

Case No.

592

Application, Transcript,
Small Exhibits, Etc.

EXPIRED

592

October 6, 1955

Ashmun and Hilliard
105 V & J Tower
P. O. Box 1597
Midland, Texas

Re: (Brasos Unit Agreement
Lea County, New Mexico)

Gentlemen:

This is to notify you that pursuant to Paragraph
eight (8) of the Brasos Unit Agreement, Lea County, New
Mexico, this Unit Agreement has expired.

Yours truly,

E. S. WALKER
Commissioner of Public Lands

cc: OCO-Santa Fe
MR

John

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

CASE 592:

In the matter of the application of Ashmun
and Hilliard for approval of a proposed unit agree-
ment for the development and operation of the
Brazos Unit Area embracing 1280.00 acres of
land, more or less, in Lea County, New Mexico,
as described:

NEW MEXICO PRINCIPAL MERIDIAN

Twp. 14 South, Rge. 32 East

Section 5: All;

Section 6: NE/4

Twp. 13 South, Rge. 32 East

Section 32: SW/4, W/2 SE/4;

Section 31: SE/4, S/2 NE/4

REGISTER

Oliver Seth, Wilson Oil Company

Parker Wilson, Wilson Oil Company

H. T. Hilliard, Ashum and Hilliard

Jack M. Campbell, Roswell, N.M. for Ashmun and Hilliard

Raymond Lamb, Wilson Oil Company

Y. B. Newsom, Gulf Oil Corporation

L. J. Swink, The Superior Oil Company

B. W. Burkhead, Attorney, The Superior Oil Company

For the Commission: Governor E. L. Mechem
Commissioner E. S. Walker
W. B. Macey
George A. Graham

MR. MACEY: The meeting will come to order, please.

(Notice of Publication read by Mr. Graham)

MR. CAMPBELL: Jack M. Campbell, Roswell, New Mexico, appearing for Ashmun and Hilliard. This is an application for the approval of a Unit Agreement embracing approximately 1280.00 acres of land in Lea County, New Mexico in Townships 13 and 14 South, Range 32 East. All of the acreage is State acreage and the working interest owners are here present, or owners who have agreed to commit the acreage.

(Witnesses Sworn)

H. T. HILLIARD
Direct Examination

BY: JACK M. CAMPBELL

Q. Will you state your name?

A. H. T. Hilliard

Q. Where do you reside?

A. Midland, Texas

Q. Are you one of the partners in Ashmun and Hilliard?

A. I am

Q. Are you acquainted with the application which has been filed and the unit agreement which is being executed?

A. I am

Q. I hand you what has been marked Exhibit No. 1, and ask you if that is a copy of the Unit Agreement?

A. Yes, sir, it is.

Q. Mr. Hilliard, has this Unit Agreement, as yet, been executed by all of the working interest owners?

A. No, sir.

Q. Have all of the working interest owners agreed to commit their acreage?

A. Yes, sir, they have all committed their acreage but we have not had time to get everybody's signature on the agreement.

(Exhibit No. 1 marked for identification)

MR. CAMPBELL: That is all Mr. Hilliard unless the Commission has a question. If the Commission please, the Superior Oil Company has representatives here present who will make a statement in connection with their execution of the proposed Unit Agreement. Gulf has agreed to execute the proposed Unit Agreement in the form in which it is submitted. Wilson Oil Company is also represented here. They are assigning their acreage to Ashmun and Hilliard. A copy of the Unit will be submitted to the Commission for filing in this connection as soon as it is fully executed by the parties.

Y. B. NEWSOM
Direct Examination

BY: JACK M. CAMPBELL

Q. Will you state your name?

A. Y. B. Newsom

Q. By whom are you employed?

A. Gulf Oil Corporation.

Q. In what capacity?

A. Zone Geologist in the State of New Mexico

Q. Have you testified before the Commission before this?

A. No, sir, I have not.

Q. Will you briefly state your educational background?

A. I graduated from Texas Technological College in Lubbock in 1943 and after World War II, in October 1945, I was employed by Gulf as Geologist and for the last five years have been employed as Zone Geologist, the last two years in New Mexico.

MR. CAMPBELL: Are the witness's qualifications satisfactory to the Commission?

MR. MACEY: They are.

(Examination continued)

Q. Mr. Newsom, are you acquainted with the area covered in the proposed Brazos Unit in Lea County, New Mexico?

A. That is correct.

Q. Have you, in your capacity as zone geologist, had occasion to examine the pictures of seismographic work done in the area?

A. I have.

Q. I hand you what has been marked as Exhibit No. 2 and ask you to identify the same to the Commission, please?

A. That is a plat prepared under my supervision showing the Unit Area and also a reflected horizon that essentially covers all of the Unit.

Q. Did you prepare this?

A. No, sir, I did not.

Q. Was it prepared under your supervision?

A. That is correct.

Q. Based upon your study and based upon this Exhibit, is it your opinion that the proposed Unit Area covers all or part of the common source of gas or oil supply?

A. That is correct.

MR. CAMPBELL: I would like to offer Exhibits Nos. 1 and 2 in evidence in this Case.

MR. MACEY: If there any objection to the introduction of Exhibits Nos. 1 and 2? If not, they will be admitted in evidence. Are there any other questions of the witness?

GOVERNOR MECHEM: Is there a producing well in the area?

MR. NEWSOM: No, sir, there is not.

MR. SETH: Mr. Newsom, are you familiar with the development program under the proposed unit agreement and if so, what is it?

MR. NEWSOM: No, sir, I am not.

MR. SETH: Who is familiar with that?

MR. GRAHAM: As set out in the instrument?

MR. MACEY: Perhaps Mr. Hilliard can answer that.

MR. GRAHAM: Have you people cleared your project with the State Land Office?

MR. CAMPBELL: I might say that the proposed unit agreement has been

discussed with the Commissioner of Public Lands. It is on a form similar to that used in the Dry Lake and Southeast Caprock Unit Agreements except that it contains a provision which segregates the state acreage within the unit from the acreage in the same lease outside of the unit. The provisions contained in the general form of Unit Agreement and the clause contained in the Dry Lake and Southeast Caprock which segregates is deleted from the proposed unit. In every other respect it is in the form heretofore approved by the Commissioner of Public Lands.

MR. MACEY: Any other questions?

MR. SETH: I would like to ask Mr. Hilliard another question. What is the development program, Mr. Hilliard, beyond that which is stated in the proposed Unit Agreement.

MR. HILLIARD: There is no formal development program contemplated now for the following reasons:

The primary reason is that we don't have any idea as to what we are going to get but the unit will be developed as soon as it is economically feasible. Perhaps - what we have in mind - that is if we get a Pennsylvania well, I think we want to look at it. We want to check it for five or six months or perhaps longer, If it is not a good well rather than go in and start drilling right away. The reason for that is the Pennsylvania production in that area.

MR. SETH: You think five or 6 months?

MR. HILLIARD: I think that the bottom hole pressure will tell us. That way we will have a better history on how they are going to behave. The idea would be to go in there and build it up just as fast as possible.

MR. SETH: What would you say would be as fast as possible?

MR. HILLIARD: On the Siluro-Devonian will afford a rig working in all the time. There would be no reason not to until such time.

MR. GRAHAM: You have committed yourself to drill at least one well?

MR. HILLIARD: Yes, sir, we are committed to drill one well. With reference to a development program, the members of the Unit, the Gulf and Superior, Ashmun and Hilliard will have to figure out a development program but it will be based on that general idea.

MR. SETH: You will be agreeable to submitted a program after production is had?

MR. HILLIARD: After production is had and started.

MR. SETH: Do you plan to have anything unusual on your operating agreement?

MR. HILLIARD: No, nothing unusual is contemplated at all. I think it will follow very nearly the Southeast Caprock Unit.

MR. SETH: You don't anticipate anything unusual in this connection?

MR. HILLIARD: I don't, I would like to leave that to the other members of the Unit.

MR. SETH: I might ask the Gulf Whether they contemplate anything unusual in this connection?

MR. NEWSOM: No, sir.

MR. SETH: Are you familiar with the Caprock?

MR. NEWSOM: I am not thoroughly familiar.

MR. SETH: The initial well location, Mr. Hilliard, where is that?

MR. HILLIARD: It would be in Section 5 in Township 14 South, Range 32 East, 1980 feet from the north line and 1980 feet from the west line - approximately.

MR. SETH: In the Unit Agreement contemplated, there is to be one participating area, is that correct?

MR. HILLIARD: Yes, sir.

MR. CAMPBELL: Mr. Hilliard, when do you intend to start your first initial well?

MR. HILLIARD: It is contemplated within the next twenty days, assuming that the approval of the unit is achieved as of today.

MR. LAMB: How many days?

MR. HILLIARD: Approximately 20 days as soon as we get our operating agreement signed up.

MR. SETH: On the expansion of the Unit Area, I am not sure I understand the provision of the Unit on expansion. Does that mean you contemplate an expansion originally initiated by the Commissioner can be vetoed by a 25% of the ownership of the Unit perhaps Mr. Campbell can answer that?

MR. CAMPBELL: I believe that is what it contemplates.

MR. MACEY: Any other wuestions of the witness?

MR. CAMPBELL: I have nothing further unless these other people from Superior Oil Company want to make a statement. I have been advised by Gulf that

that they are agreeable to signing the Unit Agreement in its present form

MR. MACEY: Are there any other comments?

Mr. BURKHEAD: I am B. W. Burkhead, and I am attorney for the Superior Oil Company. We have examined the Unit Agreement and have agreed to commit our acreage to it.

MR. MACEY: Any other statements or comments? If not, we will take the case under advisement and the meeting is adjourned.

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

I, VIRGINIA M. CHAVEZ, hereby certify that the above and foregoing transcript of proceedings in Case 592 taken before the Oil Conservation Commission on October 2, 1953, at Santa Fe, New Mexico, is a true record to the best of my knowledge, skill and ability.

Dated at Santa Fe, New Mexico, this 2nd day of October, 1953.

Virginia M. Chavez
Notary Public

My Commission Expires:

August 8, 1956

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 CONSIDER-
ING:

CASE NO. 592
ORDER NO. R-277

THE APPLICATION OF ASHMAN & HILLIARD
FOR APPROVAL OF A PROPOSED UNIT
AGREEMENT FOR THE DEVELOPMENT AND
OPERATION OF BRAZOS UNIT AREA CON-
SISTING OF 1280 ACRES SITUATED IN
TOWNSHIPS 13 AND 14 SOUTH, RANGE
32 EAST, NMPM, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This matter came on for hearing at Santa Fe, New Mexico,
at 9:00 o'clock a.m., October 2, 1953, before the Oil Conservation
Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 2nd day of October, 1953, the Commis-
sion, 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:

BRAZOS UNIT AGREEMENT ORDER

SECTION 1: (a) That the project herein shall be known as
the Brazos 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
development and operation of the Brazos Unit Area referred to in
the Petitioner's petition and filed with said petition, and such plan
shall be known as the Brazos Unit Agreement Plan.

SECTION 2: That the Brazos Unit Agreement shall be, and
hereby is approved in principle as a proper conservation measure;
provided, however, that notwithstanding any of the provisions con-
tained 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 exploration and development of any lands committed to said Brazos 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 14 South, Range 32 East

Section 5: All

Section 6: NE $\frac{1}{4}$

Township 13 South, Range 32 East

Section 32: SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$

Section 31: SE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$

Containing 1280 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 Brazos 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. Lechem
EDWIN L. LECHER, Chairman

E. S. Walker
E. S. WALKER, MEMBER

R. R. SPURNIER, Secretary

S E A L

NEW MEXICO OIL CONSERVATION COMMISSION
OFFICE OF THE COMMISSIONER

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

CASE NO. 572
ORDER NO. R-277

THE APPLICATION OF ASHMUR A. HILLIARD
FOR APPROVAL OF A PROPOSED UNIT
AGREEMENT FOR THE DEVELOPMENT AND
OPERATION OF BRAZOS UNIT AREA CON-
SISTING OF 1280 ACRES SITUATED IN
TOWNSHIPS 13 AND 14 SOUTH, RANGE
32 EAST, NPM, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This matter came on for hearing at Santa Fe, New Mexico,
at 9:00 o'clock a.m., October 2, 1953, before the Oil Conservation
Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 2nd day of October, 1953, the Commis-
sion, 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:

BRAZOS UNIT AGREEMENT ORDER

SECTION 1: (a) That the project herein shall be known as
the Brazos 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
development and operation of the Brazos Unit Area referred to in
the Petitioner's petition and filed with said petition, and such plan
shall be known as the Brazos Unit Agreement Plan.

SECTION 2: That the Brazos Unit Agreement shall be, and
hereby is approved in principle as a proper conservation measure;
provided, however, that notwithstanding any of the provisions con-
tained 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 exploration and development of any lands committed to said Brazos 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 14 South, Range 32 East

Section 5: All

Section 6: NE $\frac{1}{4}$

Township 13 South, Range 32 East

Section 32: SW $\frac{1}{4}$, NE $\frac{1}{4}$

Section 31: SW $\frac{1}{4}$, SE $\frac{1}{4}$

Containing 1280 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 Brazos 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. MICHAM, Chairman

E. G. WALKER, Member

R. R. SPURRINE, Secretary

SPECIAL

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
SANTA FE - NEW MEXICO

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law the rules and regulations of said Commission promulgated thereunder of the following special public hearing to be held at 9 o'clock a.m. on October 2, 1953, at Mabry Hall, State Capitol, in the City of Santa Fe, New Mexico.

STATE OF NEW MEXICO TO:

All named parties and persons
having any right, title, interest
or claim in the following case,
and notice to the public.

CASE 592:

In the matter of the application of Ashmun and Hilliard for approval of a proposed unit agreement for the development and operation of the Brazos Unit Area embracing 1280.00 acres of land, more or less, in Lea County, New Mexico, as described:

NEW MEXICO PRINCIPAL MERIDIAN

Twp. 14 South, Rge. 32 East
Section 5: All;
Section 6: NE/4

Twp. 13 South, Rge. 32 East
Section 32: SW/4, W/2 SE/4
Section 31: SE/4, S/2 NE/4

GIVEN under the seal of the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, this 16th day of September, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. Spurrier, Secretary-Director

S E A L

N. M. OIL & GAS ENGR. COMMITTEE
September 21, 1953
Hobbs, New Mexico

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

APPLICATION FOR APPROVAL OF BRAZOS UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

SEP 23 1953

Comes the undersigned, ASHJUN and HILLIARD, a partnership with offices at Midland, Texas and files herewith an application for a hearing for a proposed Unit and the development and operation of the Brazos Unit in Lea County, New Mexico and hereby makes application for the approval of said Unit by the New Mexico Oil Conservation Commission as provided by law, and in support thereof shows:

1. That the proposed unit area covered by said agreement embraces 1280.00 acres, more or less, described as follows:

NEW MEXICO PRINCIPAL MERIDIAN

T. 14 S., R. 32E

Sec. 5: All

Sec. 6: NE/4

T. 13 S., R. 32E

Sec. 32: S/4, W/2 SE/4

Sec. 31: SE/4, S/2 NE/4

The above described lands are lands of the State of New Mexico.

2. Applicant believes, upon geological information that the proposed unit area covers substantially all of the geological feature involved and, in the event of the discovery of oil or gas thereon, that said unit agreement will afford effective control of the entire structure.

3. That ASHJUN and HILLIARD is designated as Unit Operator and as such will have authority to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations. That, if approved, said unit shall provide for the commencement of a test well for oil and gas upon some part of the lands embraced in the unit area, within 90 days from the effective date thereof, said well to test the Pennsylvanian formation at approximately 10,600 feet and, if in the opinions of unit operators and members, it is deemed advisable, said well will be carried down to test the Devonian formation at approximately 12,600 feet.

4. The Unit shall be 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. It is believed that in the event oil or gas in paying quantities is discovered on the lands within the unit area that the field or area can be developed more economically and efficiently under the terms of said agreement to the end that the maximum recovery may be obtained and that the agreement will be in the interest of the conservation of oil and gas and the prevention of waste as contemplated by the New Mexico Oil Conservation statutes.

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

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

APPLICATION FOR APPROVAL OF BRAZOS UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Comes the undersigned, ASHMUN and HILLIARD, a partnership with offices at Midland, Texas and files herewith an application for a hearing for a proposed Unit and the development and operation of the Brazos Unit in Lea County, New Mexico and hereby makes application for the approval of said Unit by the New Mexico Oil Conservation Commission as provided by law, and in support thereof shows:

1. That the proposed unit area covered by said agreement embraces 1280.00 acres, more or less, described as follows:

NEW MEXICO PRINCIPAL MERIDIAN

T. 14 S., R. 32E

Sec. 5: All

Sec. 6: NE/4

T. 13 S., R. 32E

Sec. 32: SW/4, W/2SE/4

Sec. 31: SE/4, S/2 NE/4

The above described lands are lands of the State of New Mexico.

2. Applicant believes, upon geological information, that the proposed unit area covers substantially all of the geological feature involved and, in the event of the discovery of oil or gas thereon, that said unit agreement will afford effective control of the entire structure.

3. That ASHMUN and HILLIARD is designated as Unit Operator and as such will have authority to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations. That, if approved, said unit shall provide for the commencement of a test well for oil and gas upon some part of the lands embraced in the unit area, within 90 days from the effective date

thereof, said well to test the Pennsylvanian formation at approximately 10,600 feet and, if in the opinion of unit operators and members, it is deemed advisable, said well will be carried down to test the Devonian formation at approximately 12,600 feet.

4. The Unit shall be 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. It is believed that in the event oil or gas in paying quantities is discovered on the lands within the unit area that the field or area can be developed more economically and efficiently under the terms of said agreement to the end that the maximum recovery may be obtained and that the agreement will be in the interest of the conservation of oil and gas and the prevention of waste as contemplated by the New Mexico Oil Conservation statutes.

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

WHEREFORE, the undersigned applicant respectfully requests that a public hearing be held on the matter of the approval of said Unit Agreement as provided by the statutes of the State of New Mexico and the regulations of the New Mexico Oil Conservation Commission, and that upon said hearing said Unit Agreement be approved by the New Mexico Conservation Commission.

Dated this the 15th day of September, 1953.

Respectfully submitted,

ASHMUN AND HILLIARD

By H. T. Hilliard
H. T. Hilliard

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

THIS AGREEMENT, entered into as of the 2d day of September, 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 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 Brazos 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:

NEW MEXICO PRINCIPAL MERIDIAN

T. 14S., R. 32 E.
Sec. 5: All
Sec. 6: NE/4

T. 13S., R. 32 E.
Sec. 32: SW/4, W/2SE/4
Sec. 31: SE/4, S/2NE/4

containing 1280 acres, more or less, in Lea County, New Mexico.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of 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. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner".

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 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 whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the 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, upon approval by the Commissioner, become effective as of the date prescribed in the notice thereof, provided, however, if more than 25% on an acreage basis object to such expansion, the same shall not be approved.

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 and any liquid hydrocarbons 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. Ashmun and Hilliard, a partnership, 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 a 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 90 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 within the unit area and shall prosecute the drilling thereof with due diligence to test the Pennsylvanian formation expected to be encountered at the approximate depth of 10,600 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. If, in the opinion

of Unit Operator and members of the unit, it is deemed advisable said well will be drilled to the depth sufficient to test the Devonian formation expected to be encountered at the approximate depth of 12,600 feet.

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 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 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. 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. SEGREGATION OF LEASES. Any lease having only a portion of its land committed hereto shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portion commencing as of the effective date hereof.

15. 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 the Operator until the first day of the calendar month after the Operator is furnished with the

original, photostatic or certified copy of the instrument of transfer.

16. EFFECTIVE DATE AND TERM. This agreement shall become effective (1) upon execution of this agreement by working interest owners in the Unit Area owning at least 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, or (b) a valuable 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 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.

17. 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.

18. 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 proceedings.

19. 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:

Ashman & Milliard
P. O. Box 1174
Midland, Texas

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

THE Superior Oil Company
Midland, Texas

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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

SIGNATURES

AGNEW & HILLIARD

By 
Co-partner

own
HABs

GULF OIL CORPORATION

By L. H. Fisher
Attorney-in-Fact

ATTEST:

I. Q. Williams
Asst. Secretary I. Q. WILLIAMS

THE SUPERIOR OIL COMPANY

By W. H. Hargraves
President

ATTEST:

D. B. Burkhead
Secretary

STATE OF TEXAS)

COUNTY OF MIDLAND)

ss

On this 6th day of October, 1953
before me appeared J. B. ASHMUN, to me personally known who
being by me duly sworn did say that he is a co-partner of
Ashmun and Hilliard the partnership named in the foregoing instru-
ment and that said instrument was signed by him as such co-partner
in behalf of said partnership by authority of its co-partners
and the said J. B. ASHMUN acknowledged said instrument to be
the free act and deed of said partnership and his free act and
deed in the capacity stated.

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

Suzanne Belcher Suzanne Belcher
Notary Public

My Commission Expires:
June 1, 1955

STATE OF TEXAS }
COUNTY OF TARRANT } ss

On this 5th day of October, 1953, before me personally appeared G. H. FISHER, to me personally known who being by me duly sworn, did say that he is the Attorney-in Fact of Gulf Oil Corporation, and that the seal affixed to said 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 G. H. FISHER 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 last above written.

B. L. Henry B. L. HENRY
Notary Public in and for
Tarrant County, Texas

My Commission Expires:

June 1, 1955

STATE OF Texas }
COUNTY OF Brewster } ss

On this 7 day of October, 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 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.

Don Williams
Notary Public

My Commission Expires:

My Commission Expires June 1, 1955
Ann Adams

CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO,
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION OF
BRAZOS 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 Brazos Unit Area, Lea County, New Mexico, dated as of the 2nd day of October, 1953, in which Ashmun and Hilliard is designated as Unit Operator and which has been executed by all parties owning and holding oil and gas leases embracing 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 2nd day of October, 1953.

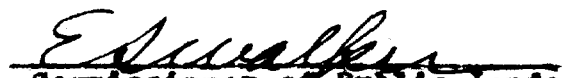

Commissioner of Public Lands
of the State of New Mexico

EXHIBIT "A"

ASHMUN & HILLIARD BRAZOS UNIT
LEA COUNTY, N.M.

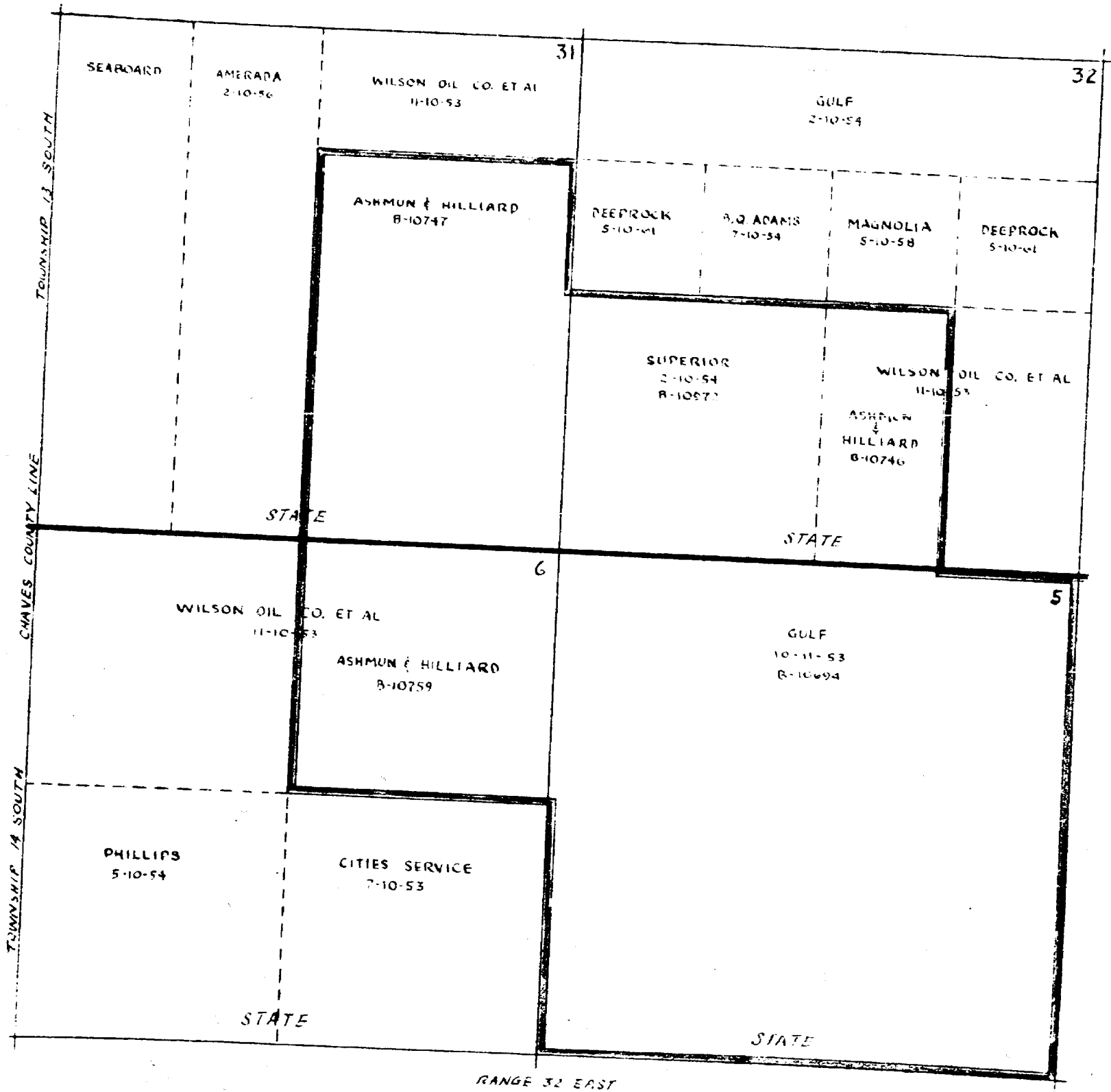


EXHIBIT "B"

DESCRIPTION OF ACREAGE AND OWNERSHIP OF LEASES ON ALL LANDS INCLUDED IN THE
BRAZOS 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	All Sec. 5 T-14-S, R-32-E	632.96	B-10694 10-11-53	State of New Mexico	Gulf Oil Corporation
2	Lots 1 & 2, & S/2NE/4 Sec. 6 T-14-S, R-32-E	160	B-10759 11-10-53	State of New Mexico	Ashmun & Hilliard
3	SE/4 & S/2NE/4 Sec. 31 T-13-S, R-32-E	240	B-10747 11-10-53	State of New Mexico	Ashmun & Hilliard
4	SW/4 Sec. 32 T-13-S, R-32-E	160	B-10972 2-10-54	State of New Mexico	Superior Oil Company
5	W/2SE/4 Sec. 32 T-13-S, R-32-E	80	B-10746 11-10-53	State of New Mexico	Ashmun & Hilliard