

Case No.

1847

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 NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 1047  
Order No. R-785

THE APPLICATION OF AMERADA PETROLEUM  
CORPORATION FOR APPROVAL OF THE NORTH  
KNOWLES UNIT AGREEMENT EMERACING 1,520  
ACRES OF LAND, MORE OR LESS, IN LEA  
COUNTY, NEW MEXICO, WITHIN TOWNSHIP 16  
SOUTH, RANGE 38 EAST, NMPM.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10 o'clock a.m. on April 3, 1956, at Hobbs, New Mexico, before Warren W. Mankin, Examiner duly appointed by the Oil Conservation Commission of New Mexico, in accordance with Rule 1214 of the Rules and Regulations of the New Mexico Oil Conservation Commission.

NOW, on this 6<sup>th</sup> day of April 1956, the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission", a quorum being present, having considered said application, the transcript of testimony and record, and recommendations of the Examiner, Warren W. Mankin, and being fully advised in the premises,

FINDS:

(1) That due 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:

SECTION 1. That this order shall be known as the

NORTH KNOWLES UNIT AGREEMENT ORDER

SECTION 2. (a) That the project herein referred to shall be known as the North Knowles 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 North Knowles Unit Area referred to in the Petitioner's petition and filed with said petition, and such plan shall be known as the North Knowles Unit Agreement Plan.

**SECTION 3.** (a) That the North Knowles Unit Agreement Plan shall be, and hereby is, approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing in any manner any right, duties, or obligation 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 North Knowles Unit Agreement, or relative to the production of oil or gas therefrom.

(b) That the Unit Operator periodically shall file with the Commission a North Knowles Unit Statement of Progress summarizing operations for the exploration and development of any lands committed to said North Knowles Unit Agreement. This statement of progress shall be filed within 30 days after the expiration of each six-months period during the term of the Unit Agreement, and shall contain such pertinent data as may be necessary for the Commission to determine the progress being made in the North Knowles Unit Area.

**SECTION 4.** That the Unit Area will be:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

TOWNSHIP 16 SOUTH, RANGE 38 EAST

All Section 1;

Lots 1, 2, 7, 8, 9, 10, 15,

16, & SE/4 Section 2;

containing 1,520 acres, more or less.

**SECTION 5.** That the unit operator shall file with the Commission an executed original or executed counterpart of the North Knowles Unit Agreement within 30 days after the effective date thereof.

**SECTION 6.** 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, or by ratifying the same. The unit operator shall file with the Commission within 30 days an original of any such counterpart of ratification.

**SECTION 7.** That this order shall become effective upon approval of said unit agreement by the Commissioner of Public Lands of the State of New Mexico and shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall immediately notify the Commissioner in writing of such termination.

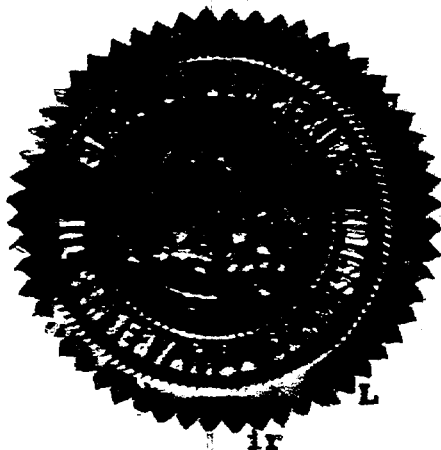
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*John F. Simes*  
JOHN F. SIMES, Chairman

*E. S. Walker*  
E. S. WALKER, Member

*A. L. Porter, Jr.*  
A. L. PORTER, Jr., Member and Secretary



GENERAL OFFICE  
BOX 2040  
TULSA 2, OKLA.

RECEIVED  
APR 20 1956

AMERADA PETROLEUM CORPORATION

BOX 581  
MIDLAND, TEXAS

April 20, 1956

Mr. A. L. Porter, Jr.  
New Mexico Oil Conservation Commission  
Box 871  
Santa Fe, New Mexico

Re: North Knowles Unit Agreement  
Lea County, New Mexico

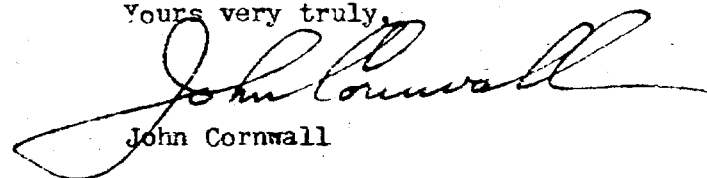
Dear Mr. Porter:

Mr. Clarence Hinkle has furnished us with a copy of your letter of April 9, 1956 addressed to him concerning exchanging a photocopy of the North Knowles Unit Agreement for one of the executed typed copies in your files.

In this connection we are attaching herewith a true photocopy of that Unit Agreement with the attached certificate by Floyd Kepler, who is supervisor of our lease department. We will appreciate it very much if you will send us one of the fully executed copies in exchange for this so that all the participants in the unit may have an original executed copy.

Your cooperation in this matter is greatly appreciated.

Yours very truly,



John Cornwall

JC:lhq  
Encl:

GENERAL OFFICES  
120 BROADWAY NEW YORK

AMERADA PETROLEUM CORPORATION

BEACON BUILDING


P. O. BOX 2040

TULSA 2, OKLA.

C e r t i f i c a t e

I, FLOYD KEPLER, Supervisor of the Lease Records Department of the Land Department of Amerada Petroleum Corporation, do hereby certify that the attached is a true and correct photostatic copy of a copy of the Unit Agreement for the Development and Operation of the North Knowles Unit Area, Lea County, New Mexico, dated March 1, 1956, approved April 6, 1956 by the Commissioner of Public Lands of the State of New Mexico, filed in the offices of Amerada Petroleum Corporation in Tulsa 2, Oklahoma.

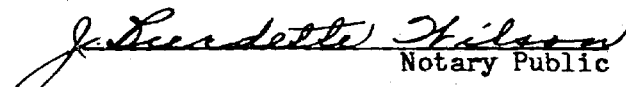
Signed this 18th day of April, 1956.

  
Floyd Kepler

State of Oklahoma )  
: ss  
County of Tulsa )

On this 18th day of April, 1956, before me personally appeared FLOYD KEPLER to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

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

  
Notary Public

My commission expires:  
October 25, 1956.

jbw

**UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
NORTH KNOWLES UNIT AREA  
LEA COUNTY, NEW MEXICO**

THIS AGREEMENT, entered into as of the 1st day of March, 1956, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the parties hereto,

**WITNESSETH:**

WHEREAS, the parties hereto are the owners of working, royalty or other oil 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 "Commissioner") is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N.M. Statutes 1953 Annotated), to consent to and approve the development or operation of State lands under agreements made by lessees of State land 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 Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162, Laws of 1951; Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the terms of such agreements for the unit operation and 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 an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N.M. Statutes 1953 Annotated), to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the North Knowles Unit Area covering the land hereinafter described to give

reasonably 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 the 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, NEW MEXICO

<u>T. 16 S., R. 38 E.</u>	<u>Acrea</u>
Sec. 1: All	1013.20
Sec. 2: Lots 1, 2, 7, 8, 9, 10, 15, 16, and SE $\frac{1}{4}$	505.80

containing 1520.00 acres, more or less.

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

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this



agreement".

2. **UNITIZED SUBSTANCES.** All oil, gas, natural gasoline and associated fluid 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.** Amerada Petroleum Corporation, with offices at Tulsa, Oklahoma, 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 but such resignation shall not become effective until a successor Unit Operator has been selected and approved in the manner provided for in Article 5 of this agreement. 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. SUCCESSION 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 seventy-five (75%) percent of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five (75%) percent of the total working interests, 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 selection 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 and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with

an operating agreement by and between the Unit Operator and the other owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this Articles, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

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 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. The Unit Operator shall, on or before April 9, 1956, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Devonian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of Unit

Operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 12,750 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities, Unit Operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Failure to comply with the drilling provisions of this article shall automatically terminate this agreement as to all its terms, conditions and provisions and all rights, privileges and obligations granted by this unit agreement shall cease and terminate as of the date of any such default.

9. PARTICIPATION 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 covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of

determining any benefits accruing under this agreement and the distribution of the royalties 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 respectively committed to this agreement 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 to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the Unit Operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

10. ALLOCATION OF PRODUCTION. All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

11. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES. All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

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 oil 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 the 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.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

12. LEASES AND CONTRACTS COMPOSED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, sub-leases, 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 insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the length of the secondary term as to lands within such area will be extended insofar as necessary to coincide with the term of this

agreement and the approval of this agreement by the Commissioner and the lessee shall, without further action of the Commissioner or the lessee, be effective to conform the provisions and extend the term of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, 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 laws shall continue in full force and effect thereafter. The commencement, completion, operation or production of a well on any part of the unit area shall be respectively construed and considered as the commencement or completion or operation or production of a well within the terms and provisions of each of the oil and gas leases to the same extent as though such commencement, completion, operation or production was carried on, conducted on or obtained from any such leased tract.

Any lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and to the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if unitized substances are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease committed

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

13. **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.

14. **DRAINAGE.** The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized lands by wells on lands not subject to this agreement.

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 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.

16. **EFFECTIVE DATE AND TERM.** This agreement shall become effective 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 seventy-five (75%) percent on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, as provided in Article 8 hereof, the failure to comply with the drilling provisions of this unit agreement shall as of the date of any such default, automatically terminate this unit agreement.

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 proceeding.

19. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing and personally delivered to the party or sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or

consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

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 of 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, and the interest of the parties readjusted as a result of such tract being 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 JOINER.** 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 the operating agreement providing for the allocation of costs of exploration, development and operation. After operations are commenced hereunder, the right of subsequent joinder by a working interest shall be subject to all 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, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to Unit Operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the Unit Operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

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 respective dates set opposite their signatures.

ATTEST:

[Signature]  
Assistant Secretary

Date: March 13, 1956

ATTEST:

W. M. Mueller  
Secretary

Date: March 20, 1956

ATTEST:

[Signature]  
Asst. Secretary

Date: March 20, 1956

STATE OF OKLAHOMA

COUNTY OF TULSA

SS.

The foregoing instrument was acknowledged before me this 13 day of March, 1956, by E. H. McCollough, President of Amerada Petroleum Corporation, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

My commission expires October 25, 1956

STATE OF Texas

COUNTY OF Tarrant

SS.

The foregoing instrument was acknowledged before me this 20 day of March, 1956, by Ira H. Stein, President of Champlin Refining Company, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_

AMERADA PETROLEUM CORPORATION

By

[Signature]  
President  
P. O. Box 2040, Tulsa 2, Oklahoma



UNIT OPERATOR AND WORKING INTEREST OWNER

CHAMPLIN REFINING COMPANY

By

[Signature]  
President  
P. O. Box 1449, Midland, Texas

STANDARD OIL COMPANY OF TEXAS

By

[Signature]  
President  
P. O. Box 1249, Houston, Texas

[Signature]  
Notary Public

[Signature]  
Notary Public

STATE OF Ind )  
COUNTY OF Harris ) SS.

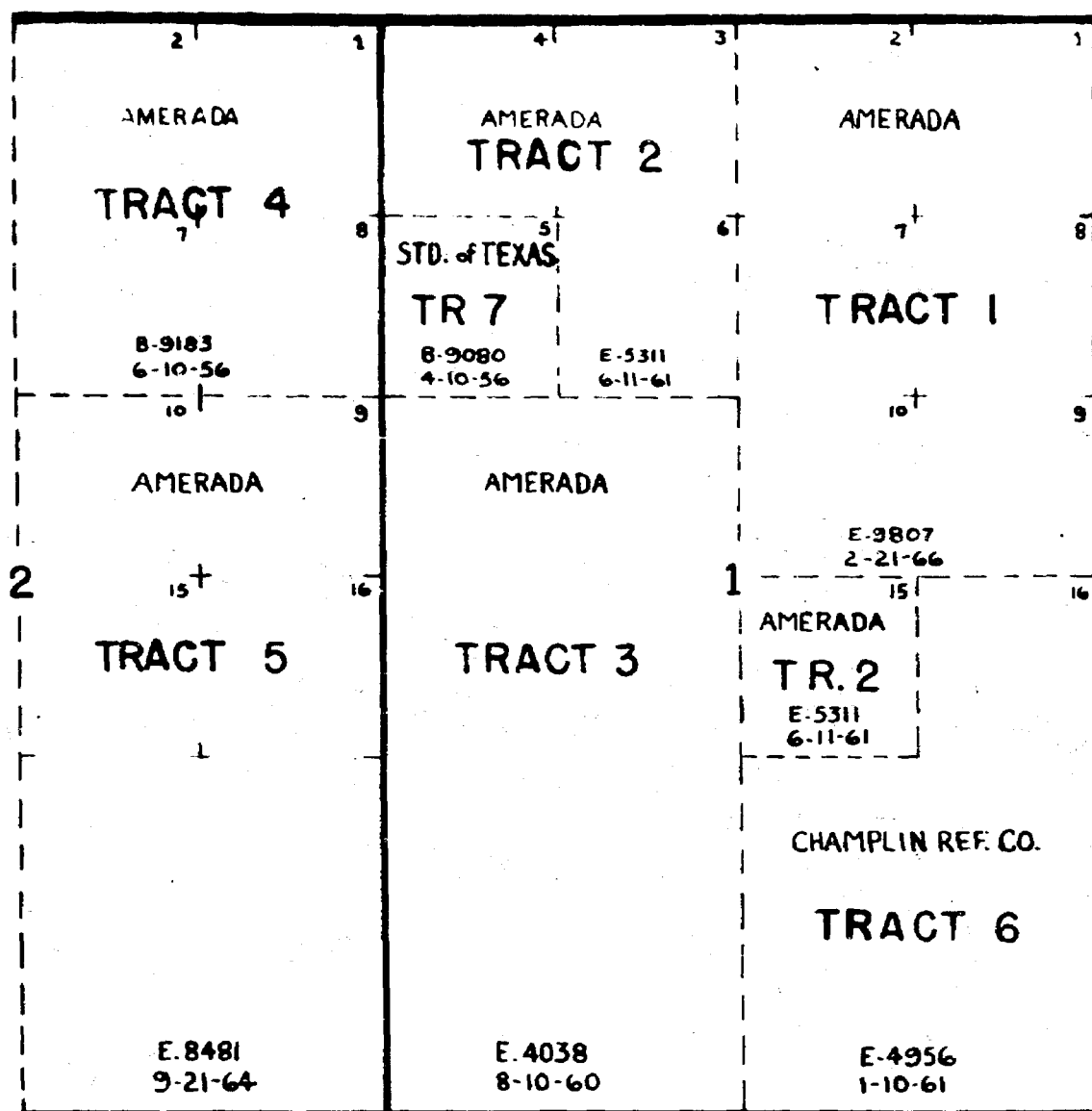
The foregoing instrument was acknowledged before me this 18th day of March, 1956, by R. H. Shaffer, President of Standard Oil Company of Texas, a corporation, on behalf of said corporation.

Helen Viola  
Notary Public

My Commission Expires:

6-7-57

HELEN VIOLA  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1957



T-16 S- R-38 E  
 LEA COUNTY N.M.  
 EXHIBIT "A"

,16.

# EXHIBIT "B"

NORTH KNOWLES UNIT AREA, LASA COUNTY, NEW MEXICO  
 TRACTS 16 SOUTH, RANGE 36 EAST  
 SOMEWHAT SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND  
 GAS INTERESTS IN ALL LANDS IN THE UNIT AREA

Tract No.	Description of Land	No. of Acres	State Lease No.	Expiration Date	Basic Royalty and Percent	Leases of Record	Overriding Royalty and Percent	Working Interest Owner
2.	<u>T. 16 S., R. 36 E.</u> <u>Sec. 1: Lots 1, 2,</u> <u>7, 8, 9, 10</u>	265.50	E-9007	2-21-66		Amerada Petroleum Corporation	None	Amerada Petroleum Corp.
2.	<u>T. 16 S., R. 36 E.</u> <u>Sec. 1: Lots 3, 4,</u> <u>6, 15</u>	186.70	E-5311	6-11-61		Amerada Petroleum Corporation	None	Amerada Petroleum Corp.
3.	<u>T. 16 S., R. 36 E.</u> <u>Sec. 1: W 1/4</u>	320.00	E-4038	8-10-60		Amerada Petroleum Corporation	None	Amerada Petroleum Corp.
4.	<u>T. 16 S., R. 36 E.</u> <u>Sec. 2: Lots 1, 2, 7, 8</u>	186.80	E-9183	6-10-56		Amerada Petroleum Corp.	None	Amerada Petroleum Corp.
5.	<u>T. 16 S., R. 36 E.</u> <u>Sec. 2: Lots 9, 10, 15,</u> <u>16, SW 1/4</u>	320.00	E-8481	9-21-64		Amerada Petroleum Corp.	None	Amerada Petroleum Corp.
6.	<u>T. 16 S., R. 36 E.</u> <u>Sec. 1: Lot 16, SW 1/4</u>	200.00	E-4956	1-10-61		Champion Refining Company	None	Champion Refining Company
7.	<u>T. 16 S., R. 36 E.</u> <u>Sec. 1: Lot 5</u>	40.00	E-9080	4-10-56		Standard Oil Company of Texas	None	Standard Oil Co. of Texas
Total		1,520 acres, 100.000000						

Total, 7 State Tracts containing 1,520 acres,  
 North Knowles Unit Area, LasA County, New Mexico


CERTIFICATE OF APPROVAL  
BY COMMISSIONER OF PUBLIC LANDS,  
STATE OF NEW MEXICO  
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION  
OF NORTH KNOWLES 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, an agreement for the development and operation of the North Knowles Unit Area, Lea County, New Mexico, dated the 1st day of March, 1956, in which the Amerasia Petroleum Corporation is designated as Operator, and which has been executed by various 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 field;
- (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 field, 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 the Laws of the State of New Mexico, 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 above referred to North Knowles Unit Agreement as to the lands of the State of New Mexico committed thereto, and all oil and gas leases embracing lands of the State of New Mexico committed to said Agreement shall be and the same are hereby amended so that the provisions thereof will conform to the provisions of said Unit Agreement and so that the length of the secondary term of each such lease as to the lands within the unit area will be extended, insofar as necessary, to coincide with the terms of said Unit Agreement, and in the event the term of said Unit Agreement shall be extended as provided therein such extension shall also be effective to extend the term of each oil and gas lease embracing lands of the State of New Mexico committed to said Unit Agreement which would otherwise expire, so as to coincide with the extended term of such Unit Agreement.

IN WITNESS WHEREOF, this certificate of approval is executed as of this the 6th day of April, 1956.

  
\_\_\_\_\_  
Commissioner of Public Lands of the  
State of New Mexico



1647

March 6, 1957

In reply refer to:  
Unit Division

Amerada Petroleum Corporation  
Beacon Building  
P. O. Box 2040  
Tulsa 2, Oklahoma

Attention: Mr. Floyd Kepler  
Land Department

Champlin Refining Co.  
P. O. Box 1449  
Midland, Texas

Standard Oil Company of Texas  
P. O. Box 1249  
Houston, Texas

Re: Termination of North Knowles  
Unit Agreement

Gentlemen:

This is to inform you that Amerada Petroleum Corporation, as Operator of the North Knowles Unit Agreement, has complied with the provisions set forth in New Mexico Oil Conservation Commission Order R-785 which provided for the Operator of this Unit to notify the Commissioner of Public Lands that the Unit had terminated.

The No. 1 North Knowles Unit Well was abandoned as a dry hole on July 26, 1956. Drilling provisions under Paragraph 3 of North Knowles calls for continued drilling, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well.

Also, under Paragraph 8 it is stated that failure to comply with the drilling provisions of this article shall automatically terminate this Agreement as to all its terms, conditions and provisions, and all rights, privileges and obligations granted by this Unit Agreement shall cease and terminate as of the date of such default.

Therefore, under the above mentioned terms the second test well should have been commenced six months after July 26, 1956, or by January 26, 1957.

The second test well has not been commenced, and therefore in accordance with the above mentioned terms of this Agreement, the North Knowles Unit Agreement terminated as of January 26, 1957, and the State Land Office records will be posted accordingly.

Very truly yours,

MURRAY E. MORGAN  
Commissioner of Public Lands

By: Ted Bilberry, Supervisor  
Oil and Gas Department

MEM:MMR/m

cc: OCC-Santa Fe  
OCC-Hobbs

GENERAL OFFICES  
120 BROADWAY NEW YORK

AMERADA PETROLEUM CORPORATION

BEACON BUILDING  
P. O. BOX 2040

TULSA 2, OKLA.

October 8, 1956

*File*

Subject: North Knowles Unit Statement  
of Progress

Case No. 1047

Order No. R-785

All of Sec. 1,

Lots 1, 2, 7, 8, 9, 10, 15,

16 and SE<sup>1</sup>/<sub>4</sub> Sec. 2,

Twp. 16S-38E.

Lea County, New Mexico

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

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

Gentlemen:

Pursuant to Section 3(b) of your Order No. R-785,  
Case No. 1047 dated April 6, 1956, approving the North Knowles  
Unit described above, Amerada Petroleum Corporation, as Unit  
Operator of said Unit, respectfully submits the following North  
Knowles Unit Statement of Progress:

Name of test well:	No. 1 North Knowles Unit
Location of test:	Approximate Cen. Lot 10 of Sec. 1-16S-38E, Lea County, New Mexico Approx. 3300' FNL and 1980' FEL of said Sec. 1
Date spudded:	March 31, 1956
Total depth:	13,368 feet
Result:	Dry and abandoned on July 26, 1956

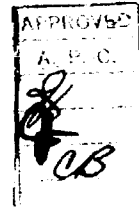
Since abandonment of this test, Amerada Petroleum Corporation,  
as Unit Operator, has been conducting additional seismic exploratory  
work to further evaluate the Unit area. Such evaluation has not been  
completed at this time.

Yours very truly,

*Floyd Kepler*

FLOYD KEPLER,  
Land Department.

FK:ow



OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

*Case  
1047*

April 23, 1956

*file*

C  
O  
P  
Y

Hervey, Dow and Hinkle  
First National Bank Building  
Roswell, New Mexico

Attention: Mr. Clarence Hinkle

Re: (North Knowles Unit)  
Lea County, New Mexico

Gentlemen:

Enclosed herewith is the executed copy of the North Knowles Unit Agreement received by this office April 6, 1956.

We have this date received a photostatic copy of the unit agreement which we will place in our files in place of the executed copy as per your request of April 9, 1956.

Very truly yours,

A. L. Porter, Jr.  
Acting Secretary-Director

ALP:jh  
encl.

MAIN OFFICE OCC

APR 6 PM 1:23

In reply refer to:  
Unit Division

April 6, 1956

*For case file*

Hervey, Dow & Hinkle  
First National Bank Building  
Roswell, New Mexico

Amerada Petroleum Corporation  
Box 591  
Midland, Texas

Attention:                      Re: North Knowles Unit  
Mr. Clarence E. Hinkle      Section 1-16S-38E - All  
   Section 2-16S-38E - Lots 1,  
   2,7,8,9,10,15,16 and SE/4

Gentlemen:

We are enclosing two copies of North Knowles Unit Agreement, which Mr. Walker approved as of April 6, 1956. We are handing the Oil Conservation Commission one approved copy, as per your request.

Also enclosed is Official Receipt Number D-113281 in the amount of ten dollars (\$10.00).

Very truly yours,

*OCC copy returned 4-23-56  
photostatic copy substituted*

E. S. WALKER  
Commissioner of Public Lands

MMR/m  
enc: 3

cc: OCC-Santa Fe  
Amerada Petroleum Corp.-Midland

MAIN OFFICE OCC

1956 MAR 7 AM 8:13

March 6, 1956

In reply refer to:  
Unit Division

Hervey, Dow & Hinkle  
First National Bank Building  
Roswell, New Mexico

Amerada Petroleum Corporation  
Box 591  
Midland, Texas

Re: (North Knowles Unit  
Section 1-16S-38E - All  
Section 2-16S-38E -  
Lots 1,2,7,8,9,10,15,16  
and SE/4

Gentlemen:

We have received a copy of your proposed  
North Knowles Unit Agreement and have approved it  
as to form and context.

Your receipt for your ten dollar (\$10.00)  
filing fee will be mailed to you upon completion  
of this Unit Agreement.

Very truly yours,

E. S. WALKER  
Commissioner of Public Lands

MMR/m

cc: OCC-Santa Fe  
Amerada Petroleum Corp.-Midland

J. M. HERVEY 1874-1951  
HIRAM M. DOW  
CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
GEORGE H. HUNKER, JR.  
HOWARD C. BRATION  
S. B. CHRISTY IV  
J. PENROD TOLES  
LEWIS C. COX, JR.

LAW OFFICES  
HERVEY, DOW & HINKLE  
FIRST NATIONAL BANK BUILDING  
ROSWELL, NEW MEXICO  
APRIL 1, 1951

TELEPHONE MAIN 2-5100

Mr. A. L. Porter  
Secretary - Director  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Re: North Knowles Unit Area  
Lea County

Dear Mr. Porter:

I enclose for your information copy of my letter to Johnny Walker, Commissioner of Public Lands, transmitting to him the executed copies of the above unit for final approval. Due to the fact that one of the leases expires on April 10th, in order to save this lease, it is necessary that the unit be approved by the Conservation Commission and by the Commissioner of Public Lands on or before April 9th.

You will recall that this matter was presented to the Commission through Warren Mankin yesterday morning at the hearing at Hobbs. I would appreciate your prompt consideration of the case and advising me either by telephone or telegram collect as soon as the order has been entered by the Commission.

Yours sincerely,

HERVEY, DOW & HINKLE

BY 

CEH:mp  
Encl.

cc - Mr. John Cornwall  
Amerada Petroleum Corporation  
Box 591  
Midland, Texas

GENERAL OFFICE  
BOX 2040  
TULSA 2, OKLA.

AMERADA PETROLEUM CORPORATION

BOX 891  
MIDLAND, TEXAS

March 6, 1956

*Case 1147*  
*Docket Mailed*  
*3-16-56*

*also sent*  
*Classified Mailed*  
*3/17/56*  
*Docket*

AIR MAIL

Mr. W. B. Macey, Director  
Oil Conservation Commission  
Box 871  
Santa Fe, New Mexico

Re: Proposed North Knowles  
Unitization Agreement  
Lea County, New Mexico

Dear Mr. Macey:

With reference to the North Knowles Unitization Agreement which I submitted to you yesterday with Application for Approval, this is to request that a hearing on this be had as soon as convenient before an examiner for the Oil Conservation Commission, preferably at Hobbs, if this can be arranged.

Please advise after the definite date, time and location of this hearing has been set.

Yours very truly,

*John Cornwall*  
John Cornwall

JC:1hp



OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

April 6, 1956

C  
O  
P  
Y

Mr. Clarence Hinkle  
Hervey, Dow & Hinkle  
P.O. Box 547  
Roswell, New Mexico

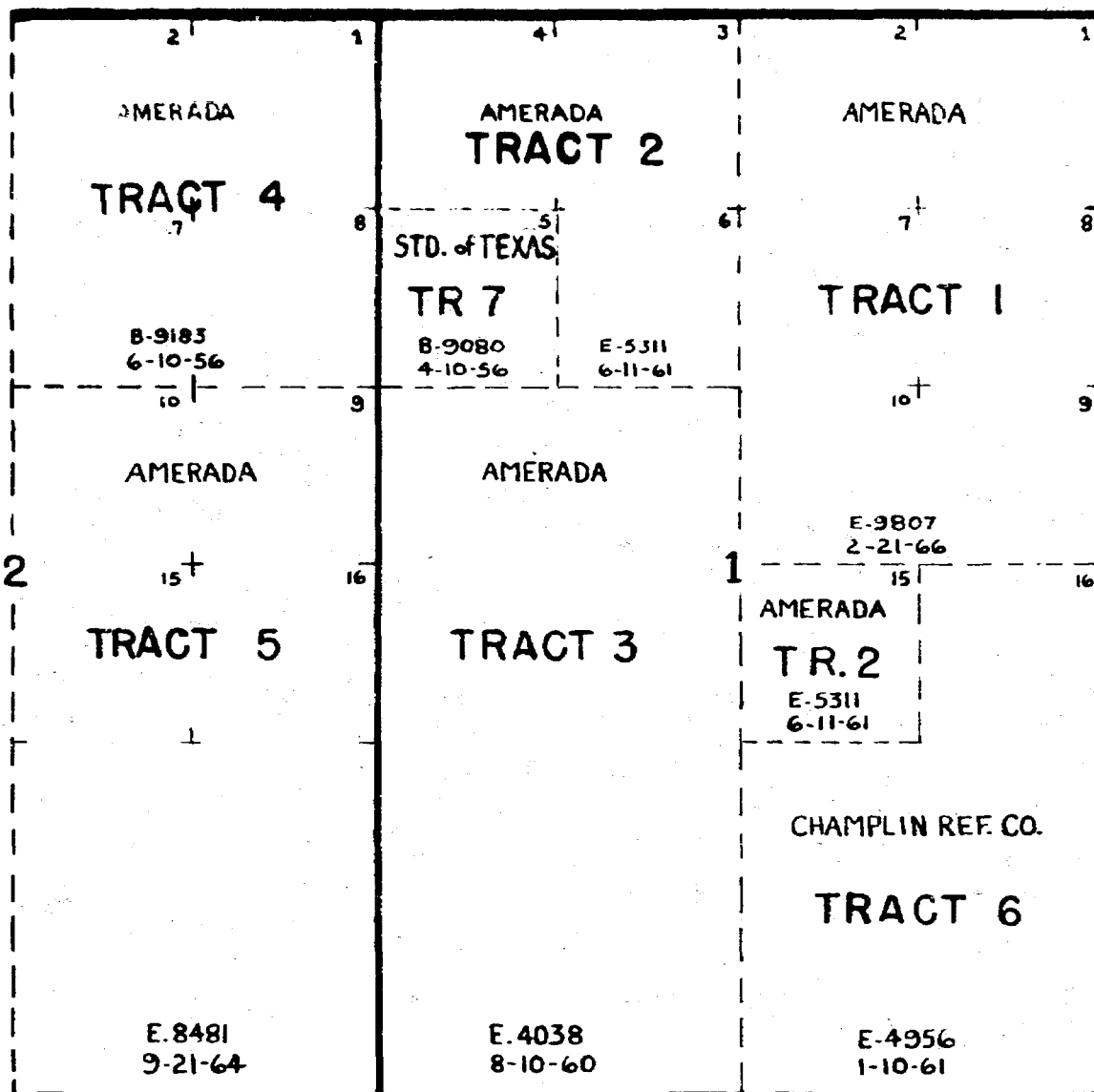
Dear Sir:

In behalf of your client, Amerada Petroleum Corporation, we enclose two copies of Order R-785 issued April 6, 1956, by the Oil Conservation Commission in Case 1047, which was heard on April 3, 1956, at Hobbs, New Mexico.

Very truly yours,

A. L. Porter, Jr.  
Acting Secretary - Director

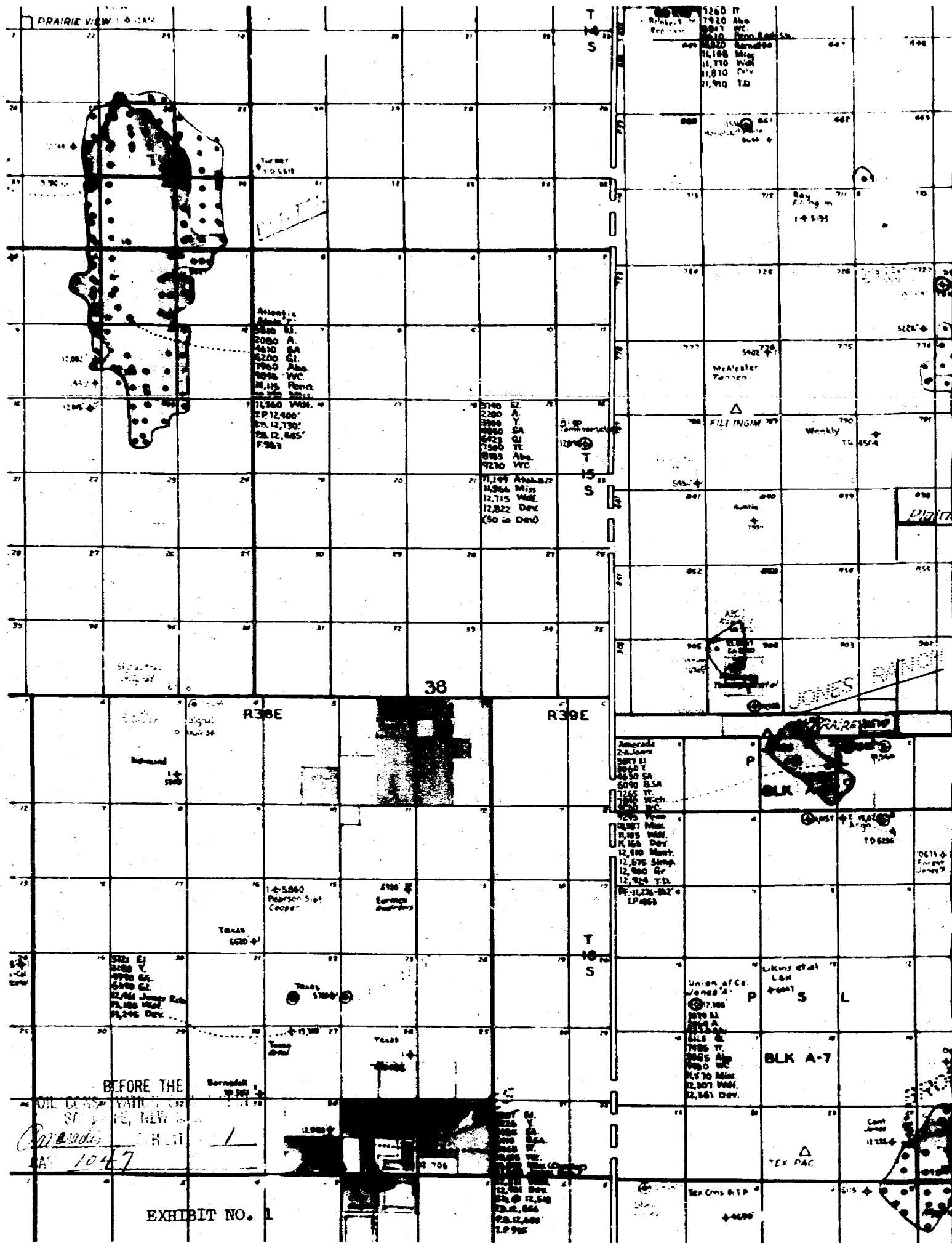
ALP:brp



T-16 S- R-38 E  
LEA COUNTY N. M.

BEFORE THE  
OIL CONSERVATION COMMISSION  
SALT, TEXAS  
*Amesada's* Exhibit No. 2  
CASE 1047

EXHIBIT 2



BEFORE THE  
OIL CONSERVATION COMMISSION  
Hobbs, New Mexico  
April 3, 1956

\*\*\*\*\*  
IN THE MATTER OF: )  
CASE NO. 1047 )  
\*\*\*\*\*

TRANSCRIPT OF PROCEEDINGS

BEFORE THE  
OIL CONSERVATION COMMISSION  
Hobbs, New Mexico  
April 3, 1956

\*\*\*\*\*

IN THE MATTER OF:

The application of Amerada Petroleum Corporation for an order granting approval of a Unit Agreement for the development and operation of the North Knowles Unit Area embracing All of Section 1 and Lots 1, 2, 7, 8, 9, 10, 15, 16 and the SE/4 of Section 2, All in Township 16 South, Range 38 East, Lea County, New Mexico.

Applicant, in the Above-styled cause, seeks an order granting approval of its proposed Unit Agreement to which applicant, et al, are parties thereto; said Unit Agreement consisting of 1520 acres of land, more or less, embracing All of Section 1 and Lots 1, 2, 7, 8, 9, 10, 15, 16 and the SE/4 of Section 2, Township 16 South, Range 38 East, Lea County, New Mexico.

CASE NO. 1047

\*\*\*\*\*

BEFORE:

Warren W. Mankin, Examiner

TRANSCRIPT OF HEARING

EXAMINER MANKIN: The hearing will come to order. First case we have today is Case No. 1047, the application of Amerada Petroleum Corporation for an order approving the unit agreement for the North Knowles Unit.

MR. HINKLE: Mr. Examiner, Clarence Hinkle, Roswell, New Mexico, appearing on behalf of Amerada Petroleum Corporation. We have two witnesses, Mr. Carl Barnhart and Mr. John McCordick, whom I would like to have sworn.

CARL BARNHART

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

BY MR. HINKLE:

Q. State your name please.

A. Carl Barnhart.

Q. Are you employed by the Amerada Petroleum Corporation, Mr. Barnhart?

A. I am.

Q. In what capacity?

A. Senior Geologist, supervising the work of the Permian Basin.

Q. And you are located where?

A. Tulsa, Oklahoma.

Q. Are you familiar with the corporations in New Mexico?

A. Yes.

Q. And are you familiar with the proposed area in which the North Knowles Unit is located?

A. I am.

Q. Case No. 1047 is the application of the Amerada for approval of the North Knowles Unit Area. What land does that embrace?

A. That is in Township 16 South, Range 38 East, all of Section 1, and in Section 2, all of lots 1, 2, 7, 8, 9, 10, 15, 16 and the SE/4.

Q. Mr. Barnhart, have you previously testified before the Commission?

A. I have.

Q. Are his qualifications acceptable?

MR. HINKLE: They are.

Q. Mr. Barnhart, I hand you Amerada's Exhibit No. 1 and ask you to state to the Commission what that shows.

A. This is an aerial map showing the geographic location of the proposed unit in relation to the nearest Devonian producing fields.

Q. What is the closest producing field to the proposed unit Area?

A. The proposed unit is some five miles south and five to the east of the Denton Field, some five miles north of the Knowles Field and approximately four miles west of the Jones Ranch Field in Gaines-Yokum County, Texas. All three fields being primarily Devonian producing fields.

Q. Mr. Barnhart, I hand you Amerada's Exhibit No. 2 and ask you to state what that is.

A. This is a map showing the aerial extent of the proposed unit along with the acreage and division of acreage.

Q. That shows the proposed boundaries of the acreage. How many acres does that contain?

A. Approximately 1520 acres.

Q. Is it all state land?

A. It is all state land.

Q. Does that plat show the ownership of the state leases?

A. It does.

Q. Were both of those plats Exhibit 1 and Exhibit 2 prepared either by you or under your direction?

A. That is right.

Q. Has the Amerada made the Geophysical survey of this area?

A. They have.

Q. I hand you Amerada's Exhibit No. 3 and ask you to state to the Commission what that is.

A. This is a map covering a proposed unit and showing an exact copy of our contoured or the contours of our interpretation of the geophysics of the area.

Q. Does the proposed unit area cover all or substantially all of the geophysical high shown attributable to that plat?

A. On our interpretation as shown by this plat the unit will cover substantially all of the structure.

Q. Does Amerada propose to drill a test well within the unit area?

A. Yes.

Q. What is the status of the well?

A. The well is now drilling below surface pipe? I believe the last information I had they are drilling approximately 2,700 feet.

Q. What is the location of that well.

A. It would be in the center of lot 10, Section 1, 16 South, 38 East.

Q. What is the objective of the well as to producing formations?

A. The well will be drilled to and test fully in the Devonian.

Q. At about what depth do you expect to encounter the Devonian?

A. Approximately 12,500 feet.

MR. HINKLE: I believe that's all we have of this witness.

MR. MANKIN: Might I ask what the exact location of the well is, Mr. Barnhart, do you have that?

MR. BARNHART: It is in the center of lot 10.

MR. MANKIN: Those are long sections, do you have that?

MR. BARNHART: Well, let's see. I don't have the exact footage on that. It will be shown on the Exhibits. Here is the exact location. Let's see that will be approximately 1980 feet from the east line and approximately 3700 feet from the north line of Section 1.

MR. MANKIN: It would be reflected by the Form 1 which was filed and approved on this well, I presume.

MR. HINKLE: Yes, Mr. Barnhart, there has been an application filed for drilling this well and has been approved by the Conservation Commission and would be shown on their records, would it not?



MR. BARNHART: That is right.

MR. MANKIN: Do you have something further?

MR. HINKLE: Nothing further of Mr. Barnhart.

MR. MANKIN: Is there a question of the witness in this particular case? If not, the witness may be excused.

MR. HINKLE: I would like to offer in evidence Exhibits 1, 2 and 3 for Amerada.

MR. MANKIN: Is there objection to entering Exhibits 1, 2 and 3 in this case? If not, they will be so entered.

JOHN CORNWALL

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

MR. HINKLE: Please state your name.

MR. CORNWALL: John Cornwall.

Q. Are you employed by the Amerada Petroleum Corporation?

A. Yes.

Q. How long have you been employed?

A. About 26 years.

Q. In what capacity are you employed at the present time?

A. Division Landman at Midland, Texas.

Q. Does that include the New Mexico area?

A. Yes.

Q. Are you familiar with the development in Lea County?

A. Yes.

Q. Particularly with the development of the proposed unit area?

A. Yes.

Q. Are you familiar with the units which have been formed particularly on state lands in Lea County, New Mexico?

A. Yes, I believe so.

Q. Are you familiar with the application which has been filed by the Amerada Petroleum Corporation in this case for approval of the North Knowles Unit?

A. Yes, I am.

Q. Are you familiar with the proposed form of the unit agreement which has been filed with the application?

A. Yes.

Q. Do you know whether or not this is essentially the same form that is usually heretofore approved by the Commissioner of Public Lands where only state lands are involved?

A. Yes, it is.

Q. Do you know whether or not this particular form has been approved by the Commissioner of Public Lands?

A. Yes, it has.

Q. Who has been designated as the operator of this particular unit?

A. Amerada Petroleum Corporation.

Q. Does the unit provide for the drilling of a test well?

A. Yes.

Q. To what depth?

A. 12,750 or drilling in the Devonian at a lesser depth, I believe.

Q. What is the maximum depth that you require to drill on?

A. 12,750 feet.

Q. It has already been testified by Mr. Barnhart that your well has been commenced. That is, the well you refer to as the unit well.

A. Yes.

Q. Under the terms of the unit, when was that well to be commenced?

A. Before April 9, 1956.

Q. Are you familiar with the ownership of the State Leases that are involved?

A. Yes, I am.

Q. Who are the owners of these leases?

A. Amerada Petroleum Corporation, Champlin Refining Company and Standard Oil Company of Texas.

Q. And it is all state land?

A. Yes, it is.

Q. What is the shortest term lease involved in this particular case?

A. April 10, 1956.

Q. Do you know whether or not all the lease owners have joined in the Unit Agreement?

A. They have all executed it.

Q. And it is ready to be filed for final approval. Now, Mr. Cornwall, in the event this unit is approved and production is encountered, state whether or not in your opinion, development of the unit would be in the interest of economy and efficiency and to the end that the maximum recovery of unitized substances would be obtained.

A. I believe it would.

Q. In the event the unit is approved and discovery is made, state whether or not, in your opinion, the agreement would be in the interest of conservation and the prevention of waste.

A. I believe it would.

MR. HINKLE: That is all.

MR. MANKIN: Is there further question of the witness in this case?

MR. MONTGOMERY: It will be necessary for you to have rapid approval by the Commission on this application.

MR. HINKLE: I didn't understand that.

MR. MONTGOMERY: Will it be necessary for you to get rapid approval on this case before the Commission?

MR. HINKLE: We would like it as rapidly as possible, yes.

MR. MONTGOMERY: Will it affect the expiration date of this Tract ??

MR. HINKLE: Yes, I think it ought to be approved before the expiration date of the shortest term lease, otherwise it would be questionable to get it extended.

MR. MONTGOMERY: That's all.

MR. MANKIN: Did you have any unit agreement which you wish to present other than the one that was submitted with your application?

MR. HINKLE: That is a copy --- a signed copy. I have them all here but they will be presented to the Commissioner for his final signature and an executed copy filed with the Commission, upon approval.

MR. MANKIN: Is there further question of the witness in this case? Mr. Hinkle, would Amerada be agreeable to the normal provision which our orders carry indicating reports possibly every six months of the progress of the unit.

MR. HINKLE: I am sure that they would.

MR. MANKIN: Amerada would be agreeable to comply with that particular provision of the order. If there is no further question of the witness, the witness may be excused. Do you have anything further? If not, if there is nothing further, we will take the case under advisement.

STATE OF NEW MEXICO)

ss

COUNTY OF SANTA FE )

I, Dora Serna, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Commission Examiner at Hobbs, New Mexico, is a true and correct record, to the best of my knowledge, skill and ability.

Dated at Santa Fe, New Mexico this 7th day of August, 1956.

Dora Serna

OIL CONSERVATION COMMISSION

P. O. BOX 671

SANTA FE, NEW MEXICO

April 10, 1956

C  
O  
P  
Y

Mr. Clarence Hinkle  
Hervey, Dow & Hinkle  
P.O. Box 547  
Roswell, New Mexico

Dear Mr. Hinkle:

Reference is made to your letter of April 9th concerning the North Knowles Unit Agreement. In your letter you indicate that you would like to exchange a photostatic copy of the unit agreement for the executed copy which we have in our files.

Our attorney agrees that this will be satisfactory provided that a certificate is attached certifying that it is a photostatic copy of the unit agreement.

Very truly yours,

A. L. Porter, Jr.  
Acting Secretary - Director

ALP:brp

J. M. HERVEY 1874-1953  
HIRAM M. DOW  
CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
GEORGE H. HUNKER, JR.  
HOWARD C. BRATTON  
S. B. CHRISTY IV  
J. PENROD TOLES  
LEWIS C. COX, JR.

LAW OFFICES  
HERVEY, DOW & HINKLE  
FIRST NATIONAL BANK BUILDING  
ROSWELL, NEW MEXICO

TELEPHONE MAIN 2-6510

April 9, 1951

Mr. A. L. Porter  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Dear Mr. Porter:

Re: North Knowles Unit Agreement  
Order No. R-785  
Case No. 1047

We certainly appreciate your getting out the order for us in the above case.

On April 4th, I sent to Mr. Walker, Commissioner of Public Lands, four executed copies of the unit and one photostatic copy and the land office has returned to us two executed copies, one of which has been retained by the land office and one filed in your office. The above mentioned four executed copies are all of the copies which have been fully executed and Mr. Cornwall would like to have an executed copy for each of the three companies which have executed the agreement. We are wondering if it would be possible to file with you a photostatic copy of one of the executed copies in the place of the executed copy which you have, so that we might furnish it to one of the signing companies. If this would meet with your approval, I would appreciate your advising me and we will have a photostatic copy made and sent to you.

Yours sincerely,

HERVEY, DOW & HINKLE

By Clarence E. Hinkle  
mp

CEH:mp  
cc - Mr. John Cornwall  
Amerada Petroleum Corporation  
Midland, Texas

C O P Y

ERVEY, DOW & HINKLE, ATTORNEYS  
ROSWELL, NEW MEXICO

April 4, 1956

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

Re: North Knowles Unit Area  
Lea County, New Mexico

Dear Mr. Walker:

We hand you herewith four fully executed copies of Unit Agreement for the Development and Operation of the North Knowles Unit Area together with a photostatic copy of the same. You will note that this agreement has been executed as of March 1, 1956 by Amerada Petroleum Corporation, Champlin Refining Company and Standard Oil Company of Texas, being all of the owners of the leases involved. This unit was approved by you as to form on March 6th.

A hearing on the unit was held at Hobbs yesterday, April 3rd, and Warren Mankin, the examiner, said that he would expedite the matter of submission of the case to the Commission for early consideration and entering of the order approving the same.

Under Section 8 of the unit agreement, a well is to be commenced on or before April 9th. This well has already been commenced and yesterday was drilling at approximately 2700 feet; however, one of the leases expires on April 10th and consequently, so that there will be no question concerning the extension of this lease, it is necessary that the order of the Conservation Commission be entered and that you approve the unit before the 9th. We would therefore appreciate your signing the certificate attached to each executed copy of the unit just as soon as you are advised that the Conservation Commission has approved the unit, and would appreciate your wiring or telephoning me collect as soon as the certificate has been signed.

Upon execution of the certificate, I would appreciate your also noting your approval on the photostatic copy and handing the same to the Conservation Commission and returning three of the other copies to me so that there will be an executed approved copy for each of the companies involved. Thanking you for your cooperation in connection with this matter, I am

Yours sincerely,

ERVEY, DOW & HINKLE

CEH:mp  
Encl.

cc - Mr. John Cornwall  
Mr. A. L. Porter

By \_\_\_\_\_



March 1, 1956

Mr. E. S. Walker  
Commissioner of Public Lands  
State Land Office  
Santa Fe, New Mexico

Re: Proposed Unit of all Sec. 1  
and E/2 of Sec. 2, T. 16S,  
R. 38E, Lea County, New  
Mexico.

Dear Sir:

Attached to this report and marked as Exhibit No. 1, is a small scale plat showing the geographic location of the proposed unit with special reference to the nearby oil fields.

Exhibit No. 2 is an exact copy of the structure of the proposed unit as determined by seismic work done by Amerada Petroleum Corporation. The seismic work was done on one half mile grids and it is our opinion that the reflection point used on this map is from the Top of the Devonian. Based on this seismic work, the proposed unit area covers substantially all of the geological feature involved.

A test drilled at the proposed location in the Center of Lot 10, Sec. 1, T. 16S, R. 38E, would thoroughly test this geological feature. The proposed test would be projected to an approximate depth of 12,700'. Although the primary object would be a test to fluid in the Devonian, a test to this depth would penetrate and test all known producing horizons of the immediate area.

Yours very truly,

AMERADA PETROLEUM CORPORATION

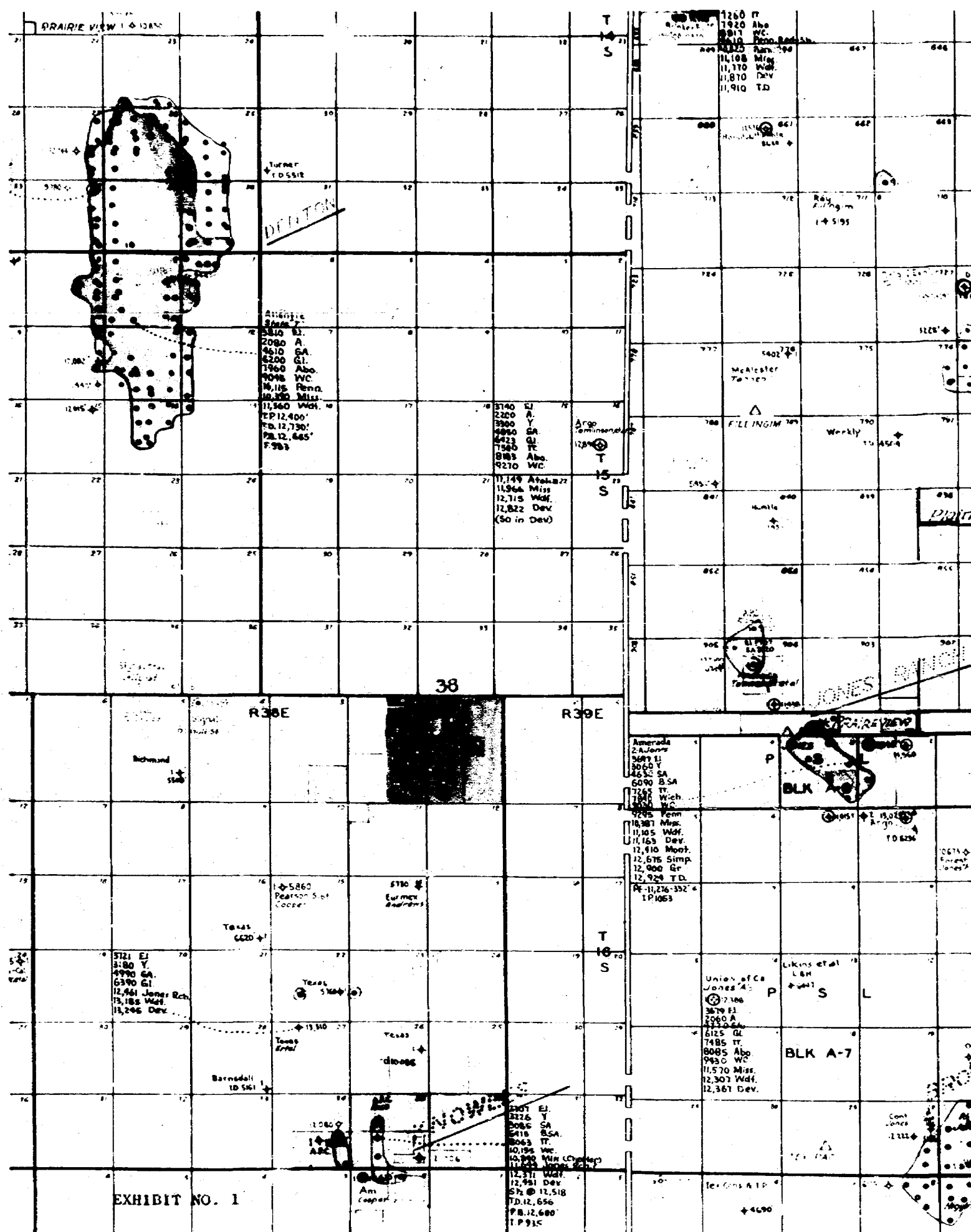
*Carl F. Barnhart*

Carl F. Barnhart,  
Senior Geologist

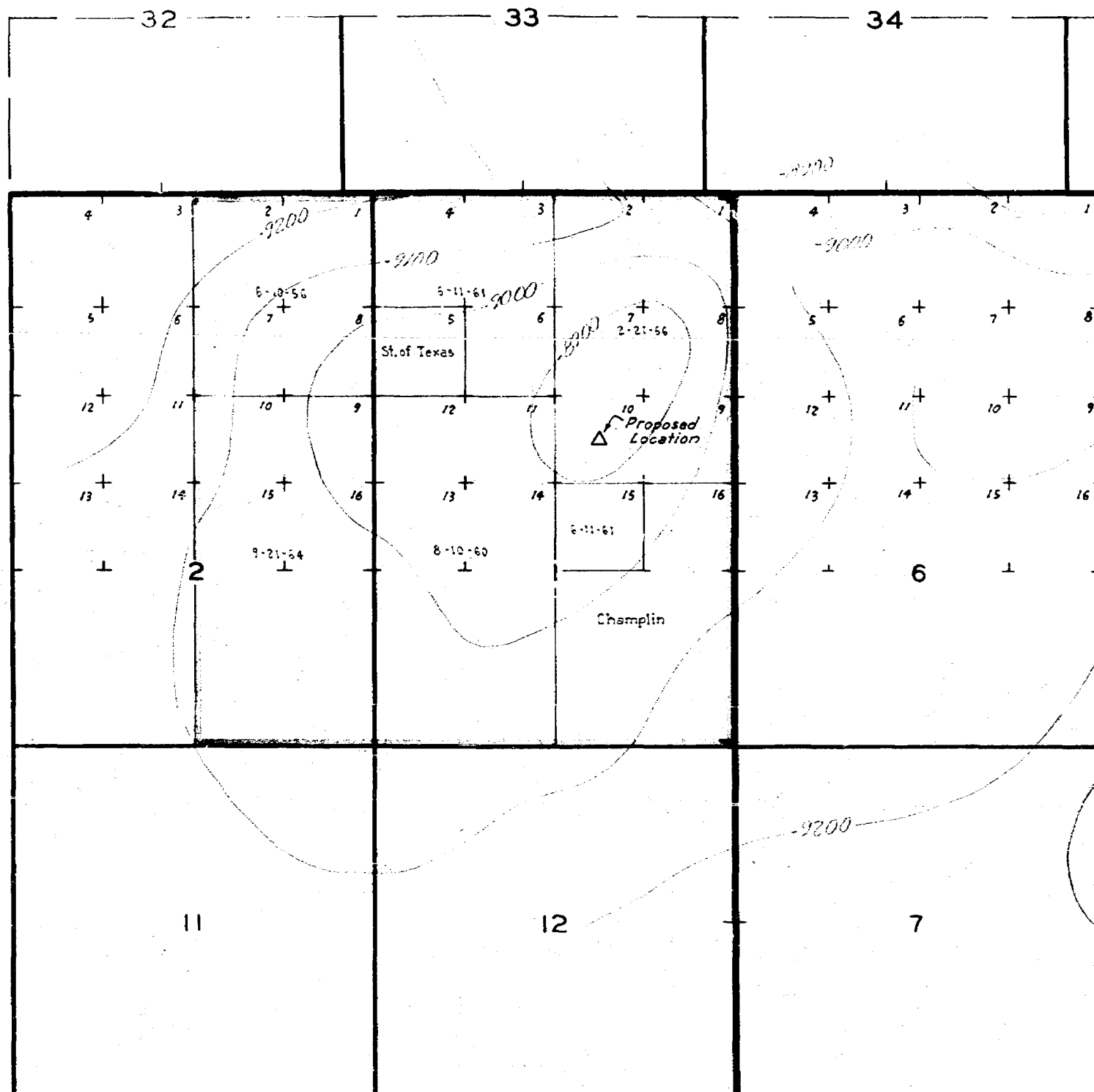
CFB:mr

Att.

Also attached to this report is Exhibit No. 3 which is a map showing the unit area and the boundaries and identity of tracts and leases and state lease numbers in said area.



R 38 E



T  
16  
S

R 38 E

R 39 E

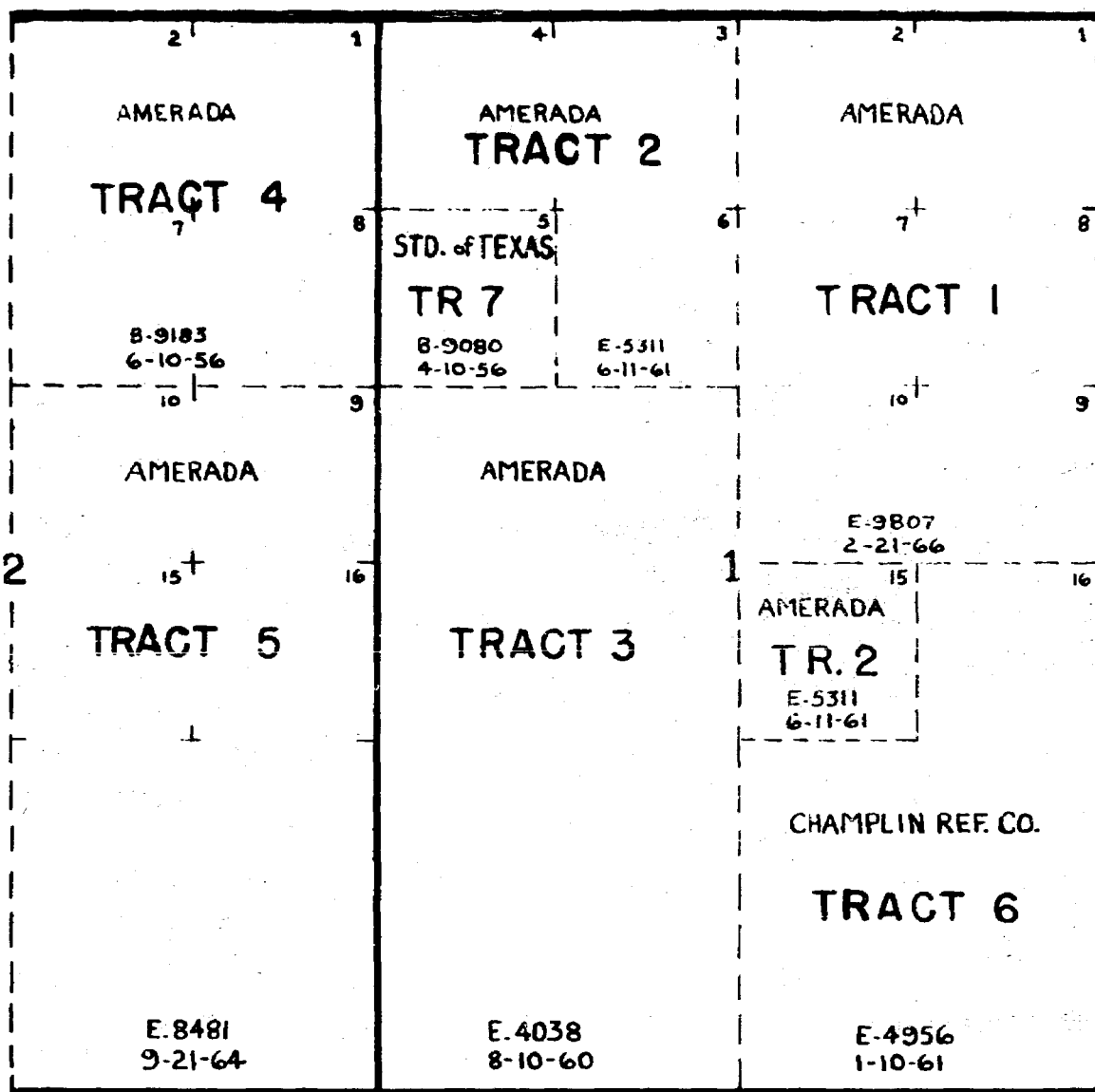
**NORTH KNOWLES PROSPECT**  
**LEA COUNTY, NEW MEXICO**

CONTOURED ON TOP DEVONIAN  
Contour Interval=100'

EXHIBIT NO. 2

SCALE: 1 INCH=2000 FEET

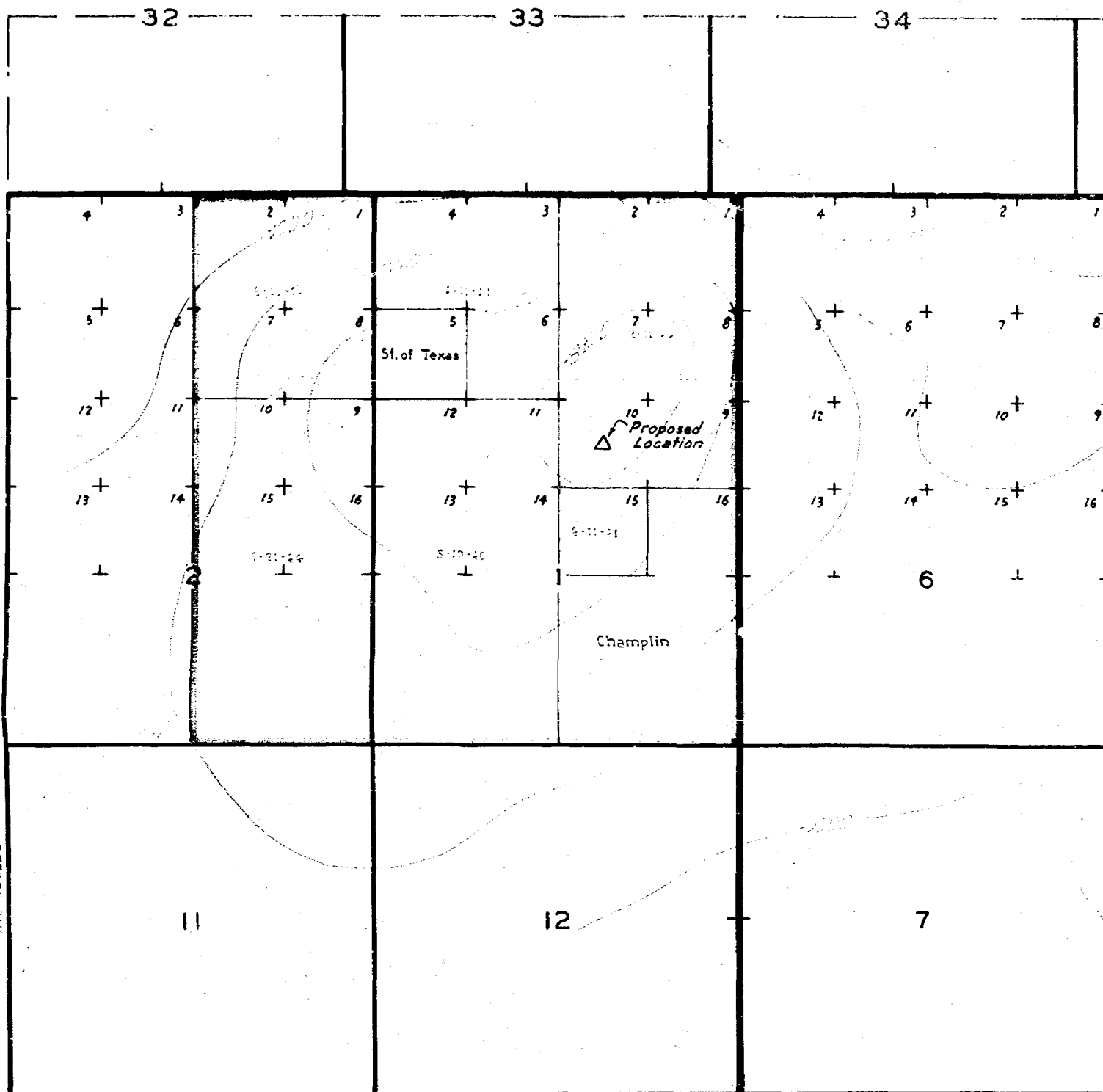
2-27-56



T-16 S- R-38 E  
LEA COUNTY N.M.

EXHIBIT 3

R 38 E



R 38 E

R 39 E

NORTH KNOWLES PROSPECT  
LEA COUNTY, NEW MEXICO

CONTOURED ON TOP DEVONIAN  
Contour Interval=100'

EXHIBIT NO. B

SCALE: 1 INCH=2000 FEET

2-27-56

T  
16  
S

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
Carrizosa EXHIBIT NO. 3  
CASE 1047

GENERAL OFFICE  
BOX 2040  
TULSA 2, OKLA.

AMERADA PETROLEUM CORPORATION

BOX 581  
MIDLAND, TEXAS  
March 2, 1956

*April  
3rd  
C. H. H. H.  
1956*

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

Gentlemen;

Submitted herewith for your consideration in connection with the proposed North Knowles Unit are, in triplicate, Application for approval of the Unit Agreement, copy of the Unit Agreement, and Geological Report on the area involved.

You will note that the Unit Agreement provides for a test to be commenced by April 9, 1956, so that we would appreciate your prompt attention and decision on it.

Very truly yours,

*John Cornwall*  
John Cornwall  
Land Department

JC:C  
encls.

BEFORE THE OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

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

CASE NO. 1047

THE APPLICATION OF AMERADA  
PETROLEUM CORPORATION FOR APPROVAL  
OF THE NORTH KNOWLES UNIT AGREEMENT  
EMBRACING 1,520.00 ACRES, MORE OR  
LESS, LEA COUNTY, NEW MEXICO,  
WITHIN TWP. 16 S., RGE. 38 E.,  
N.M.P.M.

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Comes the undersigned, the Amerada Petroleum Corporation, a corporation with offices at Tulsa, Oklahoma, and files herewith three copies of the proposed Unit Agreement for the Development and Operation of the North Knowles Unit Area, Lea County, New Mexico, and hereby makes application for the approval of said Unit Agreement as provided by law, and in support thereof, shows:

1. That the proposed unit area covered by said agreement embraces 1,520 acres, more or less, more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T. 16 S., R. 38 E.

Sec. 1: All

Sec. 2: Lots 1, 2, 7, 8, 9,  
10, 15, 16, SE $\frac{1}{4}$

2. That the lands embraced within the proposed unit area are all State lands.
3. That applicant is informed and believes, and upon such information and belief, states; 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 permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances.
4. That the Amerada Petroleum Corporation is designated as unit operator in said unit agreement, and as such is given authority under the terms thereof to carry on all operations necessary for the develop-

ment and operation of the unit area for oil and gas, subject to all applicable laws and regulations. That said unit agreement provides for the commencement of a test well for oil and gas upon some part of the lands embraced in the unit area on or before April 9, 1956, and for the drilling thereof with due diligence, to a depth sufficient to test the Devonian formation or to such a depth as unitized substances shall be discovered in paying quantities if at a lesser depth; provided, however, Operator is not required in any event to drill said well to a depth in excess of 12,750 feet.

5. That 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 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 will be obtained, and that said unit agreement is in the interest of the conservation of oil and gas and the prevention of waste as contemplated by the New Mexico Oil Conservation Commission statutes.

6. That application is being made for the approval of said unit agreement by the Commissioner of Public Lands of the State of New Mexico.

7. 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, an 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 and that upon said hearing, said unit agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and prevention of waste.

DATED this the 2<sup>nd</sup> day of March, 1956.

Respectfully submitted,

AMERADA PETROLEUM CORPORATION

By [Signature]