

Case 1086: Signal Oil & Gas Co.,
Application for an order granting approval
of its proposed West Ranger Unit Agreement.

Lake

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Case No.

1086

Application, Transcript,
Small Exhibits, Etc.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 1086
Order No. R-832

THE APPLICATION OF SIGNAL OIL
AND GAS COMPANY FOR APPROVAL
OF THE WEST RANGER LAKE UNIT
AGREEMENT EMBRACING 960 ACRES
MORE OR LESS IN SECTIONS 17, 18
AND 20, TOWNSHIP 11 SOUTH, RANGE
35 EAST, NMPM, LEA COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 20, 1956, at Hobbs, New Mexico, before Daniel S. Nutter, 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 2nd day of July 1956, the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," a quorum being present, having considered said application and the recommendations of the Examiner, Daniel S. Nutter, 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:

1. That this order shall be known as the:

WEST RANGER LAKE UNIT AGREEMENT ORDER

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

3. (a) That the West Ranger Lake 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 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 the exploration and development of any lands committed to said West Ranger Lake Unit Agreement, or relative to the production of oil or gas therefrom.

(b) That the unit operator periodically shall file with the Commission a West Ranger Lake Unit Statement of Progress summarizing operations for the exploration and development of any lands committed to said West Ranger Lake Unit Agreement. The 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 West Ranger Lake Unit area.

4. That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 11 SOUTH, RANGE 35 EAST, LEA COUNTY

All Section 17

SE/4 Section 18

NW/4 Section 20

containing 960 acres more or less.

5. That the unit operator shall file with the Commission an executed original or executed counterpart of the West Ranger Lake Unit Agreement within 30 days after the effective date thereof.

6. That any party owning rights in the unitized substances who does not commit said 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 or ratification.

7. That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands of the State of New Mexico and shall terminate ipso facto

-3-

Order No. R-832

upon the termination of said unit agreement. The last unit operator shall immediately notify the Commission 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. Simms

JOHN F. SIMMS, Chairman

E. S. Walker

E. S. WALKER, Member

A. L. Porter, Jr.

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



ir/

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
WEST RANGER LAKE UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 20th day of May, 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 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, Chapter 162, Laws of 1951; Chap. 7, Art. 11, Sec. 41, N.M. Statutes 1953 Annotated) to amend with the approval of the 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 term 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

BEFORE THE COMMISSION
ON CONSERVATION
SANTA FE
FILE 1086
EXHIBIT A

Exhibit "A"

WHEREAS, the parties hereto hold sufficient interests in the West Ranger Lake 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.

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

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T-11-S, R-35-E, Lea County, New Mexico

Section 17: All

Section 18: SE/4

Section 20: NW/4

containing 960 acres, more or less.

B. Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary.

C. 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.

SIGNAL OIL AND GAS COMPANY, a Delaware corporation, is hereby designated as Unit Operator and by signature hereto, commits to this agreement all interests in unitized substances vested in it, as set forth in Exhibit "B" and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances in accordance with the provisions hereof. 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 an interest 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.

A. 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 Section 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.

B. 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.

C. The resignation or removal of the Unit Operator under this agreement shall not terminate its 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, 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 a new Unit Operator is not selected to be used for the purpose of conducting unit operations hereunder. Nothing herein contained shall be construed as authorizing removal of any material, equipment or 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 65 per cent 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 65 per cent 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 election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS.

The Unit Operator shall pay in the first instances all costs and expenses incurred in conducting unit operations hereunder and such costs and expenses and the working interests 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 article, 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.

A. On or before July 9, 1956, the Unit Operator shall commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area, unless on such effective date, a well is being drilled conformably with the terms hereof, and shall drill said well with due diligence to a depth sufficient to encounter fluid in 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 the 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 13,500 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.

B. 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.

A. 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.

B. 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 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.

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

B. 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.

C. If the Unit Operator introduces gas obtained from sources other than the unitized lands 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.

D. 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 CONFORMED AND EXTENDED INSOFAR
AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA.

A. 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 and/or obtained from any such leased tract.

B. Any lease having only a portion of its lands 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 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 reworking operations on some part of the lands embraced in such lease, the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of unitized substances said leases 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 regulation.

14. DRAINAGE.

The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized lands by wells on land 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 the mutual consent 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 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 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 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, 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.

UNIT OPERATOR AND WORKING INTEREST OWNER

ATTEST:

V. F. Fawcett
Secretary
Date 5-23-56

SIGNAL OIL AND GAS COMPANY

By Joe Heath
Address 1010 FT. WORTH NATIONAL BANK BLDG.
FT. WORTH, TEXAS

WORKING INTEREST OWNERS

ATTEST:

Ken O'Neil
Asst Secretary M. M. O'NEIL
Date 5-25-56

GULF OIL CORPORATION

By W. H. Cardus
Attorney-in-Fact
Address P. O. Box 669
Roswell, New Mexico

Law	Ken
Compt	Ken
Exp.	ED
Proc.	

ATTEST:

Margaret W. Hallett
Assistant Secretary
Date 6-6-56

HUMBLE OIL & REFINING COMPANY

By Ray G. Baker
VICE PRESIDENT
Address P. O. Box 2180
Houston, Texas

APPROVED	
Law	CEH
Acctg	
Exp.	
Proc.	

JK

STATE OF TEXAS |

COUNTY OF TARRANT |

On this 23rd day of June, 1956, before me personally appeared R. H. Heath to me personally known, who being by me duly sworn did say that he is the Vice President of SIGNAL OIL AND GAS COMPANY 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 R. H. Heath 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.

My Commission Expires:

June 1, 1957

June Walker
Notary Public
JUNE WALKER

STATE OF TEXAS |

COUNTY OF TARRANT |

On this 25th day of May, 1956, before me personally appeared C. D. CORDRY to me personally known, who being by me duly sworn did say that he is the President 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 C. D. CORDRY 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.

My Commission Expires:

June 1, 1957

Eva Marie Cooper
Notary Public Eva Marie Cooper

STATE OF TEXAS |

COUNTY OF HARRIS |

On this 6 day of JUNE, 1956, before me personally appeared REX G. BAKER to me personally known, who being by me duly sworn did say that he is the VICE President of HUMBLE OIL & REFINING COMPANY 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 REX G. BAKER 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.

My Commission Expires:

June 1, 1957

Lilla Ellington
Notary Public

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

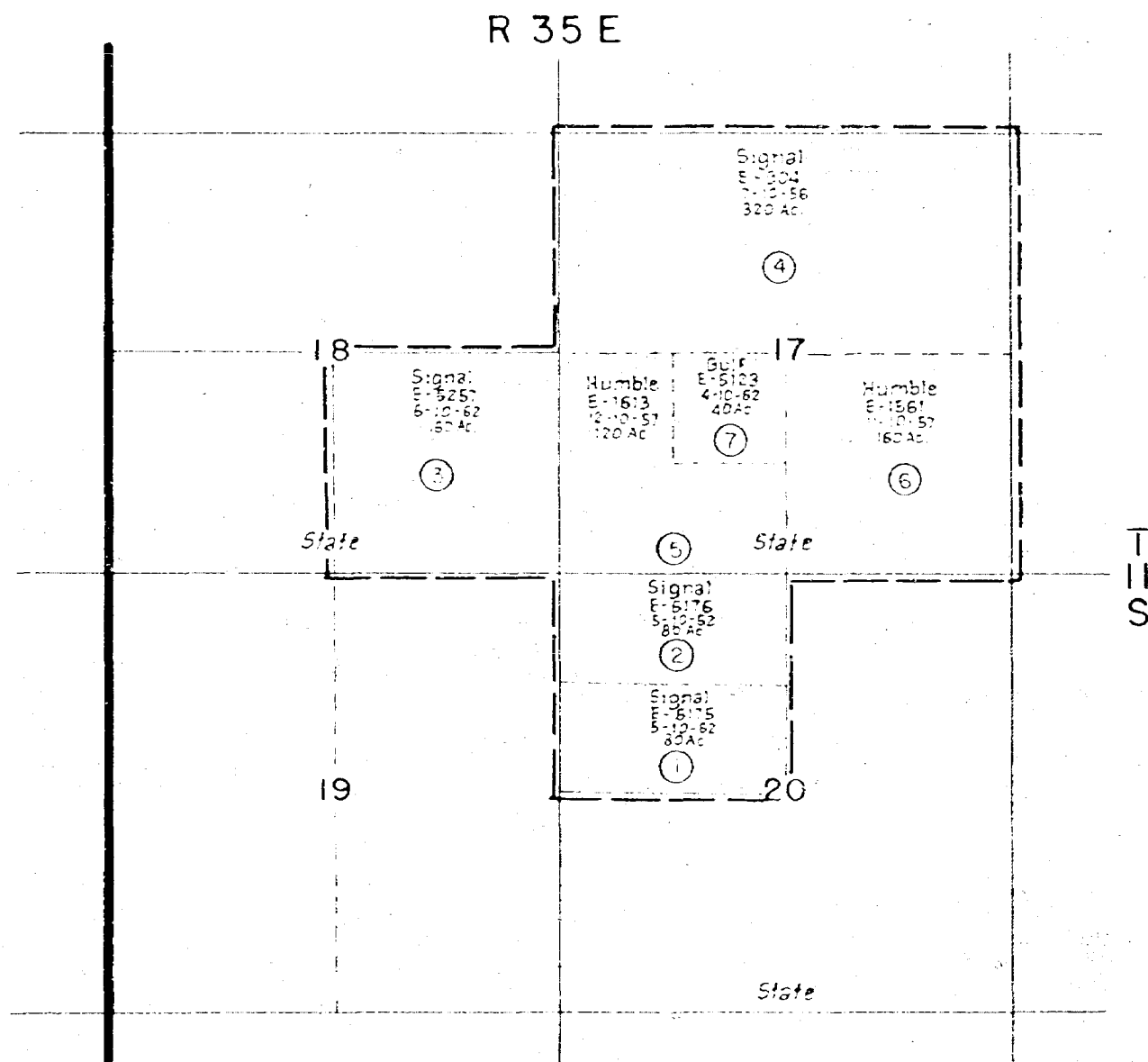
There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the West Ranger Lake Unit Area, Lea County, New Mexico, dated the _____ day of _____, 1956, in which the Signal Oil And Gas Company, a Delaware 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 West Ranger Lake 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 term 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 _____ day of _____, 1956.

Commissioner of Public Lands of
the State of New Mexico.



WEST RANGER LAKE UNIT
LEA COUNTY, NEW MEXICO
SCALE 1"=2000'

LEGEND

— UNIT BOUNDARY

○ TRACT NUMBER

TOTAL 960 ACRES

ALL OWNED BY THE STATE OF NEW MEXICO

EXHIBIT "A"

EXHIBIT "B"
WEST RANGER LAKE UNIT AREA, LEA COUNTY, NEW MEXICO
TOWNSHIP 11 SOUTH, RANGE 35 East

SCHEDULE 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. and Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest Owner
1.	<u>T-11-S, R-35-E</u> Section 20: S/2 NW/4	80	E-6175 5-10-52	State-All	Signal Oil And Gas Company	*	Signal Oil And Gas Co.
2.	<u>T-11-S, R-35-E</u> Section 20: N/2 NW/4	80	E-6176 5-10-52	State-All	Signal Oil And Gas Company	*	Signal Oil And Gas Co.
3.	<u>T-11-S, R-35-E</u> Section 19: SE/4	160	E-6257 6-10-52	State-All	Signal Oil And Gas Company	*	Signal Oil And Gas Co.
4.	<u>T-11-S, R-35-E</u> Section 17: N/2	320	E-904 7-10-46	State-All	Signal Oil And Gas Company	*	Signal Oil And Gas Co.
5.	<u>T-11-S, R-35-E</u> Section 17: NW/4 SW/4 SW/4 SW/4, SE/4 SW/4	120	E-1613 12-10-47	State-All	Humble Oil & Refining Co.	None	Humble Oil & Refining Co.
6.	<u>T-11-S, R-35-E</u> Section 17: SE/4	160	E-1561 11-10-47	State-All	Humble Oil & Refining Co.	None	Humble Oil & Refining Co.
7.	<u>T-11-S, R-35-E</u> Section 17: NE/4 SW/4	40	E-6123 4-10-52	State-All	Gulf Oil Corporation	None	Gulf Oil Corporation

RECAPITULATION

Percentages of Ownership of Unit Area

Working Interest Ownership

<u>Company</u>	<u>Acres</u>	<u>Percent of Ownership Entire Unit Area</u>
Signal Oil And Gas Company	640	66.667
Humble Oil & Refining Company	280	29.167
<u>Gulf Oil Corporation</u>	<u>40</u>	<u>04.166</u>
TOTAL	960 Acres	100.000%

All royalty owned by the State of New Mexico. * Oil Payment of \$160,000.00 owned by The Vickers Petroleum Co., Inc., payable from 1% of 8/8 of unitized production; overriding royalty of 1% of 8/8 of unitized production owned by Lonnie Kemper; said oil payment and overriding royalty interest to be borne solely by Signal Oil And Gas Company.

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

July 5, 1956

C
O
P
Y

Mr. Jack M. Campbell
Campbell & Russell
P.O. Box 721
Roswell, New Mexico

Dear Sir:

On behalf of your client, Signal Oil & Gas Company, we enclose two copies of Order R-832 issued July 2, 1956, by the Oil Conservation Commission in Case 1086, which was heard on June 20th in Hobbs.

Very truly yours,

A. L. Porter, Jr.
Secretary - Director

brp
Encls.

INTER-OFFICE TRANSMITTAL SLIP

6/22/56

TO Jack Gurler
FROM Dan Mullen

- () For Approval
() For Signature
() Note and Advise
() Note and Return
() For Your Files
(☒) For Your Handling

[Signature]
Re: Case 1086
Read by AM
at 9:00 AM
6/20/56
Haber, N.M.

Remarks

OK to write and order
approving this Unit Area.
Use standard unit order with
the "Statement of Progress"
clause req'd for all state
units

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF SIGNAL OIL AND)
GAS COMPANY FOR APPROVAL OF THE)
WEST RANGER LAKE UNIT AGREEMENT)
EMBRACING 960 ACRES MORE OR LESS)
IN SECTIONS 17, 18 AND 20, TOWN-)
SHIP 11 SOUTH, RANGE 35 EAST, LEA)
COUNTY, NEW MEXICO.)
)

Case No. 1086

Comes now Applicant, Signal Oil and Gas Company, by its attorneys, and requests the Commission to approve the West Ranger Lake Unit Agreement, and as its grounds therefor states:

1. All working interest owners under all of Section 17, SE $\frac{1}{4}$ Section 18, and NW $\frac{1}{4}$ Section 20, Township 11 South, Range 35 East, N.M.P.M., Lea County, New Mexico, have agreed to unitize this acreage for the development and operation of the West Ranger Lake Unit.

2. All of the above-described land is now covered by oil and gas leases to the working interest owners from the State of New Mexico, and the Commissioner of Public Lands has given his tentative approval to the form of unit agreement prepared by applicant.

3. The proposed unit agreement provides for future joinder by any parties not committing their rights to the unit before the effective date thereof.

4. The unit agreement and the operation of the proposed unit area will tend to promote the conservation of oil and gas and to prevent waste thereof.

WHEREFORE, applicant requests the Commission to set this matter down before an examiner for the Commission at the

earliest possible date, and further requests the Commission after hearing to approve the West Ray Lake Unit Agreement.

Respectfully submitted,

SIGNAL OIL AND GAS COMPANY

Jack M. Campbell

By Jack M. Campbell

For CAMPBELL & RUSSELL

Case
1086

In reply refer to:
Unit Division

June 29, 1956

Signal Oil and Gas Co.
Mid-Continent Division Office
1010 Fort Worth National Bank Bldg.
Fort Worth 2, Texas

Re: (West Ranger Lake)
Unit Agreement -
Lea County, N. Mex.

Attention: Mr. Wm. R. Allen
Mr. Jack Campbell
Attorneys at Law

Gentlemen:

We are handing you herewith seven copies of the West Ranger Lake Unit Agreement, which has been approved by the Commissioner of Public Lands June 29, 1956, subject to existing rules and regulations of the New Mexico Oil Conservation Commission.

We will transmit Official Receipt covering your filing fee in the amount of \$15.00 when it is issued.

Very truly yours,

E. S. WALKER
Commissioner of Public Lands

MMR/m
enc: 7

cc: OCC-Santa Fe

May 10, 1933

In reply refer to:
Unit Division

Signal Oil and Gas Co.
Mid-Continent Division Office
1010 Fort Worth National Bank Bldg.
Fort Worth 2, Texas

Re: West Ranger Lake
Unit Agreement -
Lea County, N. Mex.

Attention: Mr. Wm. R. Allen
Attorney at Law

Gentlemen:

Our attorney has today approved your West Ranger
Lake Unit Agreement as to form and context.

We would call your attention to the fact that
Tract No. 4, which is contained in State Lease E-904,
is in the name of Vickers Petroleum Co., Inc. However,
we assume you contemplate filing an assignment on this
lease before the completion of this Unit.

Please let us know if we can be of further assis-
tance to you.

Very truly yours,

E. S. WALKER
Commissioner of Public Lands

MMR/m

cc: Mr. Jack Campbell, Attorney at Law
J. P. White Building
Roswell, New Mexico
OCC-Santa Fe

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF SIGNAL OIL AND
GAS COMPANY FOR APPROVAL OF THE
WEST RANGER LAKE UNIT AGREEMENT
EMBRACING 960 ACRES MORE OR LESS
IN SECTIONS 17, 18 AND 20, TOWN-
SHIP 11 SOUTH, RANGE 35 EAST, LEA
COUNTY, NEW MEXICO.

Case No. 1031

Comes now Applicant, Signal Oil and Gas Company, by
its attorneys, and requests the Commission to approve the West
Ranger Lake Unit Agreement, and as its grounds therefor states:

1. All working interest owners under all of Section 17,
SE $\frac{1}{4}$ Section 18, and NW $\frac{1}{4}$ Section 20, Township 11 South, Range 35
East, N.M.P.M., Lea County, New Mexico, have agreed to unitize
this acreage for the development and operation of the West Ranger
Lake Unit.

2. All of the above-described land is now covered by
oil and gas leases to the working interest owners from the State
of New Mexico, and the Commissioner of Public Lands has given his
tentative approval to the form of unit agreement prepared by
applicant.

3. The proposed unit agreement provides for future
joinder by any parties not committing their rights to the unit
before the effective date thereof.

4. The unit agreement and the operation of the pro-
posed unit area will tend to promote the conservation of oil and
gas and to prevent waste thereof.

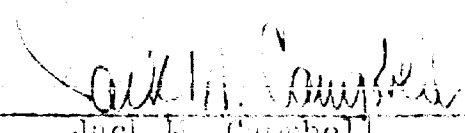
WHEREFORE, applicant requests the Commission to set
this matter down before an examiner for the Commission at the

earliest possible date, and further requests the Commission either
hearing to approve the settlement or to refuse it.

Attest my hand and seal this day,

SPECIAL OIL AND GAS COMMISSIONER

By


Jack M. Campbell

For CAMPBELL & RUSSELL

RATIFICATION OF UNIT AGREEMENT

STATE OF NEW MEXICO
COUNTY OF LEA

KNOW ALL MEN BY THESE PRESENTS:

THAT WHEREAS, Lonnie Kemper hereby acknowledges receipt of a true and correct counterpart of the Unit Agreement for the development and operation of the West Ranger Lake Unit, Lea County, New Mexico, a copy of which is attached hereto and made a part hereof for all purposes, and which said agreement is hereinafter referred to as "Unit Agreement"; and

WHEREAS, Lonnie Kemper represents that he is the owner of an overriding royalty interest in the lands covered by said Unit Agreement and subject to one or more of the leases affected by said agreement; and

WHEREAS, Lonnie Kemper being familiar with the contents of said Unit Agreement, desires to ratify and confirm said Unit Agreement;

NOW, THEREFORE, in consideration of the premises and the benefits to be derived therefrom, Lonnie Kemper does hereby ratify and confirm said Unit Agreement with respect to his overriding royalty interest in all of the lands covered by said Unit Agreement, hereby becoming a party to said Unit Agreement to the same extent as if he had executed the Unit Agreement or a counterpart thereof prior to the date thereof.

Lonnie Kemper agrees that his overriding royalty interest in the Unit is pooled and combined in accordance with and subject to all the terms and conditions specified in said Unit Agreement.

This agreement shall be binding upon Lonnie Kemper, his heirs, legal representatives and assigns.

IN WITNESS WHEREOF, Lonnie Kemper has caused this agreement to be executed as of the 1st day of June, 1956.

Lonnie Kemper

LONNIE KEMPER

BEFORE THE
COMMISSION
ON COMMISSIONERS
STATE OF NEW MEXICO
CASE 1086 EXHIBIT No. B

Exhibit "B"

STATE OF New Mexico |

COUNTY OF Chaves |

On this the 1st day of June, 1956, before me personally appeared LOUIE KEMPER to me personally 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 official seal on the day and year in this certificate first above written.

Blanche M. Allen
Notary Public

My Commission Expires:

12-2-57

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
WEST RANGER LAKE UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the ____ day of _____, 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 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, Chapter 162, Laws of 1951; Chap. 7, Art. 11, Sec. 41, N.M. Statutes 1953 Annotated) to amend with the approval of the 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 term 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 West Ranger Lake 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.

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

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T-11-S, R-35-E, Lea County, New Mexico

Section 17: All

Section 18: SE/4

Section 20: NW/4

containing 960 acres, more or less.

B. Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary.

C. 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.

SIGNAL OIL AND GAS COMPANY, a Delaware corporation, is hereby designated as Unit Operator and by signature hereto, commits to this agreement all interests in unitized substances vested in it, as set forth in Exhibit "B" and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances in accordance with the provisions hereof. 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 an interest 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.

A. 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 Section 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.

B. 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.

C. The resignation or removal of the Unit Operator under this agreement shall not terminate its 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, 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 a new Unit Operator is not selected to be used for the purpose of conducting unit operations hereunder. Nothing herein contained shall be construed as authorizing removal of any material, equipment or 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 65 per cent 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 65 per cent 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 election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS.

The Unit Operator shall pay in the first instances all costs and expenses incurred in conducting unit operations hereunder and such costs and expenses and the working interests 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 article, 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.

A. On or before July 9, 1956, the Unit Operator shall commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area, unless on such effective date, a well is being drilled conformably with the terms hereof, and shall drill said well with due diligence to a depth sufficient to encounter fluid in 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 the 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 13,500 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.

B. 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.

A. 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.

B. 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 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.

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

B. 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.

C. If the Unit Operator introduces gas obtained from sources other than the unitized lands 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.

D. 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 CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA.

A. 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 and/or obtained from any such leased tract.

B. Any lease having only a portion of its lands 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 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 reworking operations on some part of the lands embraced in such lease, the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of unitized substances said leases 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 regulation.

14. DRAINAGE.

The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized lands by wells on land 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 the mutual consent 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 JOINDER.

Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for riral 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 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, 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.

UNIT OPERATOR AND WORKING INTEREST OWNER

ATTEST:

SIGNAL OIL AND GAS COMPANY

Secretary
Date _____

By _____
Address _____

WORKING INTEREST OWNERS

ATTEST:

GULF OIL CORPORATION

Secretary
Date _____

By _____
Address _____

ATTEST:

HUMBLE OIL & REFINING COMPANY

Secretary
Date _____

By _____
Address _____

STATE OF TEXAS |

COUNTY OF TARRANT |

On this _____ day of _____, 1956, before me personally appeared _____ to me personally known, who being by me duly sworn did say that he is the Vice President of SIGNAL OIL AND GAS COMPANY 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 _____ 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.

My Commission Expires: _____

Notary Public

STATE OF _____ |

COUNTY OF _____ |

On this _____ day of _____, 1956, before me personally appeared _____ to me personally known, who being by me duly sworn did say that he is the _____ President of GULF OIL CORPORATION and that the seal affixed to 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 _____ 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.

My Commission Expires: _____

Notary Public

STATE OF _____ |

COUNTY OF _____ |

On this _____ day of _____, 1956, before me personally appeared _____ to me personally known, who being by me duly sworn did say that he is the _____ President of HUMBLE OIL & REFINING COMPANY 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 _____ 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.

My Commission Expires: _____

Notary Public

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

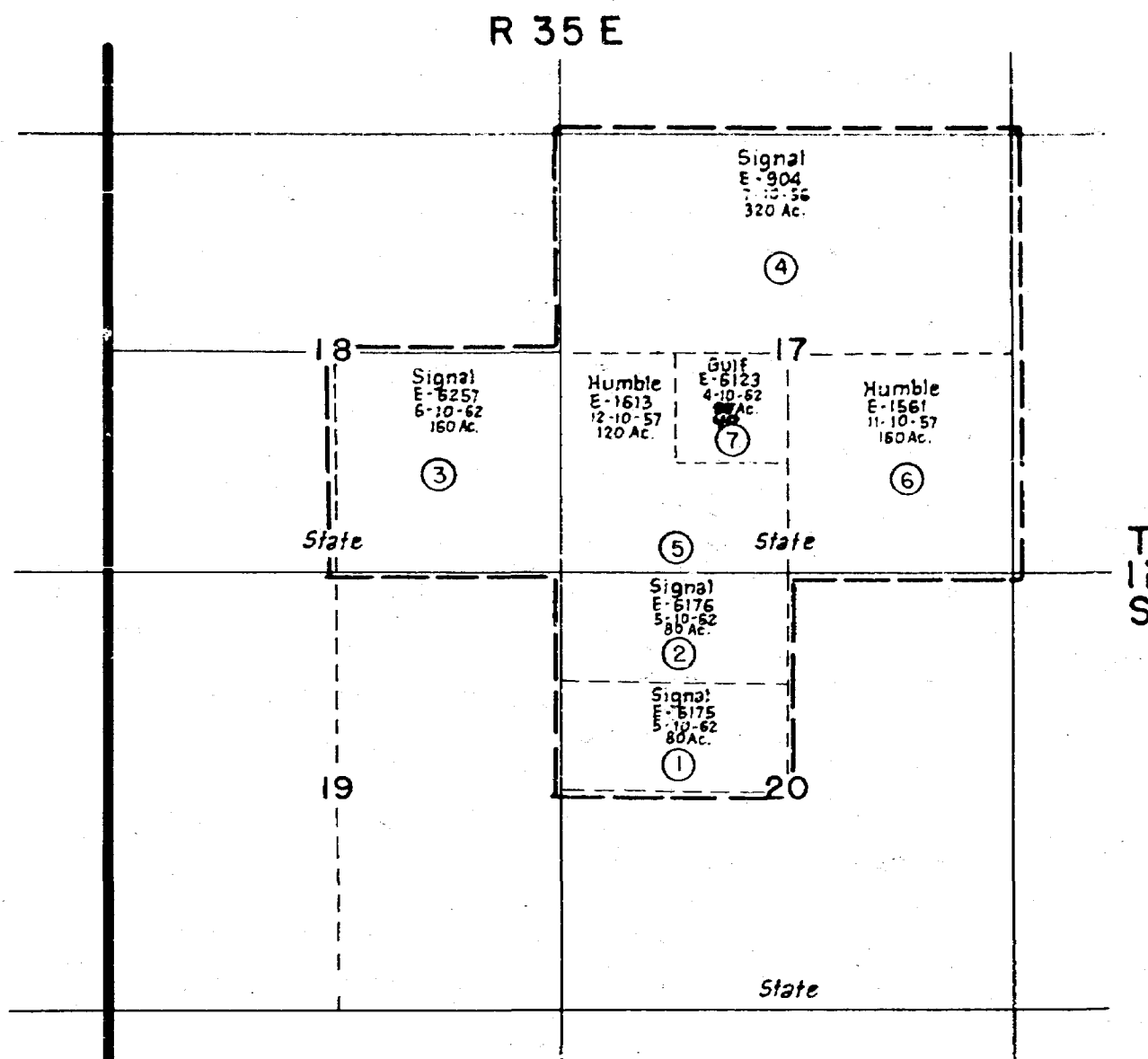
There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the West Ranger Lake Unit Area, Lea County, New Mexico, dated the _____ day of _____, 1956, in which the Signal Oil And Gas Company, a Delaware 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 West Ranger Lake 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 term 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 _____ day of _____, 1956.

Commissioner of Public Lands of
the State of New Mexico.



WEST RANGER LAKE UNIT
LEA COUNTY, NEW MEXICO
SCALE 1"=2000'

LEGEND

— UNIT OUTLINE

○ TRACT NUMBER

TOTAL 960 ACRES

ALL OWNED BY THE STATE OF NEW MEXICO

EXHIBIT "A"

EXHIBIT "B"
WEST RANGER LAKE UNIT AREA, IEA COUNTY, NEW MEXICO
TOWNSHIP 11 SOUTH, RANGE 35 East

SCHEDULE 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. and Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest Owner
1.	<u>T-11-S, R-35-E</u> Section 20: S/2 NW/4	80	E-6175 5-10-52	State-All	Signal Oil And Gas Company	*	Signal Oil And Gas Co.
2.	<u>T-11-S, R-35-E</u> Section 20: N/2 NW/4	80	E-6176 5-10-52	State-All	Signal Oil And Gas Company	*	Signal Oil And Gas Co.
3.	<u>T-11-S, R-35-E</u> Section 18: SE/4	160	E-6257 6-10-52	State-All	Signal Oil And Gas Company	*	Signal Oil And Gas Co.
4.	<u>T-11-S, R-35-E</u> Section 17: N/2	320	E-904 7-10-46	State-All	Signal Oil And Gas Company	*	Signal Oil And Gas Co.
5.	<u>T-11-S, R-35-E</u> Section 17: NW/4 SW/4 SW/4 SW/4, SE/4 SW/4	120	E-1613 12-10-47	State-All	Humble Oil & Refining Co.	None	Humble Oil & Refining Co.
6.	<u>T-11-S, R-35-E</u> Section 17: SE/4	160	E-1561 11-10-47	State-All	Humble Oil & Refining Co.	None	Humble Oil & Refining Co.
7.	<u>T-11-S, R-35-E</u> Section 17: NE/4 SW/4	40	E-6123 4-10-52	State-All	Gulf Oil Corporation	None	Gulf Oil Corporation

RECAPITULATION

Percentages of Ownership of Unit Area

Working Interest Ownership

<u>Company</u>	<u>Acres</u>	<u>Percent of Ownership Entire Unit Area</u>
Signal Oil And Gas Company	640	66.667
Humble Oil & Refining Company	280	29.167
<u>Gulf Oil Corporation</u>	<u>40</u>	<u>04.166</u>
TOTAL	960 Acres	100.000%

All royalty owned by the State of New Mexico. * Oil Payment of \$160,000.00 owned by The Vickers Petroleum Co., Inc., payable from 1% of 8/8 of unitized production; overriding royalty of 1% of 8/8 of unitized production owned by Lonnie Kemper; said oil payment and overriding royalty interest to be borne solely by Signal Oil And Gas Company.

RATIFICATION OF UNIT AGREEMENT

STATE OF NEW MEXICO

COUNTY OF LEA

I
KNOW ALL MEN BY THESE PRESENTS:
I

THAT WHEREAS, The Vickers Petroleum Company, Inc., hereby acknowledges receipt of a true and correct counterpart of the Unit Agreement for the development and operation of the West Ranger Lake Unit, Lea County, New Mexico, a copy of which is attached hereto and made a part hereof for all purposes, and which said agreement is hereinafter referred to as "Unit Agreement"; and

WHEREAS, The Vickers Petroleum Company, Inc., represents that it is the owner of a determinable overriding royalty interest in the lands covered by said Unit Agreement and subject to one or more of the leases affected by said agreement; and

WHEREAS, The Vickers Petroleum Company, Inc., being familiar with the contents of said Unit Agreement, desires to ratify and confirm said Unit Agreement;

NOW, THEREFORE, in consideration of the premises and the benefits to be derived therefrom, The Vickers Petroleum Company, Inc., does hereby ratify and confirm said Unit Agreement with respect to its determinable overriding royalty interest in all of the lands covered by said Unit Agreement, hereby becoming a party to said Unit Agreement to the same extent as if it had executed the Unit Agreement or a counterpart thereof prior to the date thereof.

The Vickers Petroleum Company, Inc., agrees that its determinable overriding royalty interest in the Unit is pooled and combined in accordance with and subject to all the terms and conditions specified in said Unit Agreement.

This agreement shall be binding upon The Vickers Petroleum Company, Inc., its legal representatives, successors and assigns.

OIL CODE
SALE
BUTLER AND
COMMISSION
C
CASE 1086

Exhibit "C"

IN WITNESS WHEREOF, The Vickers Petroleum Company, Inc.,
has caused this agreement to be executed as of the 29 day of
May, 1956.

ATTEST:

THE VICKERS PETROLEUM COMPANY

McGraw
Secretary

By L. D. Breitwieser
Vice President

STATE OF Kansas |
COUNTY OF Sedgwick |

On this 29th day of May, 1956, before me
personally appeared L. D. Breitwieser to me personally
known, who being by me duly sworn did say that he is the Vice President
of THE VICKERS PETROLEUM COMPANY 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 L. D. Breitwieser
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.

My Commission Expires:

July 10, 1957

Wilma Shaples
Notary Public

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
WEST RANGER LAKE UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the _____ day of _____, 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 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, Chapter 162, Laws of 1951; Chap. 7, Art. 11, Sec. 41, N.M. Statutes 1953 Annotated) to amend with the approval of the 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 term 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 West Ranger Lake 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.

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

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T-11-S. R-35-E. Lea County, New Mexico

Section 17: All

Section 18: SE/4

Section 20: NW/4

containing 960 acres, more or less.

B. Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary.

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C. 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.

SIGNAL OIL AND GAS COMPANY, a Delaware corporation, is hereby designated as Unit Operator and by signature hereto, commits to this agreement all interests in unitized substances vested in it, as set forth in Exhibit "B" and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances in accordance with the provisions hereof. 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 an interest 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.

A. 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 Section 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.

B. 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.

C. The resignation or removal of the Unit Operator under this agreement shall not terminate its 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, 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 a new Unit Operator is not selected to be used for the purpose of conducting unit operations hereunder. Nothing herein contained shall be construed as authorizing removal of any material, equipment or 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 65 per cent 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 65 per cent 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 election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS.

The Unit Operator shall pay in the first instances all costs and expenses incurred in conducting unit operations hereunder and such costs and expenses and the working interests 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 article, 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.

A. On or before July 9, 1956, the Unit Operator shall commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area, unless on such effective date, a well is being drilled conformably with the terms hereof, and shall drill said well with due diligence to a depth sufficient to encounter fluid in 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 the 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 13,500 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.

B. 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.

A. 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.

B. 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 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.

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

B. 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.

C. If the Unit Operator introduces gas obtained from sources other than the unitized lands 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.

D. 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 CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA.

A. 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 and/or obtained from any such leased tract.

B. Any lease having only a portion of its lands 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 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 reworking operations on some part of the lands embraced in such lease, the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of unitized substances said leases 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 regulation.

14. DRAINAGE.

The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized lands by wells on land 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 the mutual consent 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 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, 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.

UNIT OPERATOR AND WORKING INTEREST OWNER

SIGNAL OIL AND GAS COMPANY

ATTEST:

Secretary
Date _____

By _____
Address _____

WORKING INTEREST OWNERS

GULF OIL CORPORATION

ATTEST:

Secretary
Date _____

By _____
Address _____

HUMBLE OIL & REFINING COMPANY

ATTEST:

Secretary
Date _____

By _____
Address _____

STATE OF TEXAS {

COUNTY OF TARRANT {

On this _____ day of _____, 1956, before me personally appeared _____ to me personally known, who being by me duly sworn did say that he is the Vice President of SIGNAL OIL AND GAS COMPANY 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 _____ 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.

My Commission Expires: _____

Notary Public

STATE OF _____ {

COUNTY OF _____ {

On this _____ day of _____, 1956, before me personally appeared _____ to me personally known, who being by me duly sworn did say that he is the _____ President of GULF OIL CORPORATION and that the seal affixed to 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 _____ 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.

My Commission Expires: _____

Notary Public

STATE OF _____ {

COUNTY OF _____ {

On this _____ day of _____, 1956, before me personally appeared _____ to me personally known, who being by me duly sworn did say that he is the _____ President of HUMBLE OIL & REFINING COMPANY 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 _____ 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.

My Commission Expires: _____

Notary Public

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

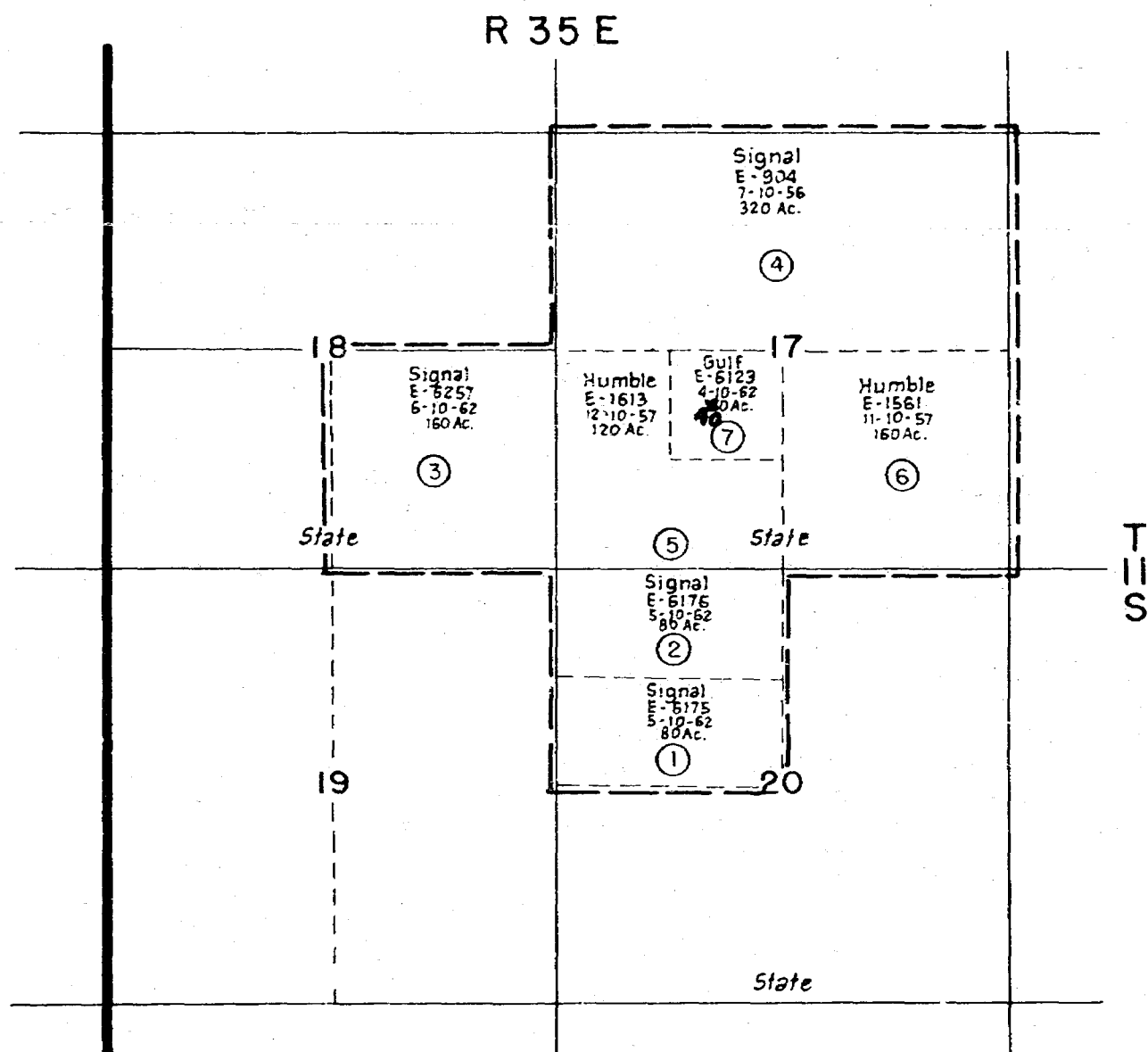
There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the West Ranger Lake Unit Area, Lea County, New Mexico, dated the _____ day of _____, 1956, in which the Signal Oil And Gas Company, a Delaware 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 West Ranger Lake 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 term 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 _____ day of _____, 1956.

Commissioner of Public Lands of
the State of New Mexico.



WEST RANGER LAKE UNIT
LEA COUNTY, NEW MEXICO
SCALE 1"=2000'

LEGEND

— UNIT OUTLINE

○ TRACT NUMBER

TOTAL 960 ACRES

ALL OWNED BY THE STATE OF NEW MEXICO

EXHIBIT "A"

EXHIBIT "B"
WEST RANGER LAKE UNIT AREA, LEA COUNTY, NEW MEXICO
TOWNSHIP 11 SOUTH, RANGE 35 East

SCHEDULE 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. and Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest Owner
1.	<u>T-11-S, R-35-E</u> Section 20: S/2 NW/4	80	E-6175 5-10-52	State-All	Signal Oil And Gas Company	*	Signal Oil And Gas Co.
2.	<u>T-11-S, R-35-E</u> Section 20: N/2 NW/4	80	E-6176 5-10-52	State-All	Signal Oil And Gas Company	*	Signal Oil And Gas Co.
3.	<u>T-11-S, R-35-E</u> Section 18: SE/4	160	E-6257 6-10-52	State-All	Signal Oil And Gas Company	*	Signal Oil And Gas Co.
4.	<u>T-11-S, R-35-E</u> Section 17: N/2	320	E-904 7-10-46	State-All	Signal Oil And Gas Company	*	Signal Oil And Gas Co.
5.	<u>T-11-S, R-35-E</u> Section 17: NW/4 SW/4 SW/4 SW/4, SE/4 SW/4	120	E-1613 12-10-47	State-All	Humble Oil & Refining Co.	None	Humble Oil & Refining Co.
6.	<u>T-11-S, R-35-E</u> Section 17: SE/4	160	E-1561 11-10-47	State-All	Humble Oil & Refining Co.	None	Humble Oil & Refining Co.
7.	<u>T-11-S, R-35-E</u> Section 17: NE/4 SW/4	40	E-6123 4-10-52	State-All	Gulf Oil Corporation	None	Gulf Oil Corporation

RECAPITULATION

Percentages of Ownership of Unit Area

Working Interest Ownership

<u>Company</u>	<u>Acres</u>	<u>Percent of Ownership Entire Unit Area</u>
Signal Oil And Gas Company	640	66.667
Humble Oil & Refining Company	280	29.167
<u>Gulf Oil Corporation</u>	<u>40</u>	<u>04.166</u>
TOTAL	960 Acres	100.000%

All royalty owned by the State of New Mexico. * Oil Payment of \$160,000.00 owned by The Vickers Petroleum Co., Inc., payable from 1% of 8/8 of unitized production; overriding royalty of 1% of 8/8 of unitized production owned by Lonnie Kemper; said oil payment and overriding royalty interest to be borne solely by Signal Oil And Gas Company.

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
June 20, 1956

R-832

IN THE MATTER OF:

CASE NO. 1086

TRANSCRIPT OF PROCEEDINGS

DEARNLEY-MEIER AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO
JUNE 20, 1956

IN THE MATTER OF:

CASE 1086: Application of Signal Oil and Gas Company for an order granting approval of its proposed West Ranger Lake Unit Agreement comprising 960 acres, more or less, in Township 11 South, Range 35 East, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order granting approval of its proposed West Ranger Lake Unit Agreement; said unit comprising all of Section 17, SE/4 Section 18 and NW/4 Section 20, Township 11 South, Range 35 East, Lea County, New Mexico, and consisting of 960 acres, more or less, all of which are State of New Mexico lands.

BEFORE:

Mr. Daniel S. Nutter, Examiner.

P R O C E E D I N G S

MR. NUTTER: The next case on the docket will be 1086, application of Signal Oil and Gas Company for an order granting approval of their West Ranger Lake Unit Agreement.

MR. CAMPBELL: If the Commission please, this is an application of Signal Oil and Gas Company for the approval of the West Ranger Lake Unit Agreement. I am Jack M. Campbell, of Campbell & Russell, Roswell, New Mexico, appearing on behalf of the Applicant.

W. R. A L L E N

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

DIRECT EXAMINATION

BY MR. CAMPBELL:

Q Would you state your name, please?

A W. R. Allen.

Q Where do you live, Mr. Allen? A Fort Worth, Texas.

Q By whom are you employed?

A Signal Oil and Gas Company.

Q And in what capacity?

A In the legal department.

Q In connection with your employment by Signal Oil and Gas Company, are you acquainted with the proposed unit agreement for the development and operation of the West Ranger Lake Unit in Lea County, New Mexico?

A I am.

Q I hand you what has been identified as Exhibit A, and ask you to state what that is.

A This is a fully executed copy of the Unit Agreement for the development and operation of the West Ranger Lake Unit Agreement in Lea County, New Mexico.

Q Referring to the Unit Agreement, would you state for the Commission the area that is proposed to be covered by this Unit?

A It will cover All of Section 17, SE/4 Section 18, and the NW/4, Section 20, Township 11 South, Range 35 East, Lea County, New Mexico.

Q That is a total unit area of 960 acres, is it not?

A That is correct.

Q And will you state for the Commission who the working interest owners are within the proposed unit area?

A The working interest owners are Signal Oil and Gas Company, Humble Oil and Refining Company, and Gulf Oil Corporation.

Q Does the Unit Agreement in Exhibit A and Exhibit B indicate the extent of ownership by each of those working interest owners?

A It does.

Q And who are the royalty owners within the Unit area?

A All of the royalty is owned by the State of New Mexico.

Q Mr. Allen, has this proposed Unit Agreement been submitted to the Commissioner of Public Lands for preliminary approval as to form?

A It has been submitted and has been preliminarily approved.

Q Does the Unit Agreement contain the provisions segregating the state acreage within and without the unit area?

A It does.

Q Have all of the working interest owners executed the Unit Agreement?

A Yes, sir.

Q Are there any overriding royalties or payments out of production in the area that will be encompassed in the Unit?

A There are, an overriding royalty of one per cent of unitized substances owned by Lonnie Kemper, and is to be borne solely by Signal Oil and Gas Company. Jack, may I see that other agreement just a minute. No, the executed copy of Unit Agreement. And an oil payment of \$160,000.00 payable from one per cent of unitized production owned by the Vickers Petroleum Company, Inc., which also is to be borne solely by Signal Oil and Gas Company.

Q Mr. Allen, I hand you what has been identified as Exhibit B, and ask you to state what that is.

A That is a ratification of the Unit Agreement which has been executed by Lonnie Kemper, that was ratified on June 1st, I believe.

Q Then, Mr. Allen, Lonnie Kemper, the owner of an overriding royalty has ratified this Unit Agreement by this ratification dated

June 1st, 1956, is that correct?

A That is correct.

Q I now hand you what has been identified as Exhibit C, and ask you to state what that is.

A This is a ratification of the Unit Agreement by the Vickers Petroleum Company, Inc., which was executed on the 29th day of May, 1956. They are the owner of an oil payment in the unitized area.

Q Then, Mr. Allen, all of the working interest and owners of overriding royalty or production payment owners have executed or ratified this Unit Agreement, is that correct?

A That is correct.

Q Now, Mr. Allen, will you state what provisions the Unit Agreement contains with reference to the development of the Unit area?

A It provides for the drilling of a Devonian well, and provides for commencement on or before July 9, 1956, and for the further development to be contingent upon the results determined by the initial test well.

Q That is the earliest expiration date of any State lease within the Unit area, Mr. Allen?

A The earliest expiration date is the State lease No. E-904, which terminates July 10, 1956. It covers the north half of Section 17, in addition to other acreage which is without the Unit.

Q Mr. Allen, in connection with your work on this Unit Agreement, is it your opinion that if the Unit Agreement is approved it will tend to promote the conservation of oil and gas and protect the correlative rights of owners within the Unit area?

A That is my opinion.

MR. CAMPBELL: I would like to offer in evidence Exhibits

A, B and C.

MR. NUTTER: Any objection to the introduction of these exhibits? If not, they will be received in evidence.

MR. CAMPBELL: I have no further questions of this witness.

Q (By Mr. Nutter.) Does the Unit Agreement call for the drilling of any other wells provided this first Devonian test is a dry hole?

A No, sir, it doesn't.

Q It does not?

A Not specifically.

Q But further development if you get a producer, of course?

A Yes.

MR. NUTTER: Mr. Campbell, do you have a witness to testify to the size of the Unit and why it is based --

MR. CAMPBELL: Yes, sir, I do. I have a geological witness with an exhibit on the contour.

MR. NUTTER: I believe that is all. Any further questions of the witness? If not, he may be excused.

(Witness excused.)

LEWIS WALLACE.

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

DIRECT EXAMINATION

BY MR. CAMPBELL:

Q State your name, please.

A Lewis Wallace.

Q Where do you live, Mr. Wallace?

A Fort Worth, Texas.

Q By whom are you employed, and in what capacity?

A Signal Oil and Gas Company, Division Geologist.

Q Have you previously testified before the New Mexico Oil Conservation Commission?

A No, sir.

Q Will you please give the examiner a brief statement of your educational background, your professional experience.

A I received a Bachelor of Science Degree in 1937 from the University of Oklahoma, and worked for the Superior Oil Company of California as geologist from 1937 to 1943. From 1943 to the present, I have been employed by the Signal Oil and Gas Company as Division Geologist of the Mid-Continent Division which covers New Mexico, Western Texas.

Q Then, for the past approximately eight years you have worked in the West Texas-New Mexico area, Mid-Continent?

A That is correct, and from 1940 to 1944, I was stationed at Midland, Texas, for Superior.

Q I hand you what has been identified as Exhibit D and ask you to state what that is.

A This is a sub-surface map contoured on the top of the Devonian of the area immediately surrounding the proposed unit.

Q Was that contour prepared by you or under your supervision?

A It was.

Q Referring to your Exhibit D, will you state what your interpretation of that contour map is?

A My interpretation of this map is that of a **fault trending Northwest-Southeast** with a closure in the immediate vicinity of the proposed unit.

Q Does that contour indicate to you the possibility of a common source of supply or part of a common source of supply within all

or a portion of the proposed unit area? A It does.

Q In your opinion, based upon your experience in this area, based upon what control is available to you in the vicinity of the unit area, is it your opinion that your interpretation as indicated on Exhibit D is a reasonable interpretation of the geology?

A Yes, sir.

MR. CAMPBELL: I believe that is all.

MR. NUTTER: Does anyone have any questions of this witness?

Q (By Mr. Reeder.) I wonder, sir, would you go through the degree of control that you have here?

A The structural control is limited to five deep tests which were used for the spacing of these contours.

MR. CAMPBELL: I might ask a question, Mr. Reeder, that will help in that regard. Mr. Wallace, has your company conducted seismograph operations in this area?

A It has.

MR. REEDER: Do the results of your seismograph operations generally confirm the interpretation, the geological interpretation which you have made here?

A They do.

MR. REEDER: That is all.

MR. NUTTER: Is there any further questions of this witness? If not, the witness may be excused.

(Witness excused.)

MR. NUTTER: Does anyone have any further statements or testimony in this case?

MR. CAMPBELL: If the Commission please, I would like to offer

Exhibit D in evidence.

MR. NUTTER: Is there any objection to the introduction of Exhibits A through D? If not, they will be received.

MR. CAMPBELL: As the testimony indicates, one of the leases within this proposed unit area expires by the terms, July 9th, and while it is the intention of the operator to commence a well before July the 9th, it is also possible that something may occur to necessitate a delay beyond that period. If the unit agreement is not certified for approval by the Commissioner of Public Lands before that date, it is quite obvious that that lease would expire. We would therefore like to request that this matter be expedited as much as possible, commensurate with the other work of the Commission.

MR. GURLEY: Mr. Campbell, when was the last signature obtained on this Unit Agreement?

MR. CAMPBELL: Well, there is one here the 6th of June by Humble Oil and Refining Company.

MR. NUTTER: You have a hundred per cent commitments?

MR. CAMPBELL: Yes, sir.

MR. GURLEY: 6th of June is when Humble signed it?

MR. CAMPBELL: Yes, sir.

MR. GURLEY: When was it started?

MR. CAMPBELL: I would have to call upon Mr. Allen. You mean the negotiations? Mr. Allen may be able to enlighten you on that.

MR. ALLEN: That was two months ago.

MR. NUTTER: Mr. Campbell, would the Signal Oil and Gas Company be willing to file periodic statements of progress every six months?

MR. CAMPBELL: I am certain they would, because they undoubtedly would file one with the Commissioner of Public Lands, and certainly would be glad to file one with the Commission.

MR. NUTTER: Is there anything further in this case? Being nothing further in this case, we will take the case under advisement.

* * * * *

C E R T I F I C A T E

STATE OF NEW MEXICO)
:SS
COUNTY OF BERNALILLO)

I, THURMAN J. MOODY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in Stenotype and later same was reduced to typewritten transcript by me and/or under my personal supervision, and that same is a true and correct transcript to the best of my knowledge, skill and ability.

WITNESS MY HAND AND SEAL, this, the 26th day of June, 1956, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Thurman J. Moody
Notary Public

My Commission Expires
April 3, 1960.

June 26, 1957

In reply refer to:
Unit Division

Signal Oil and Gas Company
1010 National Bank Building
Fort Worth, Texas

Attention: Mr. Bill Allen

Humble Oil and Refining Co.
P. O. Box 1287
Roswell, New Mexico

Gulf Oil Corporation
P. O. Drawer 669
Roswell, New Mexico

Re: West Ranger Lake Unit -
Your File No. 1628
Lea County, New Mexico

Gentlemen:

In reference to your telephone conversation with our attorney, Mr. William O. Jordan, we wish to advise that a statement from you terminating the West Ranger Lake Unit according to Section 8B of the unit agreement would be sufficient for our records. We consider this unit terminated as of May 24, 1957.

If there is any further information that you desire, please contact the Unit Division.

Very truly yours,

MURRAY E. MORGAN
Commissioner of Public Lands

By: Ted Riherry, Supervisor
Oil and Gas Department

MEM:TMW/E
cc: OCC-Santa Fe

MAIN OFFICE OCC

1957 JUL 29 AM 8:28

July 29, 1957

In reply refer to:
Unit Division

Signal Oil and Gas Company
1010 Fort Worth National Bank Building
Fort Worth 2, Texas

Humble Oil and Refining Co.
P. O. Box 2180
Houston, Texas

Humble Oil and Refining Co.
P. O. Box 1287
Roswell, New Mexico

Gulf Oil Corporation
P. O. Drawer 669
Roswell, New Mexico

Re: Termination of
West Ranger Lake Unit -
Lea County, New Mexico

Gentlemen:

This is to advise you that pursuant to your request and in accordance with the terms set forth in the West Ranger Lake Unit Agreement, we have terminated this Unit effective as of May 24, 1957, and our records will so reflect.

Very truly yours,

MURRAY E. MORGAN
Commissioner of Public Lands

By: Ted Bilberry, Supervisor
Oil and Gas Department

MEM:MNR/m

cc: OCC-Santa Fe

State of New Mexico



ALEX J. ARMIJO
COMMISSIONER



Commissioner of Public Lands

May 9, 1980

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

REGISTERED MAIL

Harper Oil Company
904 Hightower Building
Oklahoma City, Oklahoma 73102

1086

Re: West Ranger Lake Unit
Lea County, New Mexico

ATTENTION: Mr. Rod Eaton

Gentlemen:

Please disregard our letter of March 3, 1980 regarding the termination of the West Ranger Lake Unit, Lea County, New Mexico.

This letter serves to officially notify you that the West Ranger Lake Unit has terminated by its own terms effective as of February 20, 1980, for failure to comply with Section 8 of the unit agreement.

Please notify all interested parties of this action.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY:
RAY D. GRAHAM, Director
Oil and Gas Division
AC 505-827-2748

AJA/RDG/s
cc:

OCD-Santa Fe, New Mexico

Mr. Murray B. Morgan
Commissioner of Public Lands
State Land Office
Santa Fe, New Mexico

San Diego, New Mexico.
San Diego, New Mexico.

Dear Mr. Morgan:

The No. 1 East Ranger Lake Unit well which was drilled to the Devonian Formation in accord with said Unit Agreement was plugged and abandoned as a dry hole and there has reasonably proved to our satisfaction that the unitized land is incapable of producing oil or gas in paying quantities.

Therefore, pursuant to the provisions of said Unit Agreement the parties hereto respectfully advise that we consider this unit terminated as of May 24, 1937, and jointly request that you approve the termination of said unit.

Very truly yours,

SIGNAL OIL AND GAS COMPANY

V. E. Fournier
V. E. Fournier

SHULER OIL AND REFINING CO.

R. W. Reifacker
R. W. Reifacker

GULF OIL CORPORATION

Form Approved
Law Dept.

E. H. Brown
E. H. Brown

WFF:WDA:jv

cc: Oil Conservation Commission