production of unitized substances is obtained, it is believed that said Unit Agreement will be in the interest of conservation and the prevention of waste, and that it will protect the correlative rights of all parties concerned.

TransOcean Oil, Inc. requests that this Application be set for hearing before a duly appointed Examiner of the Oil Conservation Commission on January 19, 1977, that notice be given as required by law and the rules of the Commission, and that the Remuda Unit Agreement be approved.

Respectfully submitted,  
CATRON, CATRON & SAWTELL

By   
William F. Carr  
P. O. Box 788  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLI-  
CATION OF TRANSOCEAN OIL, INC.  
FOR APPROVAL OF A UNIT AGREEMENT,  
CATRON COUNTY, NEW MEXICO.

CASE 5839

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Sections 14 through 23: All  
Sections 26 through 30: All  
Section 34: All

Township 3 North, Range 9 West, N.M.P.M.

Sections 4 through 10: All  
Sections 14 through 23: All  
Sections 26 through 35: All

Township 3 North, Range 10 West, N.M.P.M.

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Section 13: All  
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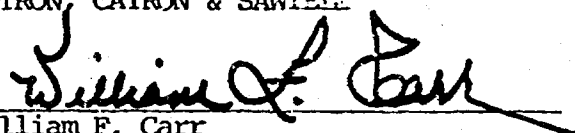
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TransOcean Oil, Inc. requests that this Application be set for hearing before a duly appointed Examiner of the Oil Conservation Commission on January 19, 1977, that notice be given as required by law and the rules of the Commission, and that the Remuda Unit Agreement be approved.

Respectfully submitted,  
CATRON, CATRON & SAWTELL

By   
William F. Carr  
P. O. Box 788  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLI-  
CATION OF TRANSOCEAN OIL, INC.  
FOR APPROVAL OF A UNIT AGREEMENT,  
CATRON COUNTY, NEW MEXICO.

CASE 5839

APPLICATION

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Sections 26 through 35: All

Township 3 North, Range 10 West, N.M.P.M.

Section 12: All  
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Section 24: All

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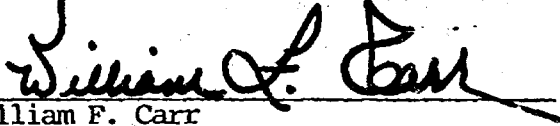
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TransOcean Oil, Inc. requests that this Application be set for hearing before a duly appointed Examiner of the Oil Conservation Commission on January 19, 1977, that notice be given as required by law and the rules of the Commission, and that the Remuda Unit Agreement be approved.

Respectfully submitted,  
CATRON, CATRON & SAWYER

By   
William F. Carr  
P. O. Box 788  
Santa Fe, New Mexico 87501  
Attorneys for Applicant



DRAFT

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

dr/

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

CASE No. 5839

Order No. R- 5371

APPLICATION OF TRANSOCEAN OIL, INC.  
FOR APPROVAL OF THE REMUDA  
UNIT AGREEMENT, CATRON, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on  
January 19 1977, at Santa Fe, New Mexico, before Examiner  
Richard L. Stamets.

NOW, on this        day of January, 1977, 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, TransOcean Oil, Inc.,  
seeks approval of the Remuda Unit Agreement  
covering 34,504.06 acres, more or less, of State,  
Federal lands  
and Fee  
described as follows:

Catron  
Catron COUNTY, NEW MEXICO  
TOWNSHIP 2 North, RANGE 9 West, NMPM

Section 2 through 5 : AM ✓

Section 8 through 11 : AM ✓

Section 14 through 23 : AM ✓

Section 26 through 30 : AM ✓

Section 34 : AM ✓

Township 3 North, Range 9 West, NMPM

Section 4 through 10 : AM ✓

Section 14 through 23 : AM ✓

Section 26 through 35 : AM ✓

Township 3 North, Range 10 West, NMPM

Sections 12 and 13 : AM

Section 24 : AM

(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 Remuda 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.