

Case No.

499

Application, Transcript,
Small Exhibits, Etc.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 499
Order No. R-288

THE APPLICATION OF TEXAS PACIFIC
COAL AND OIL COMPANY FOR AN ORDER
APPROVING A PROPOSED UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE SOUTHEAST CAPROCK UNIT AREA
CONSISTING OF 2240 ACRES SITUATED IN
TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. March 17, 1953,
at Santa Fe, New Mexico, before the Oil Conservation Commission of New
Mexico, hereinafter referred to as the "Commission."

NOW, on this 27th day of MARCH, 1953, the Commission,
having before it for consideration the testimony adduced at the hearing of
said case 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 proposed unit plan will in principle tend to promote
the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

That the order herein shall be known as the:

SOUTHEAST CAPROCK UNIT AGREEMENT ORDER

SECTION 1: (a) That the project herein shall be known as the
Southeast Caprock Unit Agreement and shall hereafter be referred to as the
"Project."

(b) That the plan by which the Project shall be
operated shall be embraced in the form of a unit agreement for the develop-
ment and operation of the Southeast Caprock Unit Area referred to in the
Petitioner's petition and filed with said petition, and such plan shall be known
as the Southeast Caprock Unit Agreement Plan.

SECTION 2: That the Southeast Caprock Unit Agreement shall be,
and 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 of said agreement shall not be considered
as waiving or relinquishing in any manner any rights, duties, or obligations
which are now or may hereafter be vested in the New Mexico Oil Conservation
Commission by law relative to the supervision and control of operations for

Case No. 499
Order No. R-288

exploration and development of any lands committed to said Southeast Caprock Unit Agreement or relative to the production of oil or gas therefrom.

SECTION 3: (a) That the Unit Area shall be:

NEW MEXICO PRINCIPAL MERIDIAN:

Township 13 South, Range 32 East,
Section 15: S/2
Section 21: E/2
Section 22: All
Section 27: All
Section 28: E/2

Containing 2240 acres, more or less, all of which are state lands.

(b) The Unit Area may be enlarged or contracted as provided in said Plan.

SECTION 4: That the Unit Operator shall file with the Commission an executed original or executed counterpart thereof of the Southeast Caprock Unit Agreement not later than 30 days after the effective date thereof.

SECTION 5: That any party owning rights in the unitized substances who does not commit such rights to said Unit Agreement before the effective date thereof may thereafter become a party thereto by subscribing to such agreement or counterpart thereof. The Unit Operator shall file with the Commission within 30 days an original or any such counterpart.

SECTION 6: That this order shall become effective upon approval of the Commissioner of Public Lands of the State of New Mexico and shall terminate ipso facto on the termination of said Unit Agreement. The last Unit Operator shall immediately notify the Commission, and the Commissioner of Public Lands, in writing of such termination.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E L Mech

EDWIN L. MECHEM, Chairman

E S Walker
E. S. WALKER, Member

R. R. Spurrer
R. R. SPURRIER, Secretary

S E A L

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OF THE STATE OF NEW MEXICO

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having before it for consideration the testimony adduced at the hearing of
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which are now or may hereafter be vested in the New Mexico Oil Conservation
Commission by law relative to the supervision and control of operations for

Case No. 499
Order No. K-288

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Containing 2240 acres, more or less, all of which are state lands.

(b) The Unit Area may be enlarged or contracted as provided in said Plan.

SECTION 4: That the Unit Operator shall file with the Commission an executed original or executed counterpart thereof of the Southeast Caprock Unit Agreement not later than 30 days after the effective date thereof.

SECTION 5: That any party owning rights in the unitized substances who does not commit such rights to said Unit Agreement before the effective date thereof may thereafter become a party thereto by subscribing to such agreement or counterpart thereof. The Unit Operator shall file with the Commission within 30 days an original or any such counterpart.

SECTION 6: That this order shall become effective upon approval of the Commissioner of Public Lands of the State of New Mexico and shall terminate ipso facto on the termination of said Unit Agreement. The last Unit Operator shall immediately notify the Commission, and the Commissioner of Public Lands, in writing of such termination.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

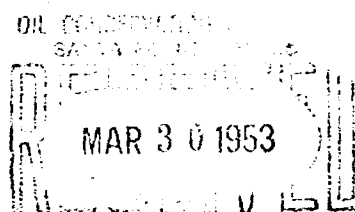
R. R. SPURRIER, Secretary

S E A L

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

Santa Fe, New Mexico
March 17, 1953

TRANSCRIPT OF HEARING
CASE NO. 499



E. E. GREESON
ADA DEARNLEY
COURT REPORTERS
BOX 1203
PHONES 5-9422 AND 5-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

Santa Fe, New Mexico
March 17, 1953.

In the Matter of:

Application of Texas Pacific Coal and Oil
Company for approval of the Southeast Caprock
Unit Agreement embracing 2,240 acres, more
or less in Twp. 13 South, Rge. 32 East, Lea
County.

Case No. 499

TRANSCRIPT OF HEARING

(Notice of Publication read by Mr. Graham.)

MR. CAMPBELL: Would you mark these exhibits in Case 499,
please?

(Exhibits Nos. 1 and 2 marked for
identification.)

C. G. BAILEY,

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

DIRECT EXAMINATION

By MR. CAMPBELL:

Q State your name, please.

A C. G. Bailey.

Q By whom are you employed?

A Texas Pacific Coal and Oil Company.

Q In what capacity?

A Division geologist for West Texas and New Mexico.

Q Have you testified on previous occasions before this

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-105, EL CORTEZ BLDG.
PHONES 7-9645 AND 5-9546
ALBUQUERQUE, NEW MEXICO

Commission?

A I have.

MR. CAMPBELL: Are the qualifications acceptable to the Commission, Mr. Spurrier?

MR. SPURRIER: They are.

Q Are you acquainted with the application of the Texas Pacific Coal and Oil Company in Case No. 499 for the approval of a Unit Agreement, to be known as the Southeast Caprock Unit Agreement?

A I am.

Q How many acres are involved in the proposed unit?

A Approximately 2,240 acres are involved.

Q Is that State land or Federal Lands, or fee land?

A State land.

Q I hand you what has been marked Exhibit No. 1, Case 499 and ask you to state what that is?

A This is an application for a unit agreement for the development of what we call the Southeast Caprock^{Unit} which is located in the south half of Section 15, east half of Section 21, all of Section 22, all of Section 27 and the east half of 28 in Township 13, Range 32 East, Lea County.

Q Referring to Exhibit A attached to that Unit Agreement, will you state for the record what Exhibit A is?

A Exhibit A is a plat showing the lease ownership of the proposed Southeast Caprock Unit.

Q With regard to that lease ownership, will you state how much of the acreage, within the limits of the unit area as shown on Exhibit A have been committed to this Unit Agreement?

A All have been committed but 160 acres.

Q Does the Unit Agreement provide that, in the event uncommitted acreage subsequently decides to join the unit, that the unit will be open for that acreage?

A That is correct, such provision is made.

Q Referring now to Exhibit C, to the Unit Agreement, will you state for the Commission what that is?

A Exhibit C is a plat exhibit showing the lowest, approximate lowest closing contour in the vicinity of the lower pay horizon at a subsea of 6,200.

Q By what geophysical method was that obtained?

A By seismic methods.

Q In your opinion, based upon the information available to your company, and in your capacity as a geologist for the company, do you consider that interpretation to be a reasonable one?

A I do.

MR. CAMPBELL: I would like to offer Exhibit 1, which is a proposed Unit Agreement, in evidence.

MR. SPURRIER: Without objection it will be received.

Q I now hand you what has been marked as Exhibit 2 and ask you to state what that is?

A This is an operating agreement for the proposed Southeast Caprock Unit.

Q Mr. Bailey, does the unit agreement - Who is the unit operator?

A Texas Pacific Coal and Oil Company.

Q Do the Unit Agreement and the Operating Agreement provide

for the commencement of a well in the unit area?

A They do.

Q Within what period of time?

A Within sixty days of the acceptance of the unit by the State Commission.

Q The effective date of the unit?

A Effective date, that is right.

MR. CAMPBELL: I believe that is all. We would like to offer into evidence Exhibit No. 2.

MR. SPURRIER: Without objection it will be received. Any questions of the witness? If not the witness may be excused. Any further comments? We will take the case under advisement and move to Case 500.

(Witness excused.)

STATE OF NEW MEXICO)
 : SS.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, hereby certify that the above and foregoing transcript of proceedings in Case No. 499, taken before the Oil Conservation Commission on March 17, 1953, at Santa Fe, New Mexico, is a true and correct record.

Dated in Albuquerque, New Mexico, this 24th day of March, 1953.

Ada Dearnley
Notary Public

My Commission Expires:
June 19, 1955.

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 5-9546
ALBUQUERQUE, NEW MEXICO
-5-

E. E. GREESON
ADA DEARNLEY
COURT REPORTERS
BOX 1308
PHONES 5-9422 AND 5-9546
ALBUQUERQUE, NEW MEXICO

ATWOOD, MALONE & CAMPBELL
LAWYERS

JEFF D. ATWOOD
JACK M. CAMPBELL
CHARLES F. MALONE

J.P. WHITE BUILDING
ROSWELL, NEW MEXICO

March 18, 1953

Mr. R. R. Spurrier
Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Mr. Spurrier:

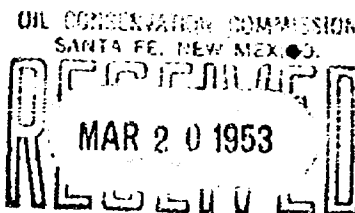
Enclosed please find copy of the proposed order in Case No. 499. As they are anxious to commence a well in the immediate future I would appreciate it if this could be issued as soon as possible. I have discovered also that the unit agreement offered in evidence at the time of the hearing was changed in one respect only relating to its effective date and as soon as I receive a true copy I will send it to you for substitution as an exhibit in order to keep the record straight on this case.

Very truly yours,

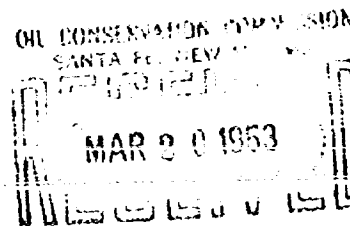
Jack M. Campbell
Jack M. Campbell

JMC:hl
Encl.

*RDS - Bill has already
written Order R-288 to
cover this. It is now
being finalized.
NR*



BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO



IN THE MATTER OF THE HEARING
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COAL AND OIL COMPANY FOR APPROVAL
OF A PROPOSED UNIT AGREEMENT FOR
THE DEVELOPMENT AND OPERATION OF
SOUTHEAST CAPROCK UNIT AREA CON-
SISTING OF 2240 ACRES SITUATED IN
TOWNSHIP 13 SOUTH, RANGE 32 EAST,
NMPM, LEA COUNTY, NEW MEXICO

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at 9 o'clock a.m. March 17, 1953, before the Oil Consideration
Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this _____ day of _____ 1953, the Com-
mission, having before it for consideration the testimony adduced
at the hearing of said case and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
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tition, and such plan shall be known as the Southeast Caprock Unit
Agreement Plan.

Case No. _____
Order No. _____

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SECTION 3: (a) That the Unit Area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

Township 13 South, Range 32 East

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Section 21: E $\frac{1}{2}$

Section 22: All

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Section 28: E $\frac{1}{2}$

Containing 2240 acres, more or less, all of which are state lands.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

F. S. WALKER, Member

R. R. SPURRIER, Secretary

S E A L

MAIN OFFICE 000

MAY 20 11 31 AM

Terminated

#499

file

May 19, 1955

Campbell and Russell
J. P. White Building
Roswell, New Mexico

Re: Southeast Caprock
Unit Agreement

Gentlemen:

This is to advise you that we have terminated the
above named Unit as of April 26, 1955.

Very truly yours,

E. S. WALKER
COMMISSIONER OF PUBLIC LANDS

cc: 000

TB:mr

dm

C
O
P
Y

CAMPBELL & RUSSELL
Lawyers
J. P. White Bldg.
ROSWELL - NEW MEXICO

March 19, 1955

Oil Conservation Commission of New Mexico
Santa Fe, New Mexico

Commissioner of Public Lands
State of New Mexico
Santa Fe, New Mexico

Gentlemen:

The Texas Pacific Coal and Oil Company is the operator under the Southeast Caprock Unit Agreement which was approved by the Oil Conservation Commission by its Order R-288, and which has been approved by the Commissioner of Public Lands.

Paragraph 15 of the Unit Agreement provides that its term of 2 years may be extended by the Commissioner of Public Lands. The Office of the Commissioner has advised us that before authorizing the extension the Commissioner desires to have approval of extension indicated by the Oil Conservation Commission.

By this letter the Oil Conservation Commission and the Commissioner of Public Lands are hereby requested by the Unit Operator with the consent and approval of other working interest owners in the unit area, to extend the expiration date of the Unit Agreement for a period of 30 days from the expiration date provided in the present Agreement. If this is agreeable, it is requested that the Secretary - Director of the Oil Conservation Commission and the Commissioner of Public Lands indicate their approval of the extension by signing copies of this letter in the space provided below, retaining an approved copy for their file and returning 3 approved copies to Jack M. Campbell, Attorney, Box 721, Roswell, New Mexico.

Very truly yours,

Jack M. Campbell

For TEXAS PACIFIC COAL AND OIL COMPANY

APPROVED:

W B Mares
Secretary-Director, Oil Conservation
Commission

DATE: March 21, 1955

APPROVED:

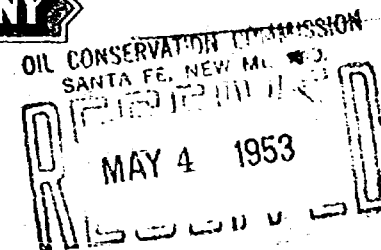
E. Walker
Commissioner of Public Lands

DATE: MARCH 21, 1955

TEXAS PACIFIC COAL AND OIL COMPANY

GENERAL OFFICES
FORT WORTH 1
TEXAS

May 1, 1953



Re: Southeast Caprock Unit
Lea County, New Mexico

Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico

Hon. E. S. Walker
Commissioner of Public Lands
State of New Mexico
Santa Fe, New Mexico

Gentlemen:

In accordance with Order No. R-288 dated March 27, 1953, issued by the Oil Conservation Commission of the State of New Mexico, Texas Pacific Coal and Oil Company on April 20, 1953, forwarded to you a completely executed conformed copy of the Southeast Caprock Unit Agreement.

All participants to the Southeast Caprock Unit have now executed the original master copies of this Contract, and therefore, we are enclosing herewith one such copy for your official records.

Yours very truly,

TEXAS PACIFIC COAL AND OIL COMPANY

Donald M. Woodard

Donald M. Woodard:LF
Enc.
CC:W. A. Creswell
CC:E. T. Adair
Reg. Ret. Rec. Req.

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE SOUTHEAST CAPROCK UNIT AREA
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 13th day of February, 1953, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto";

W I T N E S S E T H:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico (hereinafter referred to as the "Commissioner") is authorized by Acts of the Legislature (Chap. 88, Laws 1943, as amended by Chap. 162, Laws 1951) to consent to and approve the development or operation of State Lands under agreements made by lessees of State Lands jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") is authorized by Act of the Legislature (Chap. 72, Laws 1935) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto own the entire working interest in the Southeast Caprock Unit Area covering the land hereinafter described, and therefore have effective control of operations therein; and

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

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

1. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

South Half (S $\frac{1}{2}$) of Section 15; East Half (E $\frac{1}{2}$) of Section 21; All of Section 22; All of Section 27; and East Half (E $\frac{1}{2}$) of Section 28; all located in Township 13 South, Range 32 East, Lea County, New Mexico, containing 2240 acres, more or less.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area. Exhibit "B" attached hereto is a schedule showing the acreage, percentage, and kind of ownership of the oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. If and whenever the unit area is expanded by the procedure hereinafter set out, Exhibits "A" and "B" shall be revised by the Unit Operator to conform with said expansion.

The above described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement. Such expansion shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Commissioner or of any of the parties hereto owning, in the aggregate, 50% of the oil and gas leasehold estate in and to the unit area, shall prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof.

(b) Said notice shall be delivered to the Commissioner and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor who have interests in the unit area, 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 Commissioner evidence of mailing of the notice of expansion and a copy of any objections thereto which have been filed with the Unit Operator.

(d) After due consideration of all pertinent information, the expansion shall become effective as of the date prescribed in the notice thereof if and after (1) the same shall have been approved by the Commissioner and (2) the owner of each leasehold which has been added to the unit by reason of said expansion shall have executed the within and foregoing unit agreement and a counterpart of the operating agreement covering said unit area, and shall have reimbursed each of the parties hereto on a mutually agreeable basis, for such owner's proportionate share of all costs and expenses theretofore incurred in developing and operating the unit area; provided however, that, except by mutual consent of all parties hereto, no such expansion of the unit area shall be approved unless (1) each lease or interest therein which is proposed to be added to the unit area shall have been proved by actual drilling to be productive of oil or gas in commercial quantities; and (2) such expansion is approved by the owners of at least 90% of the oil and gas leasehold interest in and to the unit area on a surface acreage basis.

All land committed to this agreement shall constitute land referred to herein as "unit area", "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES. All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR. Texas Pacific Coal and Oil Company, a corporation, is hereby designated as Unit Operator and by signature hereto commits to this agreement all interests in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time provided

a successor Unit Operator has been selected and approved and has agreed to accept the duties and responsibilities of the Unit Operator effective upon the relinquishment of such duties and responsibilities by the retiring Unit Operator. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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 determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the Unit Operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by majority vote select a successor Unit Operator; provided that, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than 75 per cent of the total working interest, shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept

in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The Unit Operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses so paid by the Unit Operator shall be apportioned among and borne by the owners of working interests and the Unit Operator reimbursed in accordance with the operating agreement heretofore entered into by and between the Unit Operator and the owners of working interests.

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

8. DRILLING TO DISCOVERY. Within 60 days after the effective date hereof the Unit Operator shall, unless it has already done so, commence operations upon a test well for oil and gas at a location in the approximate center of the Northwest Quarter of the Northwest Quarter (NW/4 NW/4) of Section 27, Township 13 South, Range 32 East, Lea County, New Mexico, and shall prosecute the drilling thereof with due diligence

to test the Devonian formation expected to be encountered at the approximate depth of 13,000 feet unless at a lesser depth unitized substances shall be discovered which can be produced in paying quantities or unless some formation or condition is encountered at a lesser depth which would, in the judgment of the parties hereto owning at least 75 per cent of the working interest in the unit area, make further drilling inadvisable or impracticable.

Any well commenced or completed prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of said test well shall be considered as complying with the drilling requirements hereof. Upon failure to comply with the drilling provisions of this section, the Commissioner may, after reasonable notice to the Unit Operator and each working interest owner at their last known addresses, declare this unit agreement terminated.

9. PARTICIPATION AND ALLOCATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests on an acreage basis bears to the total number of acres committed to the unit agreement, and such unitized substances shall be deemed to have been produced from each of the oil and gas leases committed to this agreement; and without limiting the legal effect of the production of such unitized substances under the provisions of Chap. 88, Laws 1943, as amended by Chap. 162, Laws 1951, production from a unit well located on a lease committed to this agreement shall be considered as production from that portion of the acreage covered by such lease lying outside the unit area as well as that portion of such acreage included within the unit; and for the purpose of determining any benefits accruing under this agreement and the distribution of the royalty payable to the State of New Mexico each separate lease shall have allocated to it such percentage of said production

as the number of acres in each lease included within the unit bears to the total number of acres committed hereto.

Notwithstanding any provision contained herein to the contrary, each working interest owner shall have the right and privilege, upon the payment or securing the payment of the royalty interest thereon, of receiving in kind or of separately disposing of its proportionate share of the gas and oil saved from the unit area; provided, however, that in the event of the failure or neglect of a non-operator to exercise the right and privilege of receiving in kind or of separately disposing of its proportionate share of said production, Operator shall during such time as such party elects not to receive in kind or to sell and dispose of its proportionate share of production, have the right to purchase any such oil or gas for its own account at not less than the prevailing market price; or Operator may sell the same to others, in which event each of the parties hereto shall be entitled to receive payment direct for its share of the proceeds of all oil and gas so sold. In the event of such sale, each of the parties shall execute proper division orders or contracts of sale, and in such event as to any proposed contract of sale requiring delivery for a period in excess of that usually demanded by a purchaser of production of like grade and quantity in the area or in excess of one (1) year, the contract must be approved or accepted by the other party or parties. Any extra expenditure incurred by reason of the delivery of such proportionate part of the production to any party shall be borne by such party.

10. ROYALTY AND RENTAL PAYMENT. All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the Unit Operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

If Unit Operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that, such withdrawal shall be at such time as may be provided in a plan of operations consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

11. 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 laws or regulations.

12. DRAINAGE. The Unit Operator shall take such appropriate and adequate measures consistent with those of a reasonably prudent operator to protect the unitized lands from drainage from wells on lands adjacent thereto.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of the lands committed to this agreement shall, upon approval hereof by the Commissioner, be, and the same are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, and so that the length of the secondary term as to such lands will be extended, insofar as necessary, to coincide with the term of this agreement but otherwise to remain in full force and effect in accordance with the provisions thereof. Each lease committed to this agreement shall continue

in force beyond the term provided therein so long as this agreement remains in effect, provided drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the Unit Operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable law shall continue in full force and effect thereafter.

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

15. EFFECTIVE DATE AND TERM. This agreement shall become effective (1) upon execution of this agreement, prior to April 1, 1953, by working interest owners in the Unit Area owning 90% of the working interest therein on an acreage basis, and (2) upon approval by the Commissioner, and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, (b) or development operations are then being conducted on lands comprising the unit area, or (c) a discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities, and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the

unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time after the two year period or any extensions thereof, by not less than 75 per cent on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner; provided (1) production of unitized substances in commercial quantities has not been obtained from the unit area, or, having been obtained, has ceased; and (2) development operations are not then being conducted.

16. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

17. 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 Commissioner of Public Lands and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings relative to operations pending before the Commissioner or Commission; provided, however, that any other interested party shall also have the right at his own expense to appear and to participate in any such proceeding.

18. NOTICES. All notices that are required or authorized to be given hereunder except as otherwise specifically provided for herein, shall be given in writing by United States mail or Western Union Telegram, postage or charges prepaid, and addressed to the party to whom such notice is given as follows:

Texas Pacific Coal and Oil Company
P. O. Box 2110
Fort Worth, Texas

Phillips Petroleum Company
c/o Land Department
Bartlesville, Oklahoma

Mid-Continent Petroleum Corporation
Mid-Continent Building
Tulsa, Oklahoma

Gulf Oil Corporation
P. O. Box 1290
Fort Worth, Texas

The Superior Oil Company
Midland, Texas

Skelly Oil Company
Skelly Building
Tulsa, Oklahoma

Deep Rock Oil Corporation
Atlas Life Building
Tulsa, Oklahoma

Amerada Petroleum Corporation
Beacon Building
Tulsa, Oklahoma

The originating notice to be given under any provision hereof shall be deemed given when received by the party to whom such notice is directed, and the time for such party to give any response thereto shall run from the date the originating notice is received. The second or any subsequent notice shall be deemed given when deposited in the United States Post Office or with Western Union Telegraph Company, with postage or charges prepaid.

19. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

20. LOSS OF TITLE. In the event title to any tract or unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the Unit Operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico

shall be withheld. Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

21. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval either by the Commission or Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to any operating agreement affecting the allocation of costs of exploration, development and operation. After operations are commenced hereunder, the right of subsequent joinder by a working interest owner shall be subject to all of the requirements of any applicable operating agreement between the working interest owners relative to the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the filing with the Commissioner and the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement.

22. EXISTING OPERATING AGREEMENT. In the event of any inconsistency or conflict between this unit agreement and the contemporaneous operating agreement entered into by and between the Unit Operator and the owners of working interests, this unit agreement, to that extent only, shall prevail.

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

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the dates of their respective acknowledgments hereto.

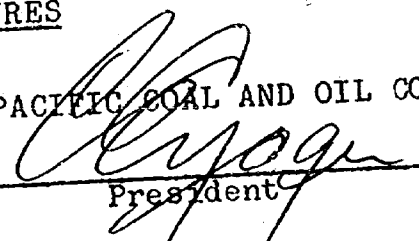
DESCRIPTION OF INTERESTS
COMMITTED TO SOUTHEAST
CAPROCK UNIT AGREEMENT
IN REFERENCE TO TRACT
NUMBERS IN EXHIBIT "B"
ATTACHED TO UNIT AGREEMENT

SIGNATURES

TEXAS PACIFIC COAL AND OIL COMPANY

Tract No. 1

By


President

ATTEST:



Secretary

UNIT OPERATOR

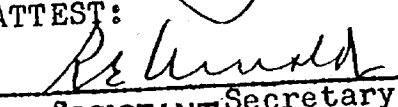
PHILLIPS PETROLEUM COMPANY

Tracts Nos. 2 & 3

By


Vice President

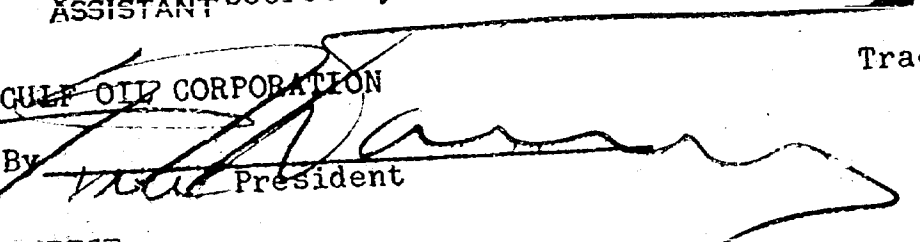
ATTEST:


Assistant Secretary


GULF OIL CORPORATION

Tract No. 4

By


President

ATTEST:


Asst. Secretary H.M. CRAIG

MID-CONTINENT PETROLEUM CORPORATION

Tract No. 5

O.K. as to
Transaction

O.K. Production

Dept.

O.K.

Insurance

O.K.

Accounting

O.K. as to

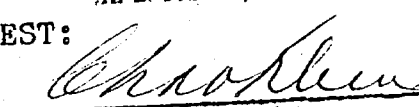
Form

By


President

A. E. PIERCE, VICE PRESIDENT

ATTEST:


Secretary

DESCRIPTION OF INTERESTS
COMMITTED TO SOUTHEAST
CAPROCK UNIT AGREEMENT
IN REFERENCE TO TRACT
NUMBERS IN EXHIBIT "B"
ATTACHED TO UNIT AGREEMENT

SIGNATURES

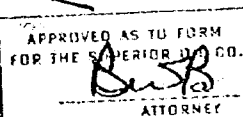
THE SUPERIOR OIL COMPANY

By W. M. Allen
VICE President

ATTEST:

B. B. Burkhead
ASSISTANT Secretary

Tract No. 6



SKELLY OIL COMPANY

By _____
President

ATTEST:

Secretary

Tract No. 7

DEEP ROCK OIL CORPORATION

By _____
President

ATTEST:

Secretary

Tract No. 8

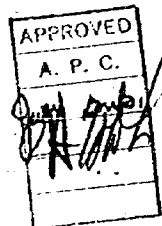
AMERADA PETROLEUM CORPORATION

By Estan Collough
Executive Vice President

ATTEST:

Amesley
Assistant Secretary

Tract No. 9



NON-OPERATORS

THE STATE OF TEXAS |

COUNTY OF TARRANT |

On this 16 day of MARCH, 1953, before me personally appeared C.E. YAGER, to me personally known, who being by me duly sworn did say that he is the President of Texas Pacific Coal and Oil Company, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said C.E. YAGER acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Donald M. Woodard
Notary Public

My commission expires:

My Commission Expires June 1, 1953

DONALD M. WOODARD, Notary Public
In and For Tarrant County, Texas

STATE OF OKLAHOMA |

COUNTY OF Washington

On this 27th day of March, 1953, before me personally appeared H. E. KOOPMAN, to me personally known, who, being by me duly sworn did say that he is the VICE President of Phillips Petroleum Company, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said H. E. KOOPMAN acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Elva Joan Coale
Notary Public

My commission expires:

11-5-56

THE STATE OF TEXAS |
COUNTY OF TARRANT |

On this 23 day of April, 1953, before me personally appeared J. J. Adams, to me personally known, who, being by me duly sworn did say that he is the Vice President of Gulf Oil Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said J. J. Adams acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Eva Marie Cooper
Notary Public

My commission expires:

June 1, 1953

STATE OF OKLAHOMA |
COUNTY OF Tulsa |

On this 30 day of March, 1953, before me personally appeared A. E. PIERCE, to me personally known, who, being by me duly sworn did say that he is the Vice President of Mid-Continent Petroleum Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said A. E. PIERCE acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Charles Wagner
Notary Public

My commission expires:

My commission expires, Aug. 14, 1956

THE STATE OF TEXAS |
COUNTY OF Midland |

On this 13 day of April, 1953, before me personally appeared W. Mengden, to me personally known, who, being by me duly sworn did say that he is the Vice President of The Superior Oil Company, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said W. Mengden acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Ann Adams
Notary Public

My commission expires:
My Commission Expires June 1, 1953
ANN ADAMS

STATE OF OKLAHOMA |
COUNTY OF TULSA |

On this 2ND day of APRIL, 1953, before me personally appeared M. H. McCOLLUGH, to me personally known, who, being by me duly sworn did say that he is the Executive Vice President of Amerada Petroleum Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said M. H. McCOLLUGH acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

J. Bessette Wilson
Notary Public

My commission expires:
My commission expires October 25, 1956

STATE OF OKLAHOMA |

COUNTY OF |

On this _____ day of _____, 1953, before me personally appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ President of Skelly Oil Company, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Notary Public

My commission expires:

STATE OF OKLAHOMA |

COUNTY OF |

On this _____ day of _____, 1953, before me personally appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ President of Deep Rock Oil Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Notary Public

My commission expires:

16

Rumble
5-10-62
1-6191

T.P.C. & Co.
No. 225
1-10-63
B-10350

State

State

Phillips
2-10-54
B-10975

T.P.C. & Co.
No. 225
6-9-53
B-10350

21

22

Amerada
9-11-60
E-4192 #1

Skelly
3-10-54
B-11665

Phillips
2-10-54
B-10975

Gulf
4-10-53
B-11207

Deep Rock
5-10-61
E-5204

State

State

Phillips
2-10-54
B-11066

Gulf
4-10-53
B-10207

23

27

Superior
2-10-54
B-10974

Mid-Con't.
8-10-53
B-10512

"EXHIBIT A"
SOUTHEAST CAPROCK UNIT AREA

State

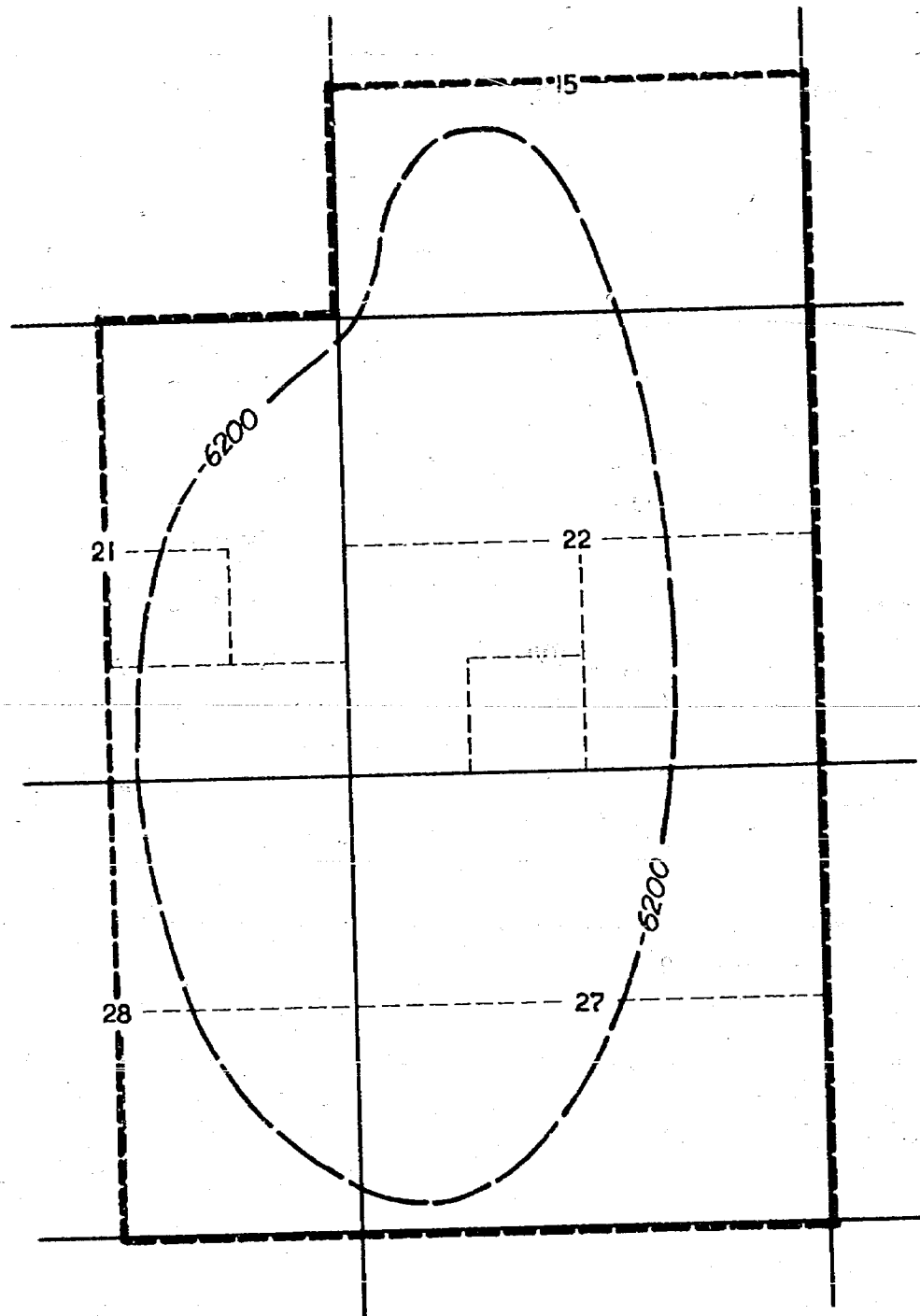
State

EXHIBIT "B"

SCHEDULE SHOWING
DESCRIPTION OF ACREAGE AND OWNERSHIP OF LEASES ON ALL LANDS
INCLUDED IN THE SOUTHEAST CAPROCK UNIT
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION	NO. OF ACRES	LEASE NO. AND EXPIRATION DATE OF LEASE	LAND OWNER	RECORD OWNER OF LEASE
1	S2 Sec. 15, N2 Sec. 22 T-13-S, R-32-E	640	B-10350 6-10-53	State of New Mexico	Texas Pacific Coal and Oil Company
2	NE4, NE4/SE4 of Sec. 21; SE4 of Sec. 22 T-13-S, R-32-E	360	B-10975 2-10-54	State of New Mexico	Phillips Petroleum Company
3	NE4 of Sec. 28 T-13-S, R-32-E	160	B-11066 3-10-54	State of New Mexico	Phillips Petroleum Company
4	S2/SE4 of Sec. 21; N2 of Sec. 27 T-13-S, R-32-E	400	B-10207 4-10-53	State of New Mexico	Gulf Oil Corporation
5	S2 of Sec. 27; T-13-S, R-32-E	320	B-10512 8-10-53	State of New Mexico	Mid-Continent Petroleum Corporation
6	SE4 of Sec. 28 T-13-S, R-32-E	160	B-10974 2-10-54	State of New Mexico	The Superior Oil Company
7	N2/SW4, SW4/SW4 of Sec. 22 T-13-S, R-32-E	120	B-11065 3-10-54	State of New Mexico	Skelly Oil Company
8	SE4/SW4 of Sec. 22 T-13-S, R-32-E	40	E-5204 5-10-61	State of New Mexico	Deep Rock Oil Corporation
9	NW4/SE4 of Sec. 21 T-13-S, R-32-E	40	E-4192#1 9-11-60	State of New Mexico	Amerada Petroleum Corporation

R 32 E



SOUTHEAST CAPROCK UNIT
T 13 S, R 32 E, Lea County, New Mexico
Approximate Closing Contour
Lower Pennsylvanian Horizon
Scale 1" = 2000'

EXHIBIT "C"

RECEIVED
STATE LAND OFFICE

MAR 26 2 30 PM '53

SANTA FE, N. M.


CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO,
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION OF
SOUTHEAST CAPROCK UNIT AREA, LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached agreement for the development and operation of the Southeast Caprock Unit Area, Lea County, New Mexico, dated as of the 13th day of February, 1953, in which Texas Pacific Coal and Oil Company is designated as Unit Operator and which has been executed by parties owning and holding oil and gas leases embracing more than 90% of the lands within the unit area and upon examination of said Agreement the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area;
- (b) That under the operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its land in the area affected;
- (c) That the agreement is in other respects for the best interest of the State;
- (d) That the agreement provides for the unit operation of the area, for the allocation of production, and the sharing of proceeds from a part of the area covered by the agreement on an acreage basis as specified in the agreement.

NOW, THEREFORE, by virtue of the authority conferred upon me by Chap. 88 of the Laws of the State of New Mexico, 1943, as amended by Chap. 162 of the Laws of New Mexico, 1951, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and all leases embracing lands in the State of New Mexico committed to said Unit Agreement shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid Chap. 88 of the Laws of the State of New Mexico 1943, as amended by Chap. 162 of the Laws of the State of New Mexico 1951.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 26th day of March, 1953.



Commissioner of Public Lands
of the State of New Mexico

TEXAS PACIFIC COAL AND OIL COMPANY

GENERAL OFFICES
FORT WORTH 1
TEXAS

April 20, 1953

APR 23 1953

Re: Southeast Caprock Unit Agreement
Lea County, New Mexico

Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico

Hon. E. S. Walker
Commissioner of Public Lands
State of New Mexico
Santa Fe, New Mexico

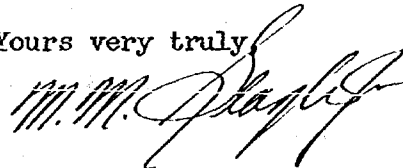
Gentlemen:

Reference is made to Order No. R-288 dated March 27, 1953, issued by the Oil Conservation Commission of the State of New Mexico, approving the Agreement establishing the Southeast Caprock Unit in Township 13 South, Range 32 East, Lea County, New Mexico.

Section (4) of the above mentioned Order No. R-288 stipulates that the Unit Operator is to file with the Commission an executed original or executed counterpart thereof of the Southeast Caprock Unit Agreement not later than thirty days after the effective date thereof.

This Agreement has been executed in counterparts by all parties to the Unit, but the original master copies are still being circulated for execution. Since it does not appear that such original master copies will be completely executed in time to meet the Commission's deadline, we have photostated all counterpart executions and acknowledgements and are herewith attaching a completely executed conformed copy of the Southeast Caprock Unit Agreement, as required by Order No. R-288.

Yours very truly,



M. M. Slagle, Jr.:LF:DW
Encs.
CC:W. A. Creswell
E. T. Adair
Reg. Ret. Rec. Req.

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE SOUTHEAST CAPROCK UNIT AREA
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 13th day of February, 1953, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto";

W I T N E S S E T H:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico (hereinafter referred to as the "Commissioner") is authorized by Acts of the Legislature (Chap. 88, Laws 1943, as amended by Chap. 162, Laws 1951) to consent to and approve the development or operation of State Lands under agreements made by lessees of State Lands jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") is authorized by Act of the Legislature (Chap. 72, Laws 1935) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto own the entire working interest in the Southeast Caprock Unit Area covering the land hereinafter described, and therefore have effective control of operations therein; and

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

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

1. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

South Half (S $\frac{1}{2}$) of Section 15; East Half (E $\frac{1}{2}$) of Section 21; All of Section 22; All of Section 27; and East Half (E $\frac{1}{2}$) of Section 28; all located in Township 13 South, Range 32 East, Lea County, New Mexico, containing 2240 acres, more or less.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area. Exhibit "B" attached hereto is a schedule showing the acreage, percentage, and kind of ownership of the oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. If and whenever the unit area is expanded by the procedure hereinafter set out, Exhibits "A" and "B" shall be revised by the Unit Operator to conform with said expansion.

The above described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement. Such expansion shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Commissioner or of any of the parties hereto owning, in the aggregate, 50% of the oil and gas leasehold estate in and to the unit area, shall prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof.

(b) Said notice shall be delivered to the Commissioner and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor who have interests in the unit area, 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 Commissioner evidence of mailing of the notice of expansion and a copy of any objections thereto which have been filed with the Unit Operator.

(d) After due consideration of all pertinent information, the expansion shall become effective as of the date prescribed in the notice thereof if and after (1) the same shall have been approved by the Commissioner and (2) the owner of each leasehold which has been added to the unit by reason of said expansion shall have executed the within and foregoing unit agreement and a counterpart of the operating agreement covering said unit area, and shall have reimbursed each of the parties hereto on a mutually agreeable basis, for such owner's proportionate share of all costs and expenses theretofore incurred in developing and operating the unit area; provided however, that, except by mutual consent of all parties hereto, no such expansion of the unit area shall be approved unless (1) each lease or interest therein which is proposed to be added to the unit area shall have been proved by actual drilling to be productive of oil or gas in commercial quantities; and (2) such expansion is approved by the owners of at least 90% of the oil and gas leasehold interest in and to the unit area on a surface acreage basis.

All land committed to this agreement shall constitute land referred to herein as "unit area", "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES. All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR. Texas Pacific Coal and Oil Company, a corporation, is hereby designated as Unit Operator and by signature hereto commits to this agreement all interests in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time provided

a successor Unit Operator has been selected and approved and has agreed to accept the duties and responsibilities of the Unit Operator effective upon the relinquishment of such duties and responsibilities by the retiring Unit Operator. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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 determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the Unit Operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by majority vote select a successor Unit Operator; provided that, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than 75 per cent of the total working interest, shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept

in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The Unit Operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses so paid by the Unit Operator shall be apportioned among and borne by the owners of working interests and the Unit Operator reimbursed in accordance with the operating agreement heretofore entered into by and between the Unit Operator and the owners of working interests.

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

8. DRILLING TO DISCOVERY. Within 60 days after the effective date hereof the Unit Operator shall, unless it has already done so, commence operations upon a test well for oil and gas at a location in the approximate center of the Northwest Quarter of the Northwest Quarter (NW/4 NW/4) of Section 27, Township 13 South, Range 32 East, Lea County, New Mexico, and shall prosecute the drilling thereof with due diligence

to test the Devonian formation expected to be encountered at the approximate depth of 13,000 feet unless at a lesser depth unitized substances shall be discovered which can be produced in paying quantities or unless some formation or condition is encountered at a lesser depth which would, in the judgment of the parties hereto owning at least 75 per cent of the working interest in the unit area, make further drilling inadvisable or impracticable.

Any well commenced or completed prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of said test well shall be considered as complying with the drilling requirements hereof. Upon failure to comply with the drilling provisions of this section, the Commissioner may, after reasonable notice to the Unit Operator and each working interest owner at their last known addresses, declare this unit agreement terminated.

9. PARTICIPATION AND ALLOCATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests on an acreage basis bears to the total number of acres committed to the unit agreement, and such unitized substances shall be deemed to have been produced from each of the oil and gas leases committed to this agreement; and without limiting the legal effect of the production of such unitized substances under the provisions of Chap. 88, Laws 1943, as amended by Chap. 162, Laws 1951, production from a unit well located on a lease committed to this agreement shall be considered as production from that portion of the acreage covered by such lease lying outside the unit area as well as that portion of such acreage included within the unit; and for the purpose of determining any benefits accruing under this agreement and the distribution of the royalty payable to the State of New Mexico each separate lease shall have allocated to it such percentage of said production

as the number of acres in each lease included within the unit bears to the total number of acres committed hereto.

Notwithstanding any provision contained herein to the contrary, each working interest owner shall have the right and privilege, upon the payment or securing the payment of the royalty interest thereon, of receiving in kind or of separately disposing of its proportionate share of the gas and oil saved from the unit area; provided, however, that in the event of the failure or neglect of a non-operator to exercise the right and privilege of receiving in kind or of separately disposing of its proportionate share of said production, Operator shall during such time as such party elects not to receive in kind or to sell and dispose of its proportionate share of production, have the right to purchase any such oil or gas for its own account at not less than the prevailing market price; or Operator may sell the same to others, in which event each of the parties hereto shall be entitled to receive payment direct for its share of the proceeds of all oil and gas so sold. In the event of such sale, each of the parties shall execute proper division orders or contracts of sale, and in such event as to any proposed contract of sale requiring delivery for a period in excess of that usually demanded by a purchaser of production of like grade and quantity in the area or in excess of one (1) year, the contract must be approved or accepted by the other party or parties. Any extra expenditure incurred by reason of the delivery of such proportionate part of the production to any party shall be borne by such party.

10. ROYALTY AND RENTAL PAYMENT. All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the Unit Operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

If Unit Operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that, such withdrawal shall be at such time as may be provided in a plan of operations consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

11. 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 laws or regulations.

12. DRAINAGE. The Unit Operator shall take such appropriate and adequate measures consistent with those of a reasonably prudent operator to protect the unitized lands from drainage from wells on lands adjacent thereto.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of the lands committed to this agreement shall, upon approval hereof by the Commissioner, be, and the same are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, and so that the length of the secondary term as to such lands will be extended, insofar as necessary, to coincide with the term of this agreement but otherwise to remain in full force and effect in accordance with the provisions thereof. Each lease committed to this agreement shall continue

in force beyond the term provided therein so long as this agreement remains in effect, provided drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the Unit Operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable law shall continue in full force and effect thereafter.

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

15. EFFECTIVE DATE AND TERM. This agreement shall become effective (1) upon execution of this agreement, prior to April 1, 1953, by working interest owners in the Unit Area owning 90% of the working interest therein on an acreage basis, and (2) upon approval by the Commissioner, and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, (b) or development operations are then being conducted on lands comprising the unit area, or (c) a discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities, and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the

unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time after the two year period or any extensions thereof, by not less than 75 per cent on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner; provided (1) production of unitized substances in commercial quantities has not been obtained from the unit area, or, having been obtained, has ceased; and (2) development operations are not then being conducted.

16. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

17. 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 Commissioner of Public Lands and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings relative to operations pending before the Commissioner or Commission; provided, however, that any other interested party shall also have the right at his own expense to appear and to participate in any such proceeding.

18. NOTICES. All notices that are required or authorized to be given hereunder except as otherwise specifically provided for herein, shall be given in writing by United States mail or Western Union Telegram, postage or charges prepaid, and addressed to the party to whom such notice is given as follows:

Texas Pacific Coal and Oil Company
P. O. Box 2110
Fort Worth, Texas

Phillips Petroleum Company
c/o Land Department
Bartlesville, Oklahoma

Mid-Continent Petroleum Corporation
Mid-Continent Building
Tulsa, Oklahoma

Gulf Oil Corporation
P. O. Box 1290
Fort Worth, Texas

The Superior Oil Company
Midland, Texas

Skelly Oil Company
Skelly Building
Tulsa, Oklahoma

Deep Rock Oil Corporation
Atlas Life Building
Tulsa, Oklahoma

Amerada Petroleum Corporation
Beacon Building
Tulsa, Oklahoma

The originating notice to be given under any provision hereof shall be deemed given when received by the party to whom such notice is directed, and the time for such party to give any response thereto shall run from the date the originating notice is received. The second or any subsequent notice shall be deemed given when deposited in the United States Post Office or with Western Union Telegraph Company, with postage or charges prepaid.

19. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

20. LOSS OF TITLE. In the event title to any tract or unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the Unit Operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico

shall be withheld. Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

21. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval either by the Commission or Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to any operating agreement affecting the allocation of costs of exploration, development and operation. After operations are commenced hereunder, the right of subsequent joinder by a working interest owner shall be subject to all of the requirements of any applicable operating agreement between the working interest owners relative to the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the filing with the Commissioner and the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement.

22. EXISTING OPERATING AGREEMENT. In the event of any inconsistency or conflict between this unit agreement and the contemporaneous operating agreement entered into by and between the Unit Operator and the owners of working interests, this unit agreement, to that extent only, shall prevail.

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

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the dates of their respective acknowledgments hereto.

DESCRIPTION OF INTERESTS
COMMITTED TO SOUTHEAST
CAPROCK UNIT AGREEMENT
IN REFERENCE TO TRACT
NUMBERS IN EXHIBIT "B"
ATTACHED TO UNIT AGREEMENT

SIGNATURES

TEXAS PACIFIC COAL AND OIL COMPANY

Tract No. 1

By [Signature]
President

ATTEST:

[Signature]
Secretary

UNIT OPERATOR

PHILLIPS PETROLEUM COMPANY

Tracts Nos. 2 & 3

By _____
President

ATTEST:

Secretary

GULF OIL CORPORATION

Tract No. 4

By _____
President

ATTEST:

Secretary

MID-CONTINENT PETROLEUM CORPORATION

Tract No. 5

By _____
President

ATTEST:

Secretary

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the dates of their respective acknowledgments hereto.

DESCRIPTION OF INTERESTS
COMMITTED TO SOUTHEAST
CAPROCK UNIT AGREEMENT
IN REFERENCE TO TRACT
NUMBERS IN EXHIBIT "B"
ATTACHED TO UNIT AGREEMENT

SIGNATURES

TEXAS PACIFIC COAL AND OIL COMPANY

Tract No. 1

By _____
President

ATTEST:

Secretary

UNIT OPERATOR

PHILLIPS PETROLEUM COMPANY

Tracts Nos. 2 & 3

By *[Signature]*
VICE President

ATTEST:

[Signature]
ASSISTANT Secretary

GULF OIL CORPORATION

Tract No. 4

By _____
President

ATTEST:

Secretary

MID-CONTINENT PETROLEUM CORPORATION

Tract No. 5

By _____
President

ATTEST:

Secretary

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the dates of their respective acknowledgments hereto.

DESCRIPTION OF INTERESTS
COMMITTED TO SOUTHEAST
CAPROCK UNIT AGREEMENT
IN REFERENCE TO TRACT
NUMBERS IN EXHIBIT "B"
ATTACHED TO UNIT AGREEMENT

SIGNATURES

TEXAS PACIFIC COAL AND OIL COMPANY

Tract No. 1

By _____
President

ATTEST:

Secretary

UNIT OPERATOR

PHILLIPS PETROLEUM COMPANY

Tracts Nos. 2 & 3

By _____
President

ATTEST:

Secretary

GULF OIL CORPORATION

Tract No. 4

By _____
Vice President

ATTEST:

Asst. Secretary H. M. CRAIG

MID-CONTINENT PETROLEUM CORPORATION

Tract No. 5

By _____
President

ATTEST:

Secretary

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the dates of their respective acknowledgments hereto.

DESCRIPTION OF INTERESTS
COMMITTED TO SOUTHEAST
CAPROCK UNIT AGREEMENT
IN REFERENCE TO TRACT
NUMBERS IN EXHIBIT "D"
ATTACHED TO UNIT AGREEMENT

SIGNATURES

TEXAS PACIFIC COAL AND OIL COMPANY

Tract No. 1

By _____
President

ATTEST:

Secretary

UNIT OPERATOR

PHILLIPS PETROLEUM COMPANY

Tracts Nos. 2 & 3

By _____
President

ATTEST:

Secretary

GULF OIL CORPORATION

Tract No. 4

By _____
President

ATTEST:

Secretary

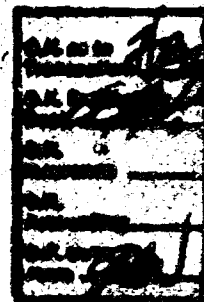
MID-CONTINENT PETROLEUM CORPORATION

Tract No. 5

By W. J. L. L. L.
President

ATTEST:

Charles L. L.
Secretary

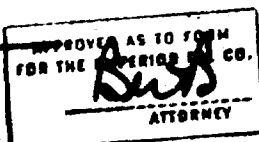


DESCRIPTION OF INTERESTS
COMMITTED TO SOUTHEAST
CAPROCK UNIT AGREEMENT
IN REFERENCE TO TRACT
NUMBERS IN EXHIBIT "B"
ATTACHED TO UNIT AGREEMENT

SIGNATURES

THE SUPERIOR OIL COMPANY

By [Signature]
VICE President



ATTEST:

[Signature]
ASSISTANT Secretary

Tract No. 6

SKELLY OIL COMPANY

By _____
President

ATTEST:

Secretary

Tract No. 7

DEEP ROCK OIL CORPORATION

By _____
President

ATTEST:

Secretary

Tract No. 8

AMERADA PETROLEUM CORPORATION

By _____
President

ATTEST:

Secretary

Tract No. 9

NON-OPERATORS

DESCRIPTION OF INTERESTS
COMMITTED TO SOUTHEAST
CAPROCK UNIT AGREEMENT
IN REFERENCE TO TRACT
NUMBERS IN EXHIBIT "B"
ATTACHED TO UNIT AGREEMENT

SIGNATURES

THE SUPERIOR OIL COMPANY

Tract No. 6

By _____
President

ATTEST:

Secretary

SKELLY OIL COMPANY

Tract No. 7

By _____
President

ATTEST:

Secretary

DEEP ROCK OIL CORPORATION

Tract No. 8

By _____
President

ATTEST:

Secretary

AMERADA PETROLEUM CORPORATION

Tract No. 9

[Signature]
Executive Vice President

ATTEST:

[Signature]
Assistant Secretary



NON-OPERATORS

THE STATE OF TEXAS
COUNTY OF TARRANT

On this 16 day of MARCH, 1953, before me personally appeared C.E. YAGER, to me personally known, who being by me duly sworn did say that he is the President of Texas Pacific Coal and Oil Company, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said C.E. YAGER acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Donald M. Woodard
Notary Public

EDNAID M. WOODARD, Notary Public
In and For Tarrant County, Texas

My commission expires:
My Commission Expires June 1, 1953

STATE OF OKLAHOMA
COUNTY OF

On this _____ day of _____, 1953, before me personally appeared _____, to me personally known, who, being by me duly sworn did say that he is the President of Phillips Petroleum Company, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Notary Public

My commission expires:

THE STATE OF TEXAS

COUNTY OF TARRANT

On this _____ day of _____, 1953, before me personally appeared _____, to me personally known, who being by me duly sworn did say that he is the _____ President of Texas Pacific Coal and Oil Company, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

My commission expires:

Notary Public

STATE OF OKLAHOMA

COUNTY OF _____

On this 12th day of March, 1953, before me personally appeared H. E. Kappman, to me personally known, who, being by me duly sworn did say that he is the Vice President of Phillips Petroleum Company, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said H. E. Kappman acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Elva Jean Coale
Notary Public

My commission expires:

11-5-56

THE STATE OF TEXAS

COUNTY OF TARRANT

On this 10 day of MARCH, 1953, before me personally appeared E. J. Adams, to me personally known, who, being by me duly sworn did say that he is the Vice President of Gulf Oil Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said E. J. Adams acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

BURNIE BOUNSAVALL

Burnie Bounsavall
Notary Public

My commission expires:

6-1-53

STATE OF OKLAHOMA

COUNTY OF

On this _____ day of _____, 1953, before me personally appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ President of Mid-Continent Petroleum Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Notary Public

My commission expires:

THE STATE OF TEXAS

COUNTY OF TARRANT

On this _____ day of _____, 1953, before me personally appeared _____, to me personally known, who, being by me duly sworn did say that he is the President of Gulf Oil Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Notary Public

My commission expires:

STATE OF OKLAHOMA

COUNTY OF Tulsa

On this 4th day of March, 1953, before me personally appeared A. E. Pierce, to me personally known, who, being by me duly sworn did say that he is the Vice President of Mid-Continent Petroleum Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said A. E. Pierce acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

A. P. Ball
Notary Public

My commission expires:

January 11, 1956

THE STATE OF TEXAS |

COUNTY OF Mullin

On this 15th day of March, 1953, before me personally appeared J. C. Cady, to me personally known, who, being by me duly sworn did say that he is the Vice President of The Superior Oil Company, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said J. C. Cady acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Ann Adams
Notary Public

My commission expires:

My Commission Expires June 1, 1953
ANN ADAMS

STATE OF OKLAHOMA |

COUNTY OF |

On this _____ day of _____, 1953, before me personally appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ President of Amerada Petroleum Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Notary Public

My commission expires:

THE STATE OF TEXAS |

COUNTY OF |

On this _____ day of _____, 1953, before me personally appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ President of The Superior Oil Company, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Notary Public

My commission expires:

STATE OF OKLAHOMA |

COUNTY OF |

On this 12th day of March, 1953, before me personally appeared E. A. McCullough, to me personally known, who, being by me duly sworn did say that he is the Vice President of Amerada Petroleum Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said E. A. McCullough acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Loratha Bowman
Notary Public

My commission expires:

January 13, 1954

16

Humble
5-10-62
E-6191

15

T.P.C. & O. Co.
No. 225
1-10-63
B-10350

State

State

Phillips
2-10-54
B-10975

T.P.C. & O. Co.
No. 225
6-9-53
B-10350

2

Amerada
9-11-60
E-4192 #1

22

Skelly
3-10-54
B-11085

Phillips
2-10-54
B-10575

DC

Gulf
4-10-53
B-10207

Deep Rock
5-10-61
E-5204

State

State

Phillips
3-10-54
B-11066

Gulf
4-10-53
B-10207

28

Superior
2-10-54
B-10974

27

Mid-Con't.
B-10-53
B-10812

State

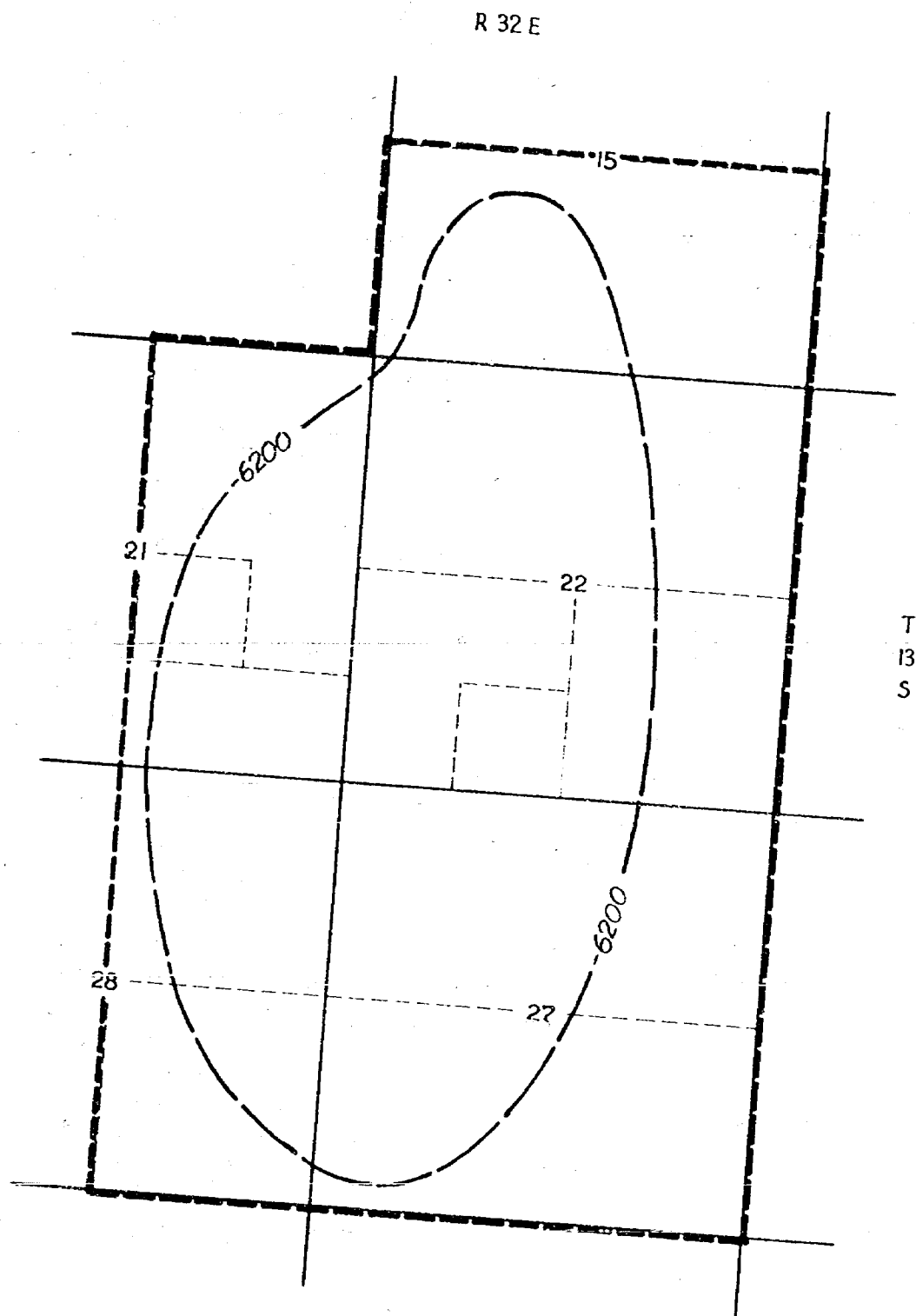
State

"EXHIBIT A"
SOUTHEAST CAPROCK UNIT AREA

EXHIBIT "B"

SCHEDULE SHOWING
DESCRIPTION OF ACREAGE AND OWNERSHIP OF LEASES ON ALL LANDS
INCLUDED IN THE SOUTHEAST CAPROCK UNIT
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION	NO. OF ACRES	LEASE NO. AND EXPIRATION DATE OF LEASE	LAND OWNER	RECORD OWNER OF LEASE
1	S2 Sec. 15, N2 Sec. 22 T-13-S, R-32-E	640	B-10350 6-10-53	State of New Mexico	Texas Pacific Coal and Oil Company
2	NE4, NE4/SE4 of Sec. 21; SE4 of Sec. 22 T-13-S, R-32-E	360	E-10975 2-10-54	State of New Mexico	Phillips Petroleum Company
3	NE4 of Sec. 28 T-13-S, R-32-E	160	B-11066 3-10-54	State of New Mexico	Phillips Petroleum Company
4	S2/SE4 of Sec. 21; N2 of Sec. 27 T-13-S, R-32-E	400	B-10207 4-10-53	State of New Mexico	Gulf Oil Corporation
5	S2 of Sec. 27; T-13-S, R-32-E	320	B-10512 8-10-53	State of New Mexico	Mid-Continent Petroleum Corporation
6	SE4 of Sec. 28 T-13-S, R-32-E	160	B-10974 2-10-54	State of New Mexico	The Superior Oil Company
7	N2/SW4, SW4/SW4 of Sec. 22 T-13-S, R-32-E	120	B-11065 3-10-54	State of New Mexico	Skelly Oil Company
8	SE4/SW4 of Sec. 22 T-13-S, R-32-E	40	E-5204 5-10-61	State of New Mexico	Deep Rock Oil Corporation
9	NW4/SE4 of Sec. 21 T-13-S, R-32-E	40	E-4192#1 9-11-60	State of New Mexico	Amerada Petroleum Corporation



SOUTHEAST CAPROCK UNIT
T 13 S, R 32 E, Lea County, New Mexico
Approximate Closing Contour
Lower Pennsylvanian Horizon
Scale 1" = 2000'

"EXHIBIT C"

CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO,
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION OF
SOUTHEAST CAPROCK UNIT AREA, LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached agreement for the development and operation of the Southeast Caprock Unit Area, Lea County, New Mexico, dated as of the 13th day of February, 1953, in which Texas Pacific Coal and Oil Company is designated as Unit Operator and which has been executed by parties owning and holding oil and gas leases embracing more than 90% of the lands within the unit area and upon examination of said Agreement the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area;
- (b) That under the operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its land in the area affected;
- (c) That the agreement is in other respects for the best interest of the State;
- (d) That the agreement provides for the unit operation of the area, for the allocation of production, and the sharing of proceeds from a part of the area covered by the agreement on an acreage basis as specified in the agreement.

NOW, THEREFORE, by virtue of the authority conferred upon me by Chap. 88 of the Laws of the State of New Mexico, 1943, as amended by Chap. 162 of the Laws of New Mexico, 1951, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and all leases embracing lands in the State of New Mexico committed to said Unit Agreement shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid Chap. 88 of the Laws of the State of New Mexico 1943, as amended by Chap. 162 of the Laws of the State of New Mexico 1951.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 26th day of March, 1953.

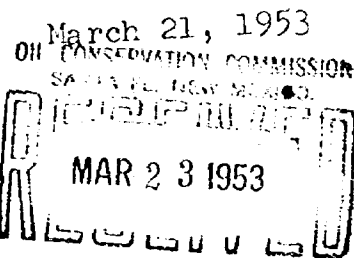


Commissioner of Public Lands
of the State of New Mexico

ATWOOD, MALONE & CAMPBELL
LAWYERS

JEFF D. ATWOOD
JACK M. CAMPBELL
CHARLES F. MALONE

J. P. WHITE BUILDING
ROSWELL, NEW MEXICO



Mr. R. R. Spurrier, Secretary
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Re: Case 499 - Southeast Caprock
Unit Agreement

Dear Dick:

I am enclosing herewith copies of the unit agreement and operating agreement in the Southeast Caprock Unit to which are attached photostats of execution by the various parties in the unit. These are for the files of the Commission and will comply with your order requiring such copies when the order is issued. As I have previously called to your attention the unit agreement which is Exhibit One in the case was in error in paragraph 15 relating to its effective date and term and the only difference between it and these copies is a change in that date.

Texas Pacific Coal and Oil Company desires to move a rig in and commence drilling on this unit immediately and it is necessary that the order be dated prior to April 1. Ross is going to be in Santa Fe on Monday and Tuesday and will call you with reference to the order. I would appreciate it if it could be signed on one of those days in order that he could take the certificates to the Land Commissioner with the order and obtain Land Office approval.

Very truly yours

ATWOOD, MALONE & CAMPBELL

By

Jack M. Campbell

JMC:gm

Cue 499

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

APPLICATION FOR APPROVAL OF SOUTHEAST CAPROCK UNIT
LEA COUNTY, NEW MEXICO

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

COMES the undersigned, Texas Pacific Coal and Oil Company, a corporation, by its attorneys and applies to the Commission for the approval of a unit agreement designated as the Southeast Caprock Unit Agreement, and in support thereof states:

1.

That the unit area designated in said agreement comprises 2,240 acres situated in Lea County, New Mexico, more particularly described as follows:

Twp. 13 S., R. 32 E., N.M.P.M.
Sec. 15: S $\frac{1}{2}$
Sec. 21: E $\frac{1}{2}$
Sec. 22: All
Sec. 27: All
Sec. 28: E $\frac{1}{2}$

That all of the above described lands are lands owned by the State of New Mexico upon which the applicant and others are owners of oil and gas leases issued by the Commissioner of Public Lands of the State of New Mexico.

2.

That the Texas Pacific Coal and Oil Company is designated as the Unit Operator in said agreement and as such is given authority under the terms thereof to carry on all operations necessary for the development and operation thereof.

3.

That the said Unit Agreement is in substantially the same form as Unit Agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico, and by the New Mexico

Oil Conservation Commission, and it is believed that operations thereunder will result in the conservation of oil and gas and proper protection of correlative rights.

4.

That upon an order approving the Unit Agreement by this Commission and after approval by the Commissioner of Public Lands of the State of New Mexico, a fully executed and approved copy of said Agreement will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant requests that a public hearing be held on the matter of the approval of said Unit Agreement at the regular March hearing of the New Mexico Oil Conservation Commission and that upon said hearing said Unit Agreement be approved by the Commission.

Respectfully submitted,

TEXAS PACIFIC COAL AND OIL
COMPANY

By Jack M. Campbell
Jack M. Campbell, its
attorney