

CASE 1140: Magnolia Petr. Co. application for  
approval of Tres Ranchos Unit Agreement, em-  
bracing 1200 acres, Eddy County. T

Case No.

1140

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Application, Transcript,  
Small Exhibits, Etc.

BEFORE THE  
**Oil Conservation Commission**  
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1140

**TRANSCRIPT OF PROCEEDINGS**

September 6, 1956

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

NEW MEXICO OIL CONSERVATION COMMISSION  
 ALBUQUERQUE, NEW MEXICO  
 September 6, 1956

IN THE MATTER OF:

CASE NO. 1140: Application of Magnolia Petroleum Company for an order granting approval of its proposed Tres Ranchos Unit Agreement embracing 1200 acres, more or less, in Eddy County, New Mexico, in accordance with Rule 507 of the New Mexico Oil Conservation Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order granting approval of its proposed Tres Ranchos Unit Agreement embracing 1200 acres, more or less, of State lands described as:

Township 17 South, Range 23 East  
 All Section 10  
 W/2 W/2 Section 11  
 W/2 NW/4 Section 14  
 N/2 Section 15 (All in Eddy  
 County, New Mexico)

BEFORE:

Warren W. Hunkin, Examiner.

TRANSCRIPT OF PROCEEDINGS

MR. HANKIN: Since we are running so late today I hope we have everybody here and nobody got lost. Let's proceed. The hearing will come to order. The first case on the docket today is case No. 1140; the application of Magnolia Petroleum Company for an order granting approval of its proposed Tres Ranchos Unit Agreement embracing 1200 acres, more or less, in Eddy County, New Mexico.

MR. CHASEY: Sir Christy, of Eddy, now a Hunkle. We have two short witnesses, Mr. Bob Murphy and Mr. Hamilton.

MR. WANKIN: Will you please stand and repeat the oath, please?  
(Witnesses are sworn.)

RE R. E. MURPHY

called as a witness on behalf of the applicant, having been first duly sworn of oath, testified as follows:

DIRECT EXAMINATION

BY MR. CHRISTY:

Q What is your name, please, sir, and address?

A R. E. Murphy, Roswell, New Mexico.

Q What is your occupation and with whom are you employed?

A I am district geologist with the Magnolia Petroleum Company.

Q Have you ever testified before the Commission before?

A Yes, sir.

MR. WANKIN: Any questions on his qualifications? His qualifications are acceptable.

Q (By Mr. Christy) Mr. Murphy, are you familiar, generally speaking, with Township 19 South, Range 23 East, Eddy County, New Mexico?

A I am.

Q Have you conducted seismographic and other geological reports and investigations concerning that area as pertains to this Unit application?

A Yes, sir.

Q Have you prepared a map concerning the Unit application area?

A No, sir.

Q Is this the map, sir?

A That is the map.

MR. CHRISTY: I would like to offer in evidence Magnolia Petroleum Company's Exhibit A, being a map of the Unit area

application contoured on the Mississippian Formation. Was this map made by you based on seismographic information compiled under your direct supervision?

A Yes, sir, it was.

Q Mr. Murphy, in your opinion, would the application better utilize the reservoir energy?

A I do.

Q Would it promote the maximum recovery and make the development more economical and efficient?

A Yes, sir.

Q And would it promote conservation and prevent waste?

A Yes, sir.

Q Now, in your application you stated that a test well was to be started. Do you know whether or not that well has been started?

A That well has been started -- last week.

Q Was it spudded, and have all the Regulations of this Commission been complied with, in connection with the drilling?

A They have.

MR. CHRISTY: I would like to offer this in evidence.

MR. MANKIN: Do you have any other copies?

MR. CHRISTY: Yes, sir. That is all the questions I have. Does the Examiner have any questions?

BY MR. MANKIN:

Q Yes. First I want to ask, did you indicate this to be the Mississippian? What depth would that Mississippian be?

A That would be approximately between 3,000 and 3,500.

Q Is the Unit Agreement to provide that it be for approximately 10,000 feet on the Mississippian or to another horizon in paying quantities?

A I believe it does.

Q Will there be someone that will testify to that?

MR. CHRISTY: Yes, sir, we will put in evidence the Unit Agreement that will provide drilling through the Ellenburger not to exceed 10,000 or approximately. I believe I can develop where it is.

MR. MANKIN: That is what I was wondering.

Q Would you explain why you contoured it to the Mississippian when your proposed operations are for the Ellenburger or 10,000?

A Yes, sir. The Mississippian -- the top of the Mississippian in that area happens to be a very good marker that is fairly easy to recognize and we are more sure of our data there than on any other horizon.

Q Well, I was trying to relate it to the area which was subject to this application; the 100 acres with a shot picture and as it pretty well embraces this Unit area -- pretty well embraced by the shot picture showed by the Mississippian which might likewise be reflected in the Ellenburger.

A Yes, sir.

Q I believe that your plot shown here, your Exhibit No. A, includes Section 10. I couldn't quite visualize just what is involved. You show 10 and 15, but I couldn't see any of the other Sections shown here.

MR. CHRISTY: It shows the west half, west half of

Section 11, the west half, northwest quarter of Section 14, the north half of 15 and all of 10.

MR. MANKIN: Then, the area outlined in Exhibit A embraces the entire Unit?

A Yes, sir.

MR. CHRISTY: The figure 11 is missing, and the figure 14.

MR. MANKIN: That is what was confusing me. So you do feel that the area embraced in the Unit requested, is essentially that which is reflected by the shot picture?

A Yes, sir.

Q This was primarily a shot picture?

A Yes, sir.

BY MR. GURLEY:

Q Are all of these State lands or does just part of the Unit consist of State lands?

A Well, yes, part of the Unit consists of State lands. I believe it is listed on the plat.

MR. CHRISTY: We are going to develop, from another witness, the ownership connection with the Unit area; however, it is all State land there.

MR. MANKIN: Any further questions of the witness? As to its development, there will be another witness as to its development -- wells that will be drilled other than the proposed location? Any other development wells that might be drilled?

A The present Unit Agreement does not provide for additional wells until we see what happens. It does provide for drilling of

one well, which, as it has been testified to, has been started.

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

(Witness excused.)

S. P. HAMIFIN

called as a witness on behalf of the applicant, having been first  
duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. CHRISTY:

Q You have been sworn. Will you state your name, address  
and occupation?

A S. P. Hamifin, District Land Manager, Magnolia Petroleum  
Company, Roswell.

Q Are you familiar with the Unit Agreement in question here  
in the application? A Yes, sir.

Q I believe the Unit Agreement was drawn under your  
supervision? A That is right.

Q How long have you been with Magnolia, engaged in unit  
agreement drafting?

A Oh, the last ten or twelve years.

Q Is this Unit Agreement more or less standard with those,  
roughly, used in New Mexico?

A It is standard; it is a standard that we use. It may be  
a lot shorter form than the Government ones, because they require  
a lot of land work on theirs that is not required when it is  
State land.

Q I refer you to the map which is Magnolia's Exhibit A,

showing the land reported in the Unit Agreement. I will ask you who owns the minerals under all of the proposed units in this area?

A The State of New Mexico.

Q Who owns the working interest, if it is under lease?

A Comer Company owns 160 acres, Gulf owns 160, Union Oil Company owns 160, and Magnolia owns the balance.

Q So all of it, as on the Exhibit, is leased from the State of New Mexico and all of the royalties, as common throughout the Unit, all owned by the State?

A Yes.

Q Have you discussed this proposed Unit Agreement with Comer, Union and Gulf?

A They have all signed.

Q They have all agreed?

A Yes, sir.

Q Have you discussed the Unit Agreement with officials of the public lands?

A Yes, sir.

Q And what is their report?

A Their attorney, Mr. Gordon, approved the Unit Agreement as to form.

Q Is this the Unit Agreement here?

A This one.

MR. CHRISTY: We would like to offer into evidence Magnolia's Exhibit No. 2, being the Unit Agreement, signed by the working interest and the owners, as testified to and approved as to form by Mr. Gordon, official of the Commission of Public Lands being the royalty owner involved.

MR. MANNIN: Is there any objection to its being entered?

MR. CHRISTY: I would like to offer this particular one

in evidence because of the situation, and I would appreciate it being allowed to be withdrawn since there is an Exhibit copy here. The reason I want to show it is because the signature shows.

MR. MANKIN: It wouldn't be necessary to submit additional copies as we have a copy previously received with the application, and, as such, would be adequate. You may withdraw the one which you are just showing us; the approval of the State Lands Office as to form.

Q (By Mr. Christy) Mr. Hamifin, I believe that there has not yet been an agreement as to subsequent wells after the first well.

A No, we wanted to wait the outcome of this one.

Q Now, the allowable production under the Unit Agreement -- is that spread along this royalty and working interest only?

A Your oil is common. The State has all the royalties and the working interest is spread among all of them.

Q According to acreage? So that the royalty owners and working interest owner would receive their fair share out of the Unit operations?

A Yes, sir.

MR. CHRISTY: I believe that is all.

BY MR. GURLEY:

Q Mr. Hamifin, although this has been approved as to form, did they indicate to you that upon approval of the Oil Conservation Commission -- by they I mean the State Lands Office -- that upon the approval by the Oil Conservation Commission of the Unit; that they would therefore give their approval?

A That is right.

Q That was indicated to you?

A Yes, sir.

MR. MANKIN: Mr. Hamfin, does this have a segregation clause in the Unit Agreement?

A Segregation clause?

Q Segregation clause as required by the New Mexico State Lands Office as to acreage within and without the Unit?

A I don't believe it has. I don't believe that is necessary, is it?

Q That is strictly something which they would require.

MR. CHRISTY: I believe this is a fully participating unit.

MR. MANKIN: Would Magnolia Petroleum Company be agreeable to furnish the normal requested information and reports every six months after the Unit has been approved?

A Yes.

MR. MANKIN: Is there any further questions of the witness in this case? If not -- I don't believe you have had Exhibit A introduced.

MR. CHRISTY: I was going to remind you -- offer this in evidence, but --

MR. MANKIN: Is there any objection to entering into evidence Exhibit A which was the geological picture of the Unit? If there is no objection, it will be entered. Is there any further questions of the witness? If not, the witness may be excused.

(Witness is excused.)

MR. CHRISTY: That is all for the Magnolia Petroleum Company.

MR. MANKIN: Is there anything further? Is there any statement to be made in this case? If not, we will take the case under advisement.

REPORTER'S CERTIFICATE

I, LOUIS R. GUEVARA, do hereby certify that the foregoing and attached Transcript of Proceedings, pages numbered 2 through 11, were reported by me in Stenograph at the time and place aforesaid; that the same was reduced to typewritten transcript by me and contains a true and correct record of said proceedings to the best of my knowledge, skill and ability.

DATED this 17th day of September, 1956, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Louis R. Guevara  
LOUIS R. GUEVARA, COURT REPORTER

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. 1140  
Order No. R-839

THE APPLICATION OF MAGNOLIA  
PETROLEUM COMPANY FOR THE  
APPROVAL OF ITS TRES RANCHOS  
UNIT AGREEMENT EMBRACING 1200  
ACRES, MORE OR LESS, LOCATED  
IN TOWNSHIP 19 SOUTH, RANGE  
23 EAST, NMPM, EDDY COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10:00 o'clock a.m. on September 6, 1956 at Hobbs, New Mexico, before Warren W. Mankin, Examiner duly appointed by the New Mexico Oil Conservation Commission, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 27<sup>th</sup> day of September, 1956, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Warren W. Mankin, 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

TRES RANCHOS UNIT AGREEMENT ORDER

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

3. (a) That the Tres Ranchos 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 Tres Ranchos Unit Agreement, or relative to the production of oil and gas therefrom.

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

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

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPH

Section 10: All  
Section 11: W/2 W/2  
Section 14: W/2 NW/4  
Section 15: N/2

containing 1200 acres more or less.

5. That the unit operator shall file with the Commission an executed original or executed counterpart of the Tres Ranchos 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

-3-  
Order No. R-889

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*

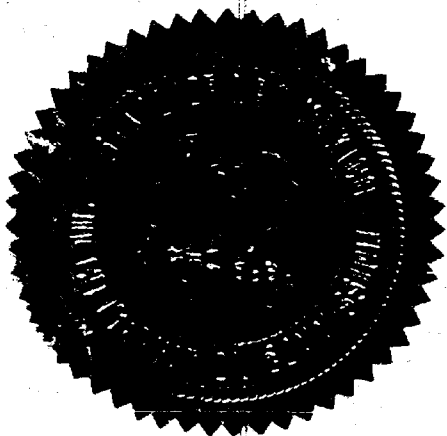
JOHN F. SIMMS, Chairman

*E. S. Walker*

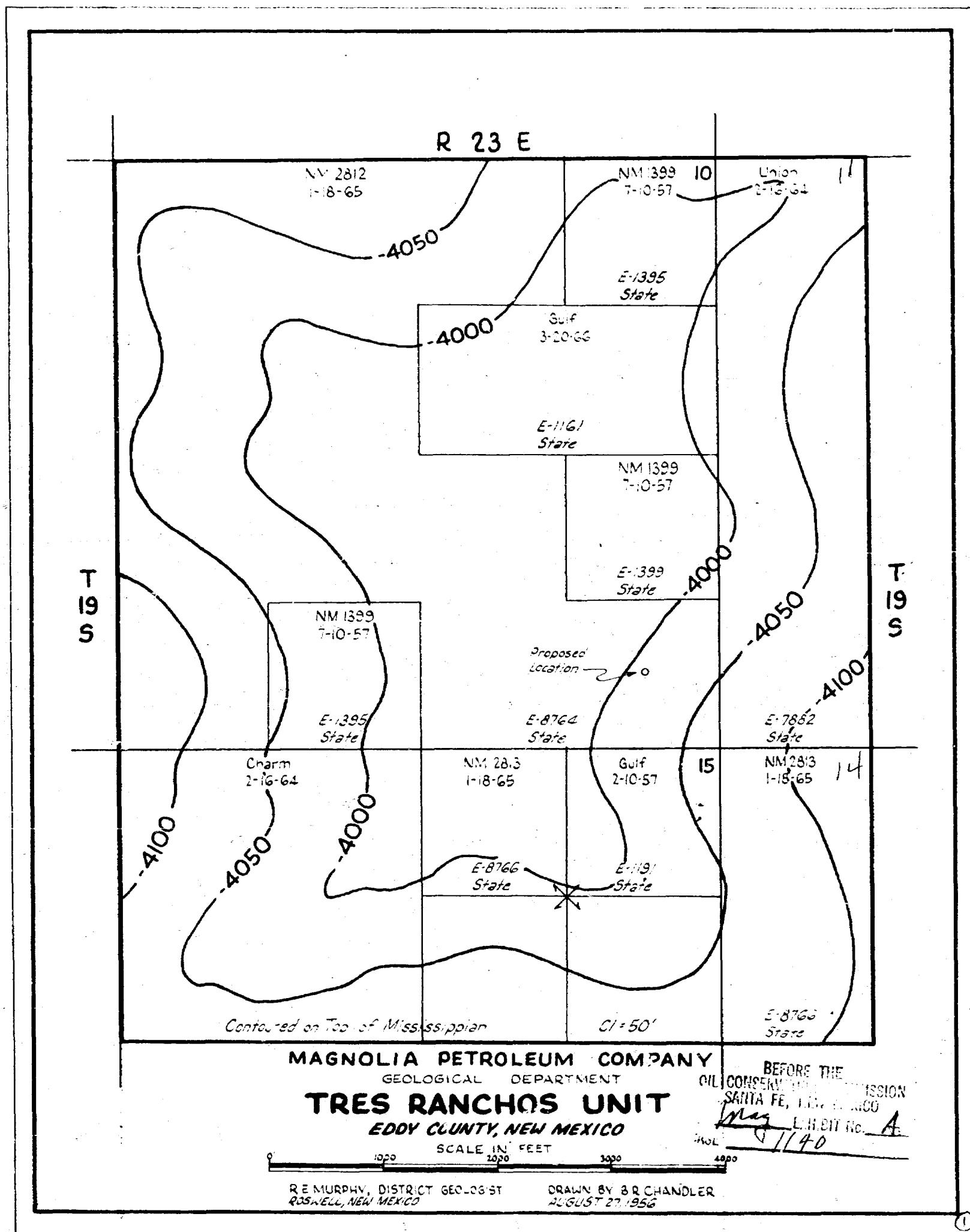
E. S. WALKER, Member

*A. L. Porter, Jr.*

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



dr/



September 25, 1957

In reply refer to:  
Unit Division

Magnolia Petroleum Co.  
P. O. Box 662  
Roswell, New Mexico

Attention: Mr. S. P. Hannifin

Magnolia Petroleum Co.  
P. O. Box 900  
Dallas 21, Texas

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

Union Oil Co. of California  
Union Oil Bldg.  
Midland, Texas

Charm Oil Co.  
Carper Bldg.  
Artesia, New Mexico

Re: Termination of  
Tres Ranchos Unit  
Agreement

Gentlemen:

In regard to the Tres Ranchos Unit Agreement, such records on file in the State Land Office regarding this unit reflect only that the test well located in the SE/4 SE/4 of Section 10-19S-23E was spudded August 31, 1956.

However, in accordance with our telephone conversation with you today, you stated that said described well was completed as a dry hole January 24, 1957, and that Magnolia Petroleum Co, as Operator, had no intentions of drilling another well on this unit.

You also agreed that said Unit Agreement should automatically terminate under its own terms. Under the drilling provisions of this unit, another well should have been started six months after the completion of this first test well.

Therefore, under Paragraph 8 of the Unit Agreement and for failure to comply with requirements, we are terminating Tres Ranchos Unit Agreement effective September 25, 1957, and our records will be posted accordingly.

Very truly yours,

MURRAY E. MORGAN  
Commissioner of Public Lands

By: Ted Bilberry, Supervisor  
Oil and Gas Department

MEB:MNR/m  
cc: OCC-Santa Fe

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

October 1, 1956

C  
O  
P  
Y

Mr. W. E. Bondurant, Jr.  
Hervey, Dow & Hinkle  
Box 547  
Roswell, New Mexico

Dear Sir:

On behalf of your client, Magnolia Petroleum Company, we enclose two copies of Order R-889 issued September 27, 1956, by the Oil Conservation Commission in Case 1140, which was heard on September 6th at Hobbs.

Very truly yours,

A. L. Porter, Jr.  
Secretary - Director

brp  
Encls.

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION OF THE  
TRES RANCHOS UNIT  
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 10th day of April, 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, 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 conserva-  
tion provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Tres  
Ranchos 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 devel-

opment and operation of the area subject to this agreement under the terms, conditions, and limitations herein set forth;

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

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

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T. 19 S., R. 23 E., Eddy County, New Mexico

Sec. 10: All  
Sec. 11:  $W\frac{1}{2}$   $W\frac{1}{2}$   
Sec. 15:  $N\frac{1}{2}$   
Sec. 14:  $W\frac{1}{2}$   $NW\frac{1}{4}$

containing 1,200.00 acres, more or less.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all 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."

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. Magnolia Petroleum Company, a Texas 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 his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor Unit Operator; provided that, if a majority but less than 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 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". 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 60 days after the effective date hereof, the Unit Operator shall commence operations upon an adequate test well for oil and gas upon the SE $\frac{1}{4}$  SE $\frac{1}{4}$  Section 10, Township 19 South, Range 23 East, Eddy County, New Mexico embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Ellenburger 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 10,000 feet. Until a discovery of a deposit of unitized substances capable of being

produced in paying quantities, Unit Operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder.

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

9. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this Unit Agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provision contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of

the same, and nothing herein contained shall be construed as giving or granting to the Unit Operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

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

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

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

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

the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this Unit Agreement.

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

12. LEASE AND CONTRACTS CONFORMED AND EXTENDED INsofar AS THEY APPLY TO LAND WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, sub-leases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall, upon approval hereof by the Commissioner be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the length of the secondary term as to lands within such area will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the lessee shall, without further action of the Commissioner or the lessee, be effective to conform the provisions and extend the term of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein so long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the Unit Operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws shall continue in full force and effect thereafter. The commencement, completion, operation or production of a well on any part of the unit area shall be respectively construed and considered as the commencement or completion or operation or production of a well within the terms and provisions of each of the oil and gas leases to the same extent as though such

commencement, completion, operation or production was carried on, conducted and/or obtained from any such leased tract.

Any lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and 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 lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as unitized substances in paying quantities are being produced from any portion of said lands.

13. CONSERVATION. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or 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 not less than 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 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 agree-

ment 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.

ATTEST:

*[Signature]*  
Assistant Secretary

Date April 19, 1956

ATTEST:

\_\_\_\_\_  
Secretary

Date \_\_\_\_\_

MAGNOLIA PETROLEUM COMPANY

By *E. C. [Signature]*  
Vice-President

Address P. O. BOX 900

Dallas 21, Texas

UNIT OPERATOR AND WORKING INTEREST OWNER

CHARM OIL COMPANY

By \_\_\_\_\_  
President

Address \_\_\_\_\_

SECOND PAGE OF SIGNATURES TO UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF  
THE TRES RANCHOS UNIT, EDDY COUNTY, NEW MEXICO.

ATTEST:

Assistant Secretary

Date July 10, 1956

GULF OIL CORPORATION

By [Signature]  
Vice-President

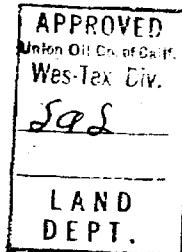
Address P. O. Drawer 1890  
Fort Worth, Texas

KGR  
RPR

ATTEST:

Assistant Secretary

Date \_\_\_\_\_



UNION OIL COMPANY OF CALIFORNIA

By E. R. Atwell  
Vice-President Attorney-in-Fact

Address Union Oil Building  
Midland, Texas

July 10, 1956

CHARM OIL COMPANY, a Co-partnership  
Carper Bldg., Artesia, N.M.

By [Signature]  
H. B. Harris, Partner

By L. F. Miles  
L. F. Miles, Partner

By S. N. Chauvet  
S. N. Chauvet, Partner

Mary J. Harris  
Mary J. Harris, wife of H. B. Harris

Mary A. Miles  
Mary A. Miles, wife of L. F. Miles

Mary E. Chauvet  
Mary E. Chauvet, wife of S. N. Chauvet

CERTIFICATE OF APPROVAL  
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO  
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION  
OF TRES RANCHOS UNIT AREA, EDDY 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 Tres Ranchos Unit Area, Eddy County, New Mexico, dated the 10th day of April, 1956, in which the Magnolia Petroleum 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 Tres Ranchos 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

STATE OF TEXAS )  
 ) SS  
COUNTY OF DALLAS )

On this 19 day of April 1956, before me personally appeared  
to me personally known, who being by me duly sworn did  
say that he is the Vice President of MAGNOLIA 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  
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, 1956

Alvin Kodge  
Notary Public

STATE OF )  
 ) SS  
COUNTY OF )

STATE OF TEXAS }  
COUNTY OF EL PASO } SS

On this 10 day of July, 1956, before me personally  
appeared H. B. Harris and Mary J. Harris, his wife; L. F. Miles and  
Mary A. Miles, his wife; and S. M. Chauvet and Mary E. Chauvet, his  
wife, to me known to be the persons described in and who executed the  
foregoing instrument and acknowledged that they executed the same as their free  
act and

on under my hand and seal this 10 day of July, 1956.  
My commission expires 6/1/57.

Kenneth L. Carroll  
Notary Public

Residing at 7368 Hale Rd KENNETH L. CARROLL

corporation, and that said instrument was signed and sealed in behalf of said  
corporation by authority of its Board of Directors, and H. M. Bayer  
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: 6-1-57

M. B. Chippeaux M. B. CHIPPEAUX  
Notary Public

STATE OF TEXAS }  
COUNTY OF MIDLAND }

ON THIS 3rd day of July, 1956, personally appeared  
before me E. R. ATWILL, Attorney-in-Fact for UNION OIL COMPANY OF CALIFORNIA,  
to me known to be the person who executed the foregoing instrument in behalf  
of UNION OIL COMPANY OF CALIFORNIA, a corporation, and acknowledged that he  
executed same as the free act and deed of said UNION OIL COMPANY OF CALIFORNIA.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official  
seal on this, the day and year in this certificate above written.

Anna H. Pearson  
Notary Public in and for  
Midland County, Texas

My Commission Expires:

June 1, 1957

ANNA H. PEARSON, NOTARY PUBLIC

On this 17 day of July, 1956, before me personally appeared \_\_\_\_\_, to me personally known, who being by me duly sworn did say that he is the Vice-President of MAGNOLIA 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 \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

My Commission Expires:

STATE OF ~~TEXAS~~ *New Mexico* )  
COUNTY OF ~~EL PASO~~ *Eddy* ) SS

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 15, 1960

STATE OF TEXAS           )  
COUNTY OF TARRANT         ) SS

On this 23 day of July, 1956, before me personally appeared H. M. Baver, to me personally known, who being by me duly sworn did say that he is the Vice-President of GULF OIL CORPORATION and that the seal affixed to 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 H. M. Baver 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: 6/57

STATE OF TEXAS )  
COUNTY OF MIDLAND ) SS

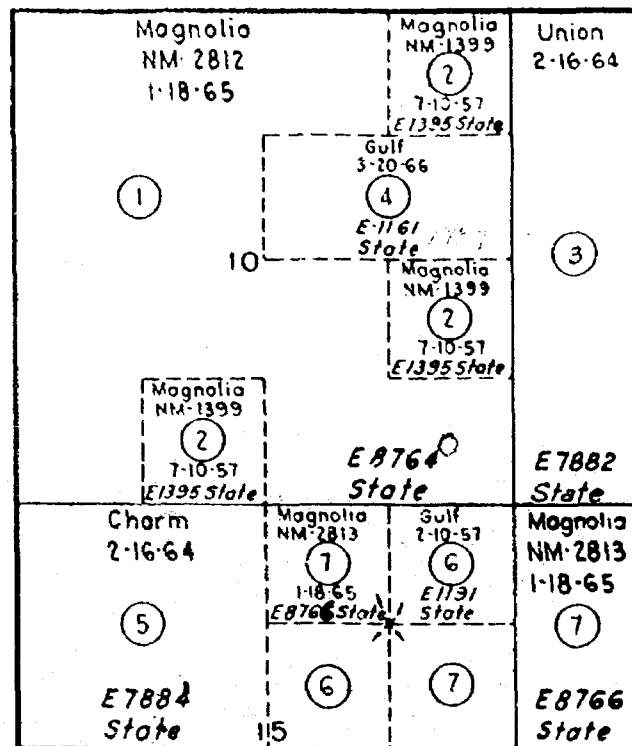
On this 25<sup>th</sup> day of July, 1956, personally appeared before me E.R. Smith, Attorney-in-Fact for UNION OIL COMPANY OF CALIFORNIA, to me known to be the person who executed the foregoing instrument in behalf of UNION OIL COMPANY OF CALIFORNIA, a corporation, and acknowledged that he executed same as the free act and deed of said UNION OIL COMPANY OF CALIFORNIA.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this, the day and year in this certificate above written.

My Commission Expires: 6-1-77

Notary Public (DOUGHERTY)

R 23 E



11

T  
19  
S

14

# EXHIBIT "A"

## OWNERSHIP PLAT

### TRES RANCHOS UNIT EDDY COUNTY, NEW MEXICO

T 19 S, R 23 E

TOTAL ACREAGE IN UNIT — 1200 ACRES

— UNIT OUTLINE  
○ TRACT NUMBERS

**EXHIBIT "B"**  
**TRES RANCHOS UNIT AREA**  
**EDDY COUNTY, NEW MEXICO**  
**TOWNSHIP 19 SOUTH, RANGE 23 EAST**

**SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS**  
**INTERESTS IN ALL LANDS IN THE UNIT AREA**

Lease Number	Tract No.	Description of Land	No. of Acres	State Lease No. and Expiration	Basic Royalty and Percentage	Overriding Royalty and Percentage	Working Interest Owner
<u>All in T-19S R-23E</u>							
MA-2812	1	Section 10 NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$	440.00	E-8764 1-18-65	State of New Mexico - All	None	Magnolia Petroleum Company
MA-1399	2	Sec. 10 NE $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$	120.00	E-1395 7-10-57	Do	Do	Do
MA-2813	7	Sec. 15 NW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$ , Sec. 14 W $\frac{1}{2}$ NW $\frac{1}{4}$	160.00	E-8766 1-18-65	Do	Do	Do
	3	Sec. 11 W $\frac{1}{2}$ W $\frac{1}{2}$	160.00	E-7882 2-16-64	Do	Do	Union Oil Company of California
	4	Sec. 10 S $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	E-9909 <del>E-1164</del> 3-20-66	Do	Do	Gulf Oil Corporation
	5	Sec. 15 NW $\frac{1}{4}$	160.00	E-7884 2-16-64	Do	Do	Charm Oil Company
	6	Sec. 15 NE $\frac{1}{4}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$	80.00	E-1191 2-10-57	Do	Do	Gulf Oil Corporation
			<u>1200.00</u>	ACRES ALL STATE TRACTS			

WORKING INTEREST OWNERSHIP

MAGNOLIA PETROLEUM COMPANY	720/1200ths or 60.00000%
UNION OIL COMPANY OF CALIFORNIA	160/1200ths or 13.33333%
GULF OIL CORPORATION	160/1200ths or 13.33333%
CHARM OIL COMPANY	160/1200ths or 13.33334%

9/9/56

INTER-OFFICE TRANSMITTAL SLIP

TO JWG

FROM WWM

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

Re: Case # 1140

hand before  
WWM

@ Hoover @ 10 AM  
on 9/6/56

Remarks:

all state lands

OK to approve as requested

DOCKET: EXAMINER HEARING SEPTEMBER 5, 1956

Oil Conservation Commission 9:00 a.m. Mabry Hall, State Capitol, Santa Fe

The following cases will be heard before Warren W. Mankin, Examiner:

CASE 1085: (Readvertisement)

Application of Shell Oil Company for an order amending the Carson Unit Agreement as established by Commission Order R-828. Applicant, in the above-styled cause, seeks an order amending the Carson Unit Agreement in the following particulars:

- (a) To eliminate from the Unit Area All of Sections 3, 4, 9, 10, 15, 16, 21, 22, 27, 28, 33 and 34 of Township 25 North, Range 12 West, San Juan County, New Mexico.
- (b) To reduce the number of wells to be drilled under the agreement from five to four.
- (c) To consider any well commenced subsequent to July 15, 1956, within the amended area to have been drilled in accordance with the requirements of the Unit Agreement and as fulfilling part of the drilling requirements.

CASE 1138:

Application of R. E. Jackson for an order pooling all oil and gas interests in certain acreage in the Aztec-Pictured Cliffs Gas Pool, San Juan County, New Mexico, in accordance with Section 65-3-14 (c) New Mexico Statutes Annotated (1953). Applicant, in the above-styled cause, seeks an order pooling the rights and interests of all persons having the right to drill for, produce, or share production of oil, gas and liquid hydrocarbons, or any of them, underlying the SW/4 of Section 28, Township 29 North, Range 10 West, Aztec-Pictured Cliffs Gas Pool, San Juan County, New Mexico. The above-described quarter section is presently dedicated to the Bruington Pooled Unit Well No. 1 which is operated by Frances L. Harvey and located in the SW/4 SW/4 of said Section 28.

CASE 1139:

Application of Lowry, et al, Operating Account, for an order granting approval of a non-standard drilling and gas spacing unit in the South Blanco-Dakota Gas Pool, Rio Arriba County, New Mexico, in exception to Rule 104 (d) of the New Mexico Oil Conservation Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order granting approval of a 160 acre non-standard drilling and gas spacing unit in the South Blanco-Dakota Gas Pool consisting of the S/2 of the NE/4 and the N/2 of the SE/4 of Section 16, Township 26 North, Range 6 West, Rio Arriba County, New Mexico; said unit to be assigned to applicant's State Well No. D-268 located 1980 feet from the North line and 660 feet from the East line of said Section 16.

DOCKET EXAMINER HEARING SEPTEMBER 6, 1956

New Mexico Oil Conservation Commission 10 00 a.m. Hobbs, New Mexico

Oil Conservation Commission Office, 1000 W. Broadway, Hobbs, New Mexico

The following cases will be heard before Warren W. Mankin, Examiner:

CASE 1140: Application of Magnolia Petroleum Company for an order granting approval of its proposed Tres Ranchos Unit Agreement embracing 1200 acres, more or less, in Eddy County, New Mexico, in accordance with Rule 507 of the New Mexico Oil Conservation Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order granting approval of its proposed Tres Ranchos Unit Agreement embracing 1200 acres, more or less, of State lands described as:

Township 19 South, Range 23 East

All Section 10

W/2 W/2 Section 11

W/2 NW/4 Section 14

N/2 Section 15 (All in Eddy County, New Mexico)

CASE 1141: Application of Tom Boyd and Jack Plemons for an order granting permission to commingle oil in exception to Rule 303 of the New Mexico Oil Conservation Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order granting permission to commingle oil from the Grayburg-Jackson and the Grayburg-Keeley Pools; said oil to be produced from applicant's Continental State 27 Well No. 4 located in the NW/4 NW/4 of Section 27, Township 17 South, Range 29 East, Grayburg-Keeley Pool, Eddy County, New Mexico, with oil production from applicant's Wells No. 1, 2 and 3 in the Grayburg-Jackson Pool.

CASE 1142: Application of Amerada Petroleum Corporation for an order granting permission to convert its non-productive H. C. Posey "A" No. 2 Well in the East Caprock Devonian Pool, Lea County, New Mexico, into a salt water disposal well in compliance with Rule 701 of the New Mexico Oil Conservation Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order granting permission to recomplete as a salt water disposal well its H. C. Posey "A" No. 2 Well located in the NE/4 of the SE/4 of Section 11, Township 12 South, Range 32 East, Lea County, New Mexico. Said well is located 1980 feet from the South line and 660 feet from the East line of said Section 11. Applicant proposes to inject salt water into the Dewey Lake formation at an interval between 1300 and 1450 feet through casing perforations.

9/19/56  
wjm 9/19/56  
DSN  
Mf  
Rough draft for unit agreement orders.

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. 1140  
Order No. 88

THE APPLICATION OF Magnolia Petroleum  
Company  
FOR THE APPROVAL OF its proposed  
Tres Ranchos UNIT  
AGREEMENT EMBRACING 1200  
ACRES, MORE OR LESS, LOCATED IN  
TOWNSHIP 19 South RANGE  
23 East NMPM, Colo.  
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10:00 o'clock A m. on  
September 6 19 56 at Albuquerque New Mexico, before  
Warren W. Martin, Esq., duly appointed by the New Mexico  
Oil Conservation Commission, hereinafter referred to as the "Commission",  
in accordance with Rule 1214 of the Commission Rules & Regulations.

NOW, on this 6 day of September 19 56, the Commission  
after having heard the evidence, the application, the evidence submitted  
and the recommendation of the Examiner, Warren W. Martin, 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

Magnolia Petroleum Tres Ranchos UNIT AGREEMENT ORDER

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

3. (a) That the Tres Ranchos 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 Con-  
servation Commission by law relative to the supervision and control of

See letter (a) only if  
Paragraph 3(b) is used

Order No.

operations for exploration and development of any lands committed to said Les Ranchos Unit Agreement, or relative to the production of oil and gas therefrom.

(b) That the unit operator periodically shall file with the Commission a Les Ranchos Unit Statement of Progress, summarizing operations for the exploration and development of any lands committed to said Les Ranchos Unit Agreement. This statement of progress shall be filed within 30 days after the expiration of each six-months <sup>period</sup> 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 Les Ranchos Unit Area.

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

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 19 South, RANGE 23 East 14 PM

Section 10: all  
Section 11: W/2 W/2  
Section 14: W/2 NW/4  
Section 15: W/2

containing 1206 acres more or less.

(b) The unit area may be enlarged or contracted as provided in said Plan. (Omit if Agreement does not so provide.)

5. That the unit operator shall file with the Commission an executed original or executed counterpart of the Les Ranchos 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 Comm. of Public Lands St. of N.M.

and shall terminate ipso facto 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

, Chairman

, Member

, Member & Secretary

S E A L

In the matter of the application  
of Magdalena Petroleum Company for an  
order granting approval of its  
proposed Tres Ranchos Unit Agreement  
embracing 1200 acres, more or less, in  
Eddy County, New Mexico in accordance with  
Rule 507 of the N.M. O.C.C. Rules & Reg.

~~App~~ in the above-styled cause  
seeks an order granting approval of its  
proposed Tres Ranchos Unit Agreement embracing  
1200 acres, more or less, of state lands  
described as:

Township 19 South, Range 23 East, N.M.P.M.,

all Section 10

ap/2w/2 Section 11

~~N/2 Section~~

w/2 NW/4 Section 14

N/2 Section 15

all in Eddy County, New Mexico.

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

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

August 22, 1956

TELEPHONE MAIN 2-6510

VIA AIR MAIL

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

Re: Tres Ranchos Unit Agreement,  
Eddy County, New Mexico

Dear Mr. Porter:

Reference is made to my letter of August 9th on the above matter.

At your earliest convenience I would appreciate it if you would advise me when the matter will be set for hearing, and I suppose that it will be in Hobbs pursuant to my request.

If there is anything that we can furnish you, please advise.

Yours very truly,

HERVEY, DOW & HINKLE

WEB:mc

By

W. E. Bondurant

Case # 1140  
Sent two  
copies to  
Bondurant  
on 8/22/56

J. M. HERVEY 1574-1953

HIRAN M. DOW

CLARENCE E. HINKLE

W. E. BONDURANT, JR.

GEORGE H. HUNKER, JR.

HOWARD C. BRATTON

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LEWIS C. COX, JR.

LAW OFFICES

HERVEY, DOW & HINKLE

FIRST NATIONAL BANK BUILDING

ROSWELL, NEW MEXICO

TELEPHONE MAIN 2-6510

August 9, 1956

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

Re: Tres Ranchos Unit Agreement,  
Eddy County, New Mexico

Dear Mr. Porter:

Enclosed herewith please find original and two copies of Application by Magnolia Petroleum Company for approval of the above Unit Agreement. We also enclose herewith two copies of the Unit Agreement which have been fully executed. I understand that it is customary to send you three copies of the Unit Agreement but Mr. Hannifin of Magnolia has discussed the matter either with you or someone in your office and his notation shows that only two copies need be sent you.

We are also sending the State Land Office an Application for their approval.

We would like to have the matter heard at the earliest date possible, and also, if possible, would like to have it heard before your Examiner, and as I understand it, the Examiner's hearing will be held in Hobbs, New Mexico. Consequently, we ask that you set the case at the earliest date possible.

If you need any further information or desire to discuss the matter please phone either the writer or Mr. Hannifin collect.

Yours very truly,

HERVEY, DOW & HINKLE

By W. E. Bondurant, Jr.

WEB:mc

Encls.

cc-Magnolia Petroleum Company

P. O. Box 662

Roswell, New Mexico

Attention: Mr. S. P. Hannifin

BEFORE THE OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

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

CASE NO. 1140

THE APPLICATION OF MAGNOLIA PETROLEUM  
COMPANY FOR APPROVAL OF THE TRES RANCHOS  
UNIT EMBRACING 1200 ACRES, MORE OR LESS,  
EDDY COUNTY, NEW MEXICO, IN TWP. 19 S.,  
RGE. 23 E., N.M.P.M.

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Comes the undersigned, Magnolia Petroleum Company, a corporation  
with offices at Dallas, Texas, and files herewith two copies of the  
proposed Unit Agreement for the Development and Operation of the Tres  
Ranchos Unit, Eddy County, New Mexico, and hereby makes application  
for the approval of said Unit Agreement as provided by law, and in sup-  
port thereof, shows:

1. That the proposed unit area covered by said agreement embraces  
1200 acres, more or less, more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T. 19 S., R. 23 E., Eddy County, New Mexico

Sec. 10: All  
Sec. 11:  $W\frac{1}{2}$   $W\frac{1}{2}$   
Sec. 15:  $N\frac{1}{2}$   
Sec. 14:  $W\frac{1}{2}$   $NW\frac{1}{4}$

That the lands embraced within the proposed unit area are all  
State lands.

2. That applicant is informed and believes, and upon such informa-  
tion and belief, states: That the proposed unit area covers substantially  
all of the geological feature involved, and in the event of the discovery  
of oil or gas thereon, that said unit agreement will permit the producing  
area to be developed and operated in the interest of conservation and  
the prevention of waste of the unitized substances.

3. That Magnolia Petroleum Company is designated as unit operator  
in said unit agreement, and as such is given authority under the terms  
thereof to carry on all operations necessary for the development and  
operation of the unit area for oil and gas, subject to all applicable  
laws and regulations. That said unit agreement provides for the com-

commencement of a test well for oil and gas upon some part of the lands embraced in the unit area within 60 days after the effective date of the unit agreement, which is to be effective upon approval by the Commissioner of Public Lands of the State of New Mexico, and for the drilling of said well with due diligence to a depth sufficient to test the Ellenburger Formation or to such depth as suitably ascertained shall be discovered in paying quantities if at a lesser depth provided, however, that the operator is not required in any event to drill said well to a depth in excess of 10,000 feet.

4. That said unit agreement is in substantially the same form as unit agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico and by the New Mexico Oil Conservation Commission, and it is believed that in the event oil or gas in paying quantities is discovered on the lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said agreement, to the end that the maximum recovery will be obtained, and that said unit agreement is in the interest of the conservation of oil and gas and the prevention of waste as contemplated by the New Mexico Oil Conservation Commission statutes.

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

6. That upon an order being entered by the New Mexico Oil Conservation Commission approving said unit agreement and after approval thereof by the Commissioner of Public Lands of the State of New Mexico, an approved copy thereof will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a public hearing be held on the matter of the approval of said unit agreement and that upon said hearing, said unit agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and prevention of waste.

DATED this 9th day of August, 1956.

Respectfully submitted,

MAGNOLIA PETROLEUM COMPANY

By W. C. Somersault  
Attorney in fact