

Case 1087: Sinclair Oil & Gas Company;
Application for an order granting approval
of its proposed Crouse Unit Agreement

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Case No.

1087

Application, Transcript,
Small Exhibits, Etc.

BEFORE THE
Oil Conservation Commission

SANTA FE, NEW MEXICO
June 20, 1956

IN THE MATTER OF:

CASE NO. 1087

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 1087: Application of Sinclair Oil and Gas Company for an order granting approval of its proposed Crouse Unit Agreement comprising 960 acres, more or less, in Township 10 South, Range 32 East, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order granting approval of its proposed Crouse Unit Agreement comprising all of Section 3 and the N/2 Section 10, Township 10 South, Range 32 East, Lea County, New Mexico, 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 is Case 1087.

MR. WEBB: I am Layton Webb, Sinclair Oil and Gas Company, Midland, Texas. I have one witness who is an expert witness, whom I will offer as an expert witness, as a geophysicist. I would like to have him sworn, and, also, if it is permissible, I should like to undertake the task of explaining the Unit Agreement either through sworn or unsworn testimony, since Mr. Webster is not particularly familiar with the actual terms of the Agreement.

(Whereupon, Mr. Webb and Mr. Webster were sworn as witnesses.)

MR. WEBB: Sinclair's application relates to the application for the approval of the Crouse Unit area, Lea County, New Mexico,

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which embraces All of Section 3 and the W/2 of Section 10, Township 10 South, Range 32 East, and containing approximately 960.3 acres; all of this land is State of New Mexico land, covered by two leases, one of which covers all of Section 3, being State lease No. F-976, which lease is owned by Sinclair Oil and Gas Company, and the expiration date of such lease is September 10, 1956. The other lease covering the N/2 of Section 10, being State lease E-1270, is owned by Amerada Petroleum Corporation, and the expiration date of that lease is April 10, 1957. The Unit Agreement which has been marked as Exhibit 1 has been executed by all of the working interest owners, being executed by Sinclair Oil and Gas Company on June 1, 1956, and by Amerada Petroleum Corporation on May 16, 1956. As stated before, this is all State land, State of New Mexico land, and there are no overriding royalty owners on the land embraced within the Unit. The Unit Agreement contains the segregation clause which has been approved by the Commission and the Commissioner of Public Lands in several previous units, segregation of land within and without the unit; provides for commencement of the test well within sixty days after the approval of the Unit Agreement, to be drilled to a depth sufficient to test the Devonian formation, but in no event to exceed a depth of ten thousand nine hundred feet. In the event the first well is completed as a dry hole, the Unit Agreement provides that the unit operator shall continue drilling one well at a time allowing not more than six months to elapse between the completion of one well and the commencement of the next succeeding well. The Unit Agreement provides that all operations be conducted under the Unit area under a plan having the approval of the Commissioner of Public Lands, State of New Mexico.

Do you have any questions before I introduce my geophysical witness?

MR. NUTTER: No.

J O H N M. W E B S T E R,
called as a witness, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. WEBB:

Q State your name, please, sir. A John M. Webster.

Q And, Mr. Webster, by whom are you employed?

A Sinclair Oil and Gas.

Q What capacity? A Senior geophysicist.

Q How long have you been employed in this capacity by Sinclair Oil and Gas Company?

A Approximately three years.

Q Before that time, how long had you been engaged in geophysical work?

A Nine years before that date.

Q And are you a graduate of an accredited college?

A Yes, sir, Oklahoma City University.

Q What year? A 1943.

Q What degree?

A Degree in mathematics.

Q For how long have you actually been engaged in the practice or been employed in conducting geophysical surveys and interpreting geophysical surveys in the area of Lea County, New Mexico?

A From three to four years.

MR. WEBB: Does the Commission accept the witness' qualifications?

MR. NUTTER: Yes, sir, he is qualified.

Q Mr. Webster, I will ask you if you are familiar with the area which is embraced within the Crouse Unit area, that being All of Section 3 and the N/2 of Section 10, Township 10 South, Range 32 East, Lea County, New Mexico? A Yes, sir.

Q And have you or has some one under your immediate supervision conducted a geophysical survey or seismic survey over this area?

A Yes, sir.

Q And would you, in your own words, tell the Commission the type of survey that was conducted as to the number of shot points, the number of phones, depth of the hole, and things of that nature?

A The survey was conducted using a twenty-four split -- twenty-four trace split spread arrangement, shot points were located thirteen hundred twenty feet from each other, hole depths ranged from a hundred and twenty-five to a hundred and fifty feet. The powder charge was from twenty-five to fifty pounds, and the ten phones per trace were used at the recording stations.

Q And how large an area did this survey cover?

A This is a portion. The presented map there is a portion of a survey of clear across Lea County, New Mexico.

Q All right. I hand you what has been identified as Applicant's Exhibit No. 2, and ask you if this is a seismic reflection platt which you have prepared or which has been prepared under your direct supervision setting forth your interpretations as the results of that seismic survey?

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A Yes, sir, that is correct.

Q And I will ask you if this seismic survey platt which has been identified as Applicant's Exhibit 2 reflects the possibility of a reservoir or source of supply of oil or gas under the proposed Unit area?

A Yes, sir.

Q And does the Unit area, the proposed Unit area, as shown here in green on this Exhibit No. 2 embrace substantially all of the geological feature involved, in your opinion?

A Yes, sir.

Q And you know, do you not, that the Unit Agreement provides for expansion of same in the event that it becomes warranted from information obtained by drilling on the Unit area?

A Yes, sir.

MR. WEBB: I believe that is all.

MR. NUTTER: Does anyone have any questions of this witness? Do you feel that the Unit area as set forth here on this platt is sufficient in size and in location to provide the unit operator with suitable control of the structure in the event production is obtained?

A Yes.

Q (By Mr. Nutter.) Do you believe that the Unit area is unduly large to include more acreage than necessary?

A No, sir.

MR. NUTTER: Any further questions?

MR. WEBB: What was the location on the proposed test well?

A 1960 feet from the East line, 660 feet from the North line of Section 3, 10 South, 32 East.

MR. NUTTER: If there are no further questions of this witness, he may be excused.

(Witness excused.)

MR. NUTTER: I would like to ask you a couple of questions.

MR. WEBB: All right.

MR. NUTTER: The Unit Agreement contains the segregation clause?

MR. WEBB: Yes, sir.

MR. NUTTER: Have you received preliminary approval of the Commissioner of Public Lands?

MR. WEBB: Not on this specific Agreement. This is almost verbatim to our similar agreement approved by the Commissioner, but we have received preliminary approval of the size, but not as to the form of the Unit Agreement.

MR. NUTTER: Form and contents have not been approved?

MR. WEBB: It was submitted to the Commissioner for approval on -- mailed to the Commissioner for approval on June 6, 1956.

MR. NUTTER: I believe you stated you have one hundred per cent of the working interests in the Unit area committed to the Unit Agreement?

MR. WEBB: Yes, sir.

MR. NUTTER: Would Sinclair Oil and Gas Company as unit operators be willing to file a periodic statement of progress in the Unit area to the Commission?

MR. WEBB: Yes, sir.

MR. NUTTER: We request a statement every six months.

MR. WEBB: We are furnishing them in other areas.

MR. NUTTER: Any further statements or testimony in this case? If not, the case will be taken under advisement, and we will continue

to Case 1083.

MR. WEBB: I believe I forgot to ask for the Exhibits to be admitted in evidence. I don't recall if I did.

MR. NUTTER: Any objections to the introduction of these Exhibits 1 and 2? If not, they will be received in evidence.

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.

MAIN OFFICE 000

1958 AUG 11 AM 10:30

August 11, 1958

The Honorable Murray E. Morgan
Commissioner of Public Lands
State of New Mexico
Santa Fe, New Mexico

ATTENTION: Mr. Ted Bilberry, Supervisor
Oil & Gas Division

Re: Crouse Unit
Lea County, New Mexico
SO&G Lease #386 Lea

Dear Sir:

On July 29, 1958, you forwarded a letter to Sinclair, Amerada, and Zapata Petroleum Corporation, advising that subject Unit had been terminated effective June 29, 1958.

At the time we received your letter, we were having circulated a release of subject Unit, which since that time, we have received from the parties to said Unit.

We enclose herewith the original and three copies of a "Release of Unit Operating Agreement", covering the Crouse Unit, which has been executed by all of the interested parties to said Agreement. We respectfully request that this instrument be approved and that you furnish us with a Certificate of Approval of same.

We are sorry for the delay in furnishing you with this instrument, and hope that it has not caused any inconvenience on your part.

Yours truly,

SINCLAIR OIL & GAS COMPANY

COPY Original Signed C. S. TINKLER
C. S. TINKLER

RIO/jjp
Encl.

cc: Zapata Petroleum Corporation
P. O. Box 2216
Midland, Texas
Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

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

MAIN OFFICE OCC
1958 JUL 30 AM 8:13

In reply refer to:
Unit Division

July 29, 1958

C
O
P
Y

Zapata Petroleum Corporation
Box 2216
Midland, Texas

Sinclair Oil & Gas Company
P. O. Box 1470
Midland, Texas

Amerada Petroleum Corporation
P. O. Box 2040
Tulsa 2, Okla.

Re: Termination of the
Crouse Unit
Lea County, New Mexico

Gentlemen:

We wish to advise you that we are terminating the Crouse Unit Agreement, effective June 29, 1958. Under the provisions of Section 15, this termination is automatic, therefore, we are posting our records accordingly.

Very truly yours,

MURRAY E. MORGAN
Commissioner of Public Lands

BY:
Ted Bilberry, Supervisor
Oil and Gas Division

MEM/NER/s

cc: Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

7
November 19, 1957

In reply refer to:
Unit Division

Sinclair Oil and Gas Company
P. O. Box 1470
Midland, Texas

Re: Crouse Unit Agreement

Attention: Mr. Layton A. Webb

Gentlemen:

We have received an "Acceptance By New Unit Operator For the Crouse Unit Agreement, Lea County, New Mexico," from Zapata Petroleum Corporation.

This acceptance requests the Commissioner of Public Lands to accept the resignation of Sinclair Oil and Gas Company as Unit Operator and approve the appointment of Zapata Petroleum Corporation.

We feel we should have a resignation from Sinclair and that the request for appointment of Zapata should also be signed by Sinclair and Amerada.

May we hear from you concerning this at your earliest convenience.

Very truly yours,

MURRAY E. MORGAN
Commissioner of Public Lands

By: Ted Bilberry, Supervisor
Oil and Gas Department

MEM:MMR/m

cc: Zapata Petroleum Corp.
Box 2216-Midland, Tex.
OCC-Santa Fe

April 16, 1957

In reply refer to:
Unit Division

Sinclair Oil and Gas Co.
Petroleum Life Building
P. O. Box 1470
Midland, Texas

Re: Crouse Unit Agreement -
Lea County, New Mexico

Attention: Mr. C. S. Tinkler

Gentlemen:

We are in receipt of your application for a six months extension on the Crouse Unit, in which to start drilling on your Test Well No. 2.

We discussed this extension with your Mr. Holmes of Roswell on April 10, 1957, and at that time Mr. Morgan agreed to approve this extension.

We are enclosing one copy of your application with Certificate of Approval attached.

Very truly yours,

MURRAY E. MORGAN
Commissioner of Public Lands

By: Ted Bilberry, Supervisor
Oil and Gas Department

MEM:MMR/m
enc: 1

cc: OCC-Santa Fe

SINCLAIR OIL & GAS COMPANY

PETROLEUM LIFE BUILDING
P. O. Box 1470
MIDLAND, TEXAS

January 4, 1957

FLOYD BRETT
VICE PRESIDENT & GENERAL MANAGER

LOREN WARE
ASSISTANT VICE PRES. & MANAGER

H. DEGENBAUGH
VICE PRES. & MANAGER

F. C. ROGERS
VICE PRES. & MANAGER

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

Honorable E. S. Walker
Commissioner of Public Lands
State of New Mexico
Santa Fe, New Mexico
Attn: Unit Division

File
1087

Re: Case No. 1087
Order No. R-833
Crouse Unit
Section 34-9S-32E
Sections 3 and 10-10S-32E
Lea County, New Mexico

Gentlemen:

In compliance with Section 3 (b) of the Order of the New Mexico Oil Conservation Commission approving the Crouse Unit which is dated July 2, 1956, the following information is furnished you with respect to the test well provided for in the Unit Agreement:

Well Designation: Sinclair Oil & Gas Company Well
#1 State Lea 386.

Location: 660 feet from the North line and 1,980 feet from the East line of Section 3-10S-32E.

Date Actual Drilling Commenced: July 17, 1956.

Proposed Depth: The original objective of this well was to test the Devonian formation at a depth of approximately 10,900 feet. As this formation was not reached at this depth, the proposed depth was increased to 11,500 feet.

January 4, 1957

Honorable E. H. Walker
Commissioner of Public Lands

Total Depth Drilled: The well was drilled to a total depth of 11,175 feet and plugged and abandoned on October 14, 1956. It had four drill stem tests as follows:

Drill stem Test: 4,168'-88' August 1, 1956;
Open for 30 minutes with no flow. Recovered
10' drilling mud with rainbow show of oil.
All pressure 0.

Drill stem Test: 8,703'-67' September 4,
1956; Open for 30 minutes. Dead in 2 minutes.
Recovered 1,000 foot Water Blanket and 5 feet
of mud with no show. Flowing pressure 565# to
625#, 30 minute shut-in pressure 715#.

Drill stem Test: 8,920'-52' September 7, 1956;
Open 30 minutes. Dead in 8 minutes. Recovered
1,000 foot Water Blanket and 10 feet of mud with
no show. Flow pressure 535# to 490#, 30 minute
shut-in pressure 695#.

Drill stem Test: 11,159'-75' October 14, 1956;
Open 3 hours. Recovered 2100 foot Water Blanket
and 2430 feet of salty sulphur water. Flowing
pressure 1080# to 2125#, 30 minute shut-in pres-
sure 4215#.

At the present time, Seismic records on this area are being
studied as to the possibilities of future tests.

We believe the above data fully complies with Section 3 (b)
of the Order of the Oil Conservation Commission approving the Crouse
Unit, which is dated July 2, 1956. If there is any other information
you desire, please advise us.

Yours truly,

SINCLAIR OIL & GAS COMPANY

C. S. Tinkler
C. S. TINKLER

CRM:fr

INTER-OFFICE TRANSMITTAL SLIP 6/22/56

TO Jack Gierling
FROM Dan Mitter

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

Re: Case 1087
Heard by DSN
at 9:00 am
6/20/56
Heads, N. May

Remarks.

OK To write an order
approving this Unit.
Use standard unit order with
the Statement of Progress
clause req'd for all-state
units.

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

July 5, 1956

C
O
P
Y

Mr. Layton A. Webb
Sinclair Oil & Gas Co.
P.O. Box 1470
Midland, Texas

Dear Sir:

We enclose two copies of Order R-833 issued July 2, 1956, by the Oil Conservation Commission in Case 1087, which was heard on June 20th in Hobbs.

Very truly yours,

A. L. Porter, Jr.
Secretary - Director

brp
Encls.

June 29, 1956

In reply refer to:
Unit Division

Sinclair Oil and Gas Co.
Petroleum Life Building
Midland, Texas

Re: Approval (Crouse Unit Agreement) →
All Section 3 and the N/2 of
Section 10, T-10S, R-32E,
Lea County, New Mexico

Attention: Mr. Layton A. Webb
Attorney

Gentlemen:

We are enclosing two Certificates of Approval
for the Crouse Unit Agreement, which was approved
by the Commissioner of Public Lands June 29, 1956.

In accordance with our telephone conversation,
we are retaining the two completed copies of the
Unit Agreement, and we are sending the New Mexico
Oil Conservation Commission a Certificate of Ap-
proval.

Also enclosed is Official Receipt No. 119497-D
in the amount of \$10.00, which covers the filing
fee.

Very truly yours,

E. S. WALKER
Commissioner of Public Lands

MMR/m
enc: 3

cc: OCC-Santa Fe

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
CROUSE UNIT

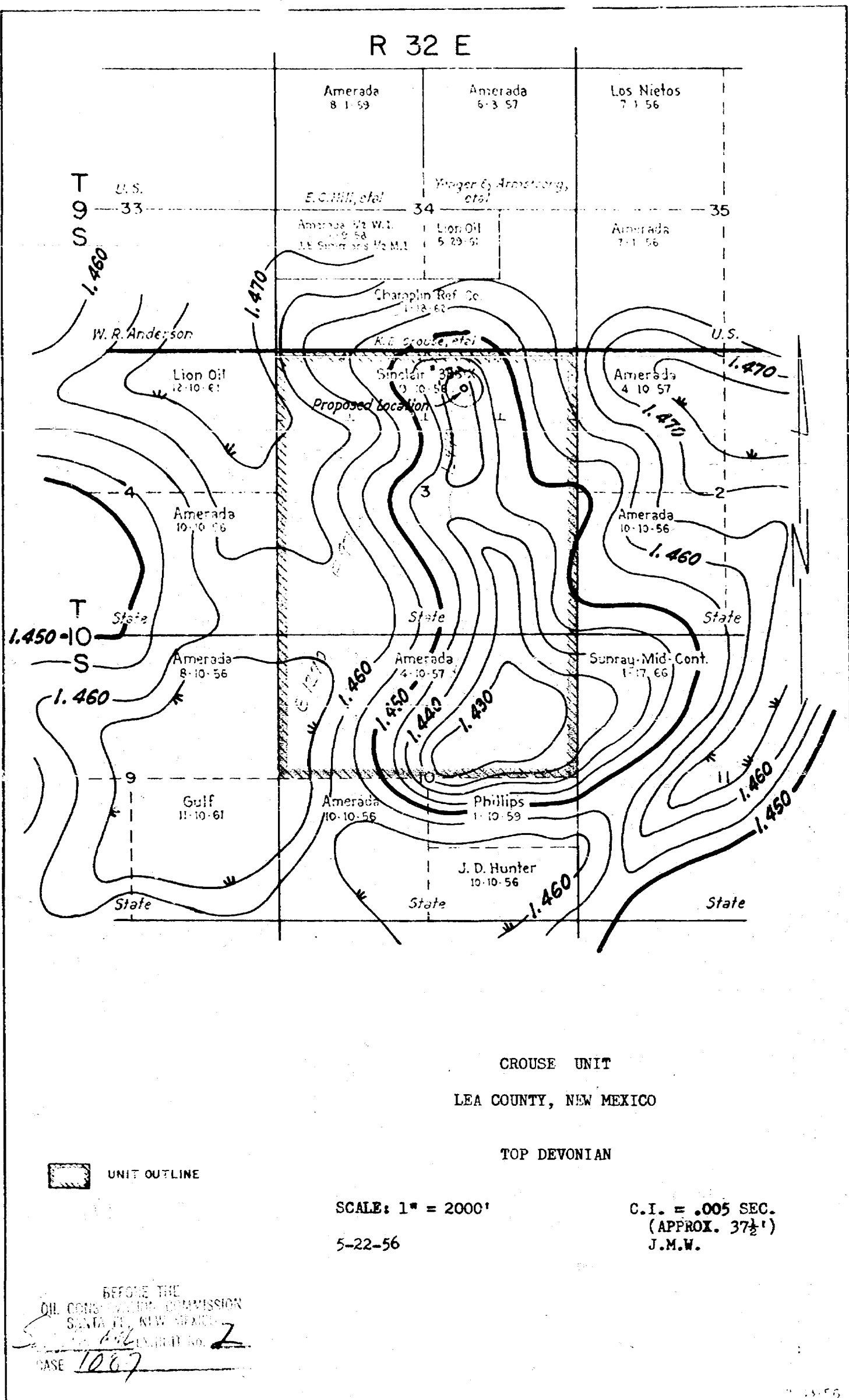
There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated May 16, 1956, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the proposed area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

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

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 29th day of June, 1956.

E. Walker
Commissioner of Public Lands
of the State of New Mexico



MAIN ^{STREET 880} **SINCLAIR OIL & GAS COMPANY**

HED MAY 1956 PM 1:11

PETROLEUM LIFE BUILDING

MURKIN, TEXAS

LEGAL DEPARTMENT

May 22, 1956

New Mexico Oil Conservation Commission
Post Office Box 871
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr.

Re: In the Matter of the application
of Sinclair Oil & Gas Company for
approval of the Crouse Unit,
embracing 960.3 acres, more or
less, located in Township 10-South,
Range 32-East, N. M. P. M.,
Lea County, New Mexico.

Gentlemen:

Enclosed, in triplicate, is proposed Unit Agreement for
the Crouse Unit Area, Lea County, New Mexico, and application
of Sinclair Oil & Gas Company for approval of said Unit Agree-
ment.

You will note we have requested that the hearing be
held before an examiner and we will greatly appreciate your
setting this application for hearing on the earliest possible
date.

Yours very truly,

Layton A. Webb

Layton A. Webb,
Attorney.

LAW:ID
Encls.

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. 1087
Order No. U-833

APPLICATION OF SINCLAIR OIL AND
GAS COMPANY FOR THE APPROVAL OF
THE CROUSE UNIT, EMBRACING 960
ACRES, MORE OR LESS, LOCATED IN
SECTIONS 3 AND 10, TOWNSHIP 10
SOUTH, RANGE 32 EAST, NMPM, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. 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

CROUSE UNIT AGREEMENT ORDER

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

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

(b) That the unit operator periodically shall file with the Commission a Crouse Unit Statement of Progress summarizing operations for the exploration and development of any lands committed to said Crouse 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 Crouse Unit Area.

4. (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 10 SOUTH, RANGE 32 EAST, LEA COUNTY

All Section 3

N/2 Section 10

containing 960.3 acres more or less.

(b) That the unit area may be enlarged or contracted as provided in said Plan.

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

6. That any party owning rights in the unitized substances who does not commit such rights to said unit agreement before the effective date thereof may thereafter become a party thereto by subscribing to such agreement or counterpart thereof, or by ratifying the same. The unit operator shall file with the Commission within 30 days an original of any such counterpart 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 upon

-3-

Order No. R-833

the termination of said unit agreement. The last unit operator shall immediately notify the Commission in writing of such termination.

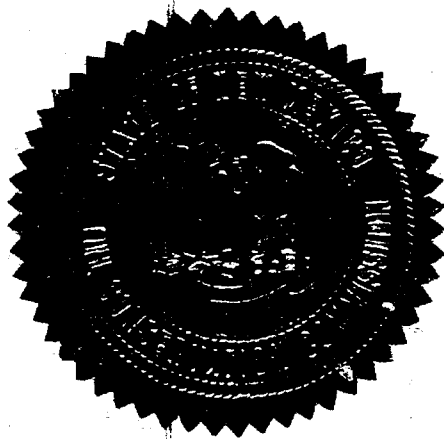
DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

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



1r/

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

THIS AGREEMENT, entered into as of the 14th day of May, 1956, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto,"

W I T N E S S E T H:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico 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, 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) to amend with the approval of the lessee, 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) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Crouse Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
EXHIBIT NO. 2
CASE 1067

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

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

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the Crouse Unit Area:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T-10-S., R-32-E.

Sec. 3: All.
Sec. 10: N/2.

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

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

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

(a) Unit Operator, on its own motion or on demand of the Commissioner shall prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof.

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

(c) Upon expiration of the thirty (30) day period provided in the preceding item (b) hereof, Unit Operator shall file with the Commissioner evidence of mailing of the notice of expansion and a copy of any objections thereto which have been filed with the Unit Operator.

(d) After due consideration of all pertinent information, the expansion shall, upon approval by the Commissioner, become effective as of the date prescribed in the notice thereof, provided, however, if more than twenty-five (25%) per cent on an acreage basis object to such expansion, the same shall not be approved; provided, however, that should the interest of any objecting working interest owner equal or exceed twenty-five (25%) per cent on an acreage basis, then and in that event in order to make such objection effective hereunder one additional working interest owner must join in such objection.

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: Sinclair Oil & Gas Company, a Maine corporation, is hereby designated as Unit Operator and by signature hereto commits to this agreement all interests in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of

unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have the right to resign at any time but such resignation shall not become effective until a successor Unit Operator has been selected and approved in the manner provided for in Article 5 of this agreement. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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

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

5. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage

interests in all unitized land shall by a majority vote select a successor Unit Operator; provided that, if a majority but less than sixty-five (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 sixty-five (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 instance all costs and expenses incurred in conducting unit operations hereunder and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement by and between the Unit Operator and the other owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this article, whether one or more, are herein referred to as the "Operating Agreement" or "Unit 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: Within sixty (60) days after the effective date hereof, the Unit Operator shall commence operations upon an adequate test well for oil and gas at a location 660 feet from the North line and 1980 feet from the East line of Section 3, Township-10-South, Range-32-East, and shall drill said well with due diligence to a depth of 10,900 feet or to a depth sufficient, in the opinion of Unit Operator, to test the Devonian Formation, whichever is the lesser depth, or to such lesser depth as unitized substances shall be discovered in paying quantities 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. 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 (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the Unit Area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon

failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the Unit Operator and each working interest owner, lessee and lessor at their last known addresses, declare this Unit Agreement terminated.

9. PARTICIPATION AND ALLOCATION OF PRODUCTION AFTER DISCOVERY:

All unitized substances produced from the Unit Area, except any part thereof used within the Unit Area for production or development purposes or unavoidably lost, shall be deemed produced equally on an acreage basis from the several tracts of unitized land and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of production as the number of acres of such tract bears to the total number of acres of unitized land within the Unit Area, except that allocation of production hereunder for purposes other than settlement of royalty, overriding royalty or payment out of production obligations of the respective working interest owners shall be on the basis prescribed in the Unit Operating Agreement, whether in conformity with the basis of allocation herein set forth or otherwise.

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 to so do.

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

With respect to any lease on non-State land containing provisions which would terminate such lease unless drilling operations were within the time therein specified commenced upon the land covered thereby or rentals paid for the privilege of deferring such operations, the rentals required thereby shall be deemed to accrue and become payable during the term of such lease as extended by this agreement, only until such time as operations for

the drilling of the initial test well hereinabove provided for in numerical Paragraph 8 are commenced. Thereafter, and until production in paying quantities is obtained from the Unit Area, operations conducted on the Unit Area in accordance with the provisions set forth in numerical Paragraph 8 above shall be deemed drilling operations under the terms of each such lease to the end that each such lease shall continue in effect during the term thereof as modified hereby without further payment of delay rentals thereunder. All such delay rentals which so become payable prior to the date on which the drilling of said initial test well is commenced shall be paid by the respective lease owners in accordance with the terms of their leases.

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

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

If any lease committed hereto is burdened with an overriding royalty, payment out of production, or other charge, in addition to the usual one-eighth (1/8) royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to it under the terms of the Unit Operating Agreement.

11. LEASES AND CONTRACTS CONFORMED AND EXTENDED: The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of the lands committed to this agreement, shall, upon approval hereof by the Commissioner, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions of this agreement and as so modified and amended shall remain in full force and effect, and without limiting the generalities of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

(a) The development and operation of the land subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the Unit Area, notwithstanding anything to the contrary in any said lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Commissioner shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized lands.

(d) Each lease committed to this agreement covering lands of the State of New Mexico is hereby expressly modified and amended insofar as the same applies to lands within the Unit Area, so that the length of the secondary term as to lands within such area will be extended insofar as

necessary to coincide with the terms 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 such State 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 such 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, completion, operation or production of a well within the terms and provisions of each such oil and gas lease to the same extent as though such commencement, completion, operation or production was carried on, conducted and/or obtained from any such leased tract.

(c) Each lease committed to this agreement covering lands other than those of the State of New Mexico which by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it will be continued in full force and effect for and during the term of this agreement as to all lands covered thereby. Termination of this agreement shall not affect any such lease covering privately owned lands, the primary term of which has not then expired, and the same shall continue in full force and effect according to its original terms and provisions, provided that the owner of any such lease shall commence operations for the drilling of a well or resume the payment of delay rentals on or before the rental paying date next ensuing after the

expiration of thirty (30) days from the date on which termination of this agreement becomes effective. 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, completion, operation or production of a well within the terms and provisions of each such oil and gas lease to the same extent as though such commencement, completion, operation or production was carried on, conducted and/or obtained from each such leased tract.

(f) Each State lease having only a portion of its land committed hereto shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, that each such State lease 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 any part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on any 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 lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as unitized substances in paying quantities are being produced from any portion of said lands.

12. CONSERVATION: Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

13. 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.

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

15. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and shall terminate in two (2) years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than sixty-five (65%) per cent on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, as provided in Article 8 hereof, the Commissioner may, after reasonable notice to the Unit Operator and each working interest owner, lessee and lessor at their last known addresses, declare this Unit Agreement terminated.

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

lawful regulations.

17. APPEARANCES: Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings relative to operations pending before the Commissioner or Commission; provided, however, that any other interested party shall also have the right at its own expense to appear and to participate in any such proceeding.

18. 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.

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

20. LOSS OF TITLE: In the event title to any tract 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 payment of funds due the State of New Mexico shall be withheld, but such funds shall be deposited with the Commissioner of Public Lands to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement. Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

21. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the Unit Area not committed hereto prior to the submission of this agreement for final approval either by the Commission or Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to 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 production and the 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.

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

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

ATTEST:

V C Bash
Assistant Secretary

Date June 1, 1956

SINCLAIR OIL & GAS COMPANY

By John P. Brown
Vice-President

Address: P. O. Box 1470
Midland, Texas

form OK
Law
AS TO
SUBSTANCE
OK

UNIT OPERATOR AND WORKING INTEREST OWNER.

WORKING INTEREST OWNERS

ATTEST:

W. H. Meister
Assistant Secretary

Date May 16, 1956

AMERICAN PETROLEUM CORPORATION

By B. B. Weatherly
Senior Vice President

Address: P. O. Box 2040
Tulsa 2, Oklahoma



STATE OF Oklahoma)
COUNTY OF Tulsa)

The foregoing instrument was acknowledged before me this
1st day of June, 1956, by John N. Johnson
Vice-President of SINCLAIR OIL & GAS COMPANY, a Maine corporation,
on behalf of said corporation.

My commission expires:
AUG 22 1956

[Signature]
Notary Public in and for Tulsa
County, Oklahoma

STATE OF OKLAHOMA)
COUNTY OF TULSA)

The foregoing instrument was acknowledged before me this
16th day of May, 1956, by B. B. WEATHERBY
Senior Vice President of AMERADA PETROLEUM CORPORATION, a Delaware
corporation, on behalf of said corporation.

My commission expires October 25, 1956
My commission expires:

J. Rudetta Wilson
Notary Public in and for TULSA
County, OKLAHOMA.

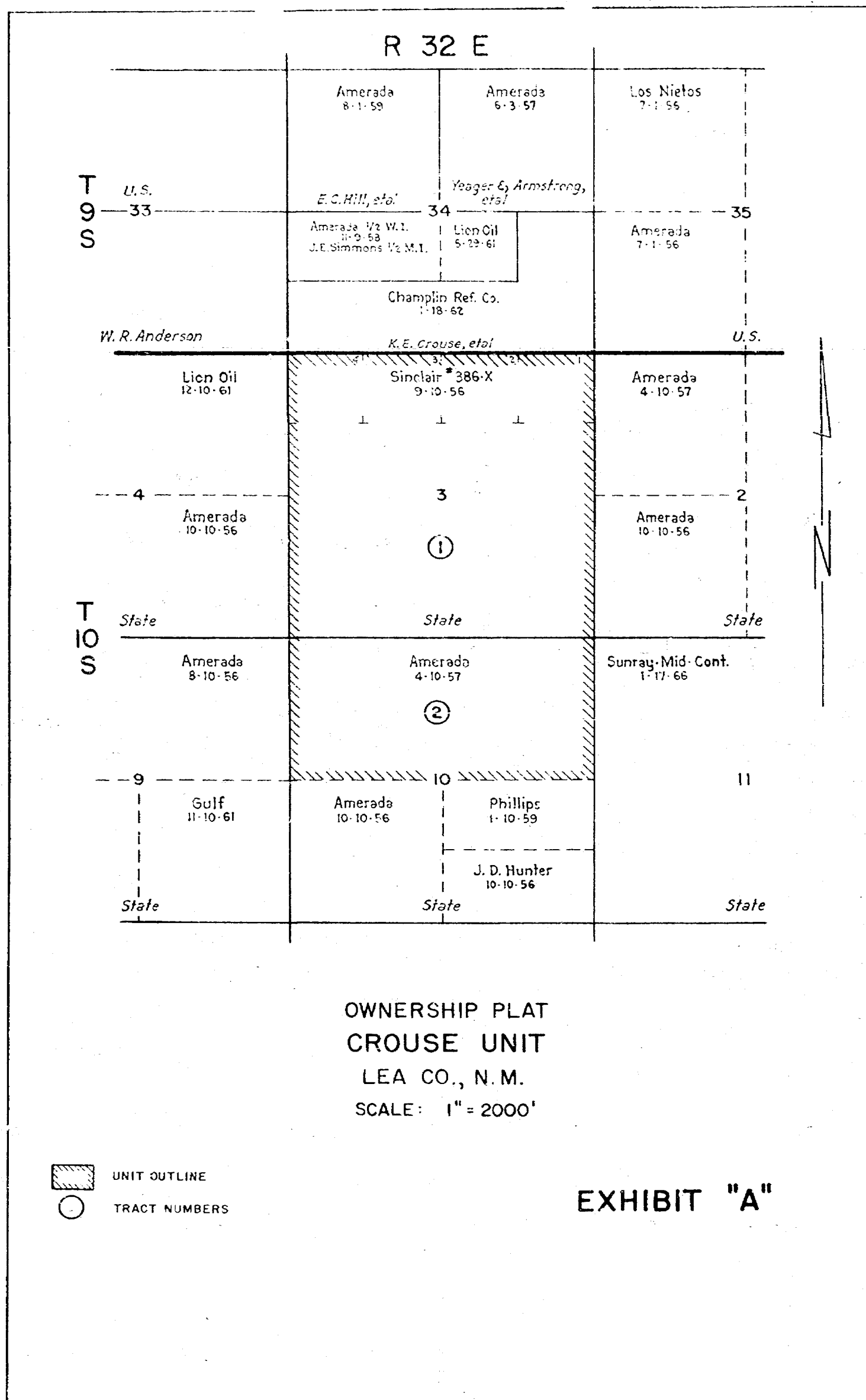


EXHIBIT "B"
CROUSE UNIT
LEA COUNTY, NEW MEXICO

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	Lease No. and Expiration Date of Lease	Basic Royalty and Percentage	Overriding royalty and Percentage	Working Interest Owner
1	<u>T-10-S, R-32-E</u>					
	Sec. 3: All	640.3	E-976 9/10/56	State of New Mexico - All	None	Sinclair Oil & Gas Company
2	<u>T-10-S, R-32-E</u>					
	Sec. 10: N/2	320	E-1270 4/10/57	State of New Mexico - All	None	Amerada Petroleum Corporation

All State Land, 2 tracts, containing 960.3 acres, CROUSE UNIT AREA

CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION
OF CROUSE 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 Crouse Unit Area, Lea County, New Mexico, dated the _____ day of _____, 1956, in which Sinclair Oil & Gas Company, a 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 Crouse 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 _____, 19____.

Commissioner of Public Lands
of the State of New Mexico.

BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF)
SINCLAIR OIL & GAS COMPANY FOR THE)
APPROVAL OF THE CROUSE UNIT, EMBRACING)
960.3 ACRES, MORE OR LESS, LOCATED IN)
TOWNSHIP 10-SOUTH, RANGE 32-EAST,)
N. M. P. M., LEA COUNTY, NEW MEXICO)

CASE NO. 1001

ORDER NO.

A P P L I C A T I O N

Sinclair Oil & Gas Company, a Maine corporation with offices at Midland, Texas, files herewith three (3) copies of a proposed Unit Agreement for the development and operation of the Crouse Unit Area, Lea County, New Mexico, and hereby makes application for approval of said Unit Agreement as provided by law, and in support thereof shows:

1.

That the proposed Unit Area covered by said Unit Agreement embraces 960.3 acres, more or less, situated in Lea County, New Mexico, and more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T-10-S, R-32-E.

Sec. 3: All.

Sec. 10: N/2.

2.

That all of the lands embraced within the proposed Unit Area are State lands.

3.

That applicant is informed and believes, and upon such information and belief states that the Unit Area embraces substantially all of the geological feature involved, and that in the event of the discovery of oil or gas thereon, the Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of oil and gas.

4.

That applicant, Sinclair Oil & Gas Company, is designated as Unit Operator of the Unit Agreement and as such is given authority under the terms thereof to carry on all operations necessary for the development and operation of the Unit Area for the production of oil and/or gas, subject to all applicable laws and regulations. That said Unit Agreement provides for the commencement of a test well for oil and/or gas within sixty (60) days after the effective date of said Unit Agreement, and for the drilling thereof with due diligence to a depth sufficient to test fully the Devonian Formation, or to such lesser depth as unitized substances shall be discovered in paying quantities; provided, however, that Unit Operator is not required in any event to drill said well to a depth in excess of 10,900 feet.

5.

That the development and operation of the Unit Area will be conducted in accordance with a plan of development and operation having the approval of the Commissioner of Public Lands for the State of New Mexico; that under said Unit Agreement the State of New Mexico will receive its fair share of the oil and gas; and that said Unit Agreement in all respects tends to prevent waste and promote conservation of oil and gas.

6.

That the names and addresses of all the working interest owners other than Sinclair Oil & Gas Company are as follows:

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

7.

That application is being made for the approval of said Unit Agreement by the Commissioner of Public Lands of the State of New Mexico.

8.

That within ten (10) days from the effective date of the

Unit Agreement, an executed copy of said Unit Agreement will be filed with the Commission.

WHEREFORE, applicant Sinclair Oil & Gas Company prays that this Commission set this application for a public hearing before an Examiner, that notices be issued according to law, and that upon said hearing said Unit Agreement be approved by this Commission.

NAT. J. HARBEN

LAYTON A. WEBB

By *Layton A. Webb*
Layton A. Webb

P. O. Box 1470
Midland, Texas

ATTORNEYS FOR APPLICANT
SINCLAIR OIL & GAS COMPANY.

The preceding case files
were filmed out of sequence
(Case # 1028, 1033, 1046, 1047,
1081, 1086, and 1087).