

CASE NO

128

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Application Transcript,  
SMALL Exhibits, Etc

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12 8

January 3, 1951

Magnolia Petroleum Company  
Roswell, New Mexico

Attention: Mr. S. P. Hanniffin

Dear Mr. Hanniffin:

I have carefully examined your application for an extension of time within which to comply with the drilling requirements of the Burro Hills Unit Area, Eddy County, New Mexico and extension of term for one year of the Unit Agreement.

I have concluded that the best interests of the State of New Mexico would be served by such requested extensions under the appropriate provisions of the original agreement. Therefore, I approve your application for extension of time until December 31, 1951.

This approval is entirely conditioned upon approval of this application for extension being had from the proper officials of the Department of the Interior.

Very truly yours,

*Gay Shepard*  
GOV. SHEPARD  
Commissioner

ILLEGIBLE

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. 128

ORDER NO. 755

THE APPLICATION OF THE MAGNOLIA PETROLEUM  
COMPANY FOR AN ORDER OF APPROVAL OF PROPOSED  
BURRO HILLS UNIT AGREEMENT WHOSE UNIT AREA  
COVERS 16,092.26 ACRES SITUATED IN TOWNSHIPS  
21 and 22 SOUTH, RANGE 22 EAST, IN EDDY  
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A. M.,  
March 2, 1948, at Santa Fe, New Mexico, before the Oil Conser-  
vation Commission of New Mexico, hereinafter referred to as  
"Commission", and said hearing was continued by order of the  
Commission to ten o'clock A. M., March 10, 1948, at Santa Fe,  
New Mexico.

NOW, on this the 10th day of March, 1948, the  
Commission having before it for consideration the testimony  
adduced at the hearing of said case and being fully advised  
in the premises:

FINDS that the proposed unit plan will in principle  
tend to promote the conservation of oil and gas and the  
prevention of waste;

IT IS THEREFORE ORDERED:

That the order herein shall be known as the:

"BURRO HILLS UNIT AGREEMENT ORDER"

SECTION 1. (a). That the project herein shall be  
known as the Burro Hills 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 unit agreement for the  
development and operation of the Burro Hills Unit Area referred to  
in the petitioner's petition and filed with said petition and such  
plan shall be known as the Burro Hills Unit Agreement Plan.

SECTION 2. That the Burro Hills Unit Agreement Plan  
shall be and is hereby approved in principle as a proper conser-  
vation measure; provided, however, that notwithstanding any of  
the provisions contained in said Unit Agreement, this approval  
of said agreement shall not be considered as waiving or relinquish-  
ing in any manner any rights, duties or obligations which are now  
or may hereafter be vested in the New Mexico Oil Conservation

Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said Burro Hills Unit Agreement or relative to the production of oil and gas therefrom.

SECTION 3. (a) That the Unit Area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

T. 21 S., R. 22 E.

All Sections 3, 4, 5, 8, 9, 10, 11,  
14, 15, 16, 17, 20, 21, 22, 23, 27,  
28, 29, 30, 31, 32, 33, E $\frac{1}{2}$  Section 19.

T. 22 S., R. 22 E.

All Sections 4, 5 and 6.

Eddy County, New Mexico,  
containing 16,092.26 acres,  
more or less.

(b) The Unit area may be enlarged or diminished as provided in said Plan.

SECTION 4. That the unit operator shall file with the Commission an executed original, or executed counterparts thereof, of the Burro Hills Unit Agreement not later than 30 days after the effective date thereof.

SECTION 5. That any party owning rights in the unitized substances who does not commit such rights to said Unit Agreement before the effective date thereof may there after become a party thereto by subscribing to such Agreement or a counterpart thereof. The Unit Operator shall file with the Commission within 30 days an original of any such counterpart.

SECTION 6. That the order herein shall become effective on the first day of the calendar month next following the approval of Commissioner of Public Lands and the Secretary of the Interior and shall terminate ipso facto on 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.

OIL CONSERVATION COMMISSION

  
\_\_\_\_\_  
THOMAS J. MABRY, CHAIRMAN

\_\_\_\_\_  
JOHN E. MILES, MEMBER

  
\_\_\_\_\_  
R. R. SPURRER, SECRETARY

BEFORE THE  
OIL CONSERVATION COMMISSION  
State of New Mexico

"NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

"The State of New Mexico, by its Oil Conservation Commission, hereby gives notice, pursuant to law, of the following public hearing to be held March 2, 1948, beginning at 10:00 o'clock a.m. on that day in the City of Santa Fe, New Mexico:

STATE OF NEW MEXICO TO:

All named parties in the following case,  
and notice to the public:

CASE NO. 128

"In the matter of the application of Magnolia Petroleum Company for approval of Burro Hills Unit Area and Agreement, covering the following described lands: All of section 3, 4, 5, 8, 9, 10, 11, 14, 15, 16, 17, 20, 21, 22, 23, 27, 28, 29, 30, 31, 32, 33, and the E $\frac{1}{2}$  section 19, Township 21 South, Range 22 East, N.M.P.M.; and all of sections 4, 5 and 6, Township 22 South, Range 22 East, N.M.P.M., Eddy County, New Mexico, and containing 16,092.26 acres, more or less.

"Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on February 16, 1948.

STATE OF NEW MEXICO

OIL CONSERVATION COMMISSION

By /s/ R. R. Spurrier  
R. R. SPURRIER, Secretary

SEAL"

MEMBERS OF OIL CONSERVATION COMMISSION ATTENDING:

Hon. Thomas J. Mabry, Governor, Chairman  
Hon. R. R. Spurrier, Secretary, Oil Conservation Commission, Member  
Hon. George Graham, Attorney for Oil Conservation Commission

R E G I S T E R

<u>NAME</u>	<u>COMPANY</u>	<u>ADDRESS</u>
Mr. Clarence Hinkel, Atty.	Magnolia Petroleum Company	Roswell, N. M.
Mr. Glenn Staley	Lea County Operators	Hobbs, N. M.
Mr. Roy Yarbrough	Oil Conservation Commission	Hobbs, N. M.
Mr. J. V. Fritz		Roswell, N. M.
Mr. S. P. Hannifin	Magnolia Petroleum Company	Roswell, N. M.

Due to unforeseen circumstances, the Petitioner and Attorney for the Petitioner were unable to get to Santa Fe for the hearing on March 3rd, and the hearing was postponed until March 10th.

Said hearing was held in the Office of the Governor, State Capitol, Santa Fe, New Mexico, at 10:00 a.m., on March 10, 1948.

Notice of hearing and petition was read by Mr. George Graham, Attorney for the Oil Conservation Commission.

BY MR. CLARENCE HINKEL:

Governor, and Members of the Commission, I would like to have the record show Clarence E. Hinkel appeared on behalf of the Applicant.

Filed with the application are three copies of the proposed unit agreement. I would like for the Commission to look at the Exhibit "A" attached to the unit agreement, to get some idea of the unit area proposed. Also filed with the application is a geological report, which is the same geological report filed with the United States Geological Survey, and the basis on which the area was designated by the United States Geological Survey.

Here is the report and geological map which will give the Commission an idea of the geology involved and the unit area shown by the shaded outline, covers substantially the entire structure. The unit agreement has been circulated for signatures by all interested parties, and it is my understanding all have been signed except one 40 acre sub-division which is State land and in the south portion of the unit area.

(After being duly sworn, Mr. S. P. Hannifin testified as follows:

MR. HINKEL:

Your name is S. P. Hannifin?

MR. HANNIFIN:

Yes, sir.

Q. You live in Roswell?

A. Yes, sir.

Q. You are employed by the Magnolia Oil Company?

A. Yes, sir.

Q. In what capacity?

A. District Land Man.

Q. Does that include all of New Mexico?

A. All over New Mexico, Yes, sir.

Q. How long have you been employed by the Magnolia Oil Company?

A. 22 years.

Q. Are you familiar with the proposed unit agreement?

A. Yes, sir.

Q. Have you read the agreement?

A. Yes, sir.

Q. Are you familiar, generally, with the operation of unit plans in New Mexico?

A. Yes, sir.

Q. State whether or not, in your opinion, this unit agreement would tend to promote conservation of oil and gas and unitize waste?

A. I believe it would. Would be if we located on the structure.

Q. The agreement provides for drilling of a well approximately in the center and to a depth of 7200 feet?

A. Yes, sir.

Q. How deep is the well now?

A. That well was 7725 feet yesterday morning. ( March 9, 1948).

Q. You are still drilling on it?

A. Yes, sir.

Q. How deep do you propose to carry that test?

A. Could possibly carry it 10,000 feet.

Q. Do you intend to proceed with it until you get granite?

A. Yes, sir.

GOVERNOR MABRY:

You hope to get granite before that?

A. It looks now as though we may go 9,000 or 10,000 feet.

Q. Do you know approximately the cost?

A. That Southern Union well at 7500 feet - it will cost 7,500 dollars.

Q. This is the first well in unit agreement which is being drilled on state lands. All the others have been on Federal lands, the State has a well located at approximately the center. That is the reason the well is being drilled on State lands.

GOVERNOR MABRY:

Any other questions or any suggestions from anyone?

Then the Order is granted.

MR. GRAHAM:

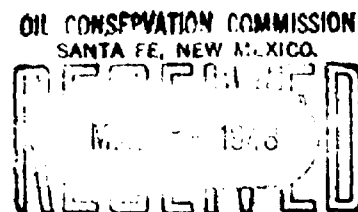
That 40 acre man at one end, what is his stand. He is just out and there is a standing invitation for him to enter?

MR. HINKEL:

If he comes and wants to drill he has the same spacing as the others.

J. M. HERVEY  
HIRAN M. DOW  
CLARENCE E. HINKLE  
W. E. BONDURANT, JR.

LAW OFFICES  
HERVEY, DOW & HINKLE  
ROSWELL, NEW MEXICO



GEORGE H. HUNKER, JR.

May 4, 1948

*File in 117-10-1000-128*  
*Graham*  
Mr. R. R. Spurrier  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Dear Dick:

We hand you herewith an approved copy of the Unit Agreement for the Development and Operation of the Burro Hills Unit Area, Eddy County, New Mexico, which has been designated by the United States Geological Survey as I. Sec. 567. You will notice that this was approved by the Acting Director of the United States Geological Survey under authority of the Secretary of the Interior as of April 22, 1948.

Yours sincerely,

HERVEY, DOW & HINKLE

By 

GEH:mmh

Enc.

CC: Mr. S. P. Hannifin  
Magnolia Petroleum Company  
Roswell, New Mexico

C  
O  
P  
Y

P. O. Box 371  
March 2, 1948

Mr. Foster Morrell  
U. S. Geological Survey  
Roswell, New Mexico

Dear Mr. Morrell:

RE: Case No. 128

The above captioned case concerning the application  
of Magnolia Petroleum Company for approval of Burro Hills  
Unit Area and Agreement has been recessed until 10:00 a.m.  
Wednesday, 10 March 1948.

Very truly yours,

---

C  
O  
P  
Y

P. O. Box 371  
March 2, 1948

Honorable John L. Miles  
State Land Commissioner  
Santa Fe, New Mexico

Dear Governor Miles:

Case No. 128 re the application of Magnolia Petroleum  
Company for approval of Burro Hills Unit Area and Agreement  
has been recessed until 10:00 a.m. Wednesday, 10 March 1948.

Very truly yours,

---

cc: Artesia office

C  
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Y

P. O. Box 871  
March 2, 1948

Honorable Thomas J. Mabry  
Governor of the State of New Mexico  
Santa Fe, New Mexico

RE: Case No. 128

Honorable Sir:

The above captioned case concerning the application  
of Magnolia Petroleum Company for approval of Burro Hills  
Unit Area and Agreement has been recessed until 10:00 a.m.  
Wednesday, 10 March 1948.

Respectfully,

---

cc: Hobbs office

C  
O  
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Y

P. O. Box 871  
March 2, 1948

Mr. Glenn Staley  
Lea County Operators Committee  
Hobbs, New Mexico

RE: Case No. 128

Dear Glenn:

The above captioned case concerning the application of Magnolia Petroleum Company for approval of Surro Hills Unit Area and Agreement has been recessed until 10:00 a.m. Wednesday, 10 March 1948.

Yours truly,

---

C  
O  
P  
Y

P. O. Box 871  
March 2, 1948

Mr. Clarence E. Hinkle  
Harvey, Dow & Hinkle  
Roswell, New Mexico

RE: Case No. 128

Dear Clarence:

The above captioned case concerning the application  
of Magnolia Petroleum Company for approval of Burro Hills  
Unit Area and Agreement has been recessed until 10:00 a.m.  
Wednesday, 10 March 1948.

Very truly yours,

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NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The State of New Mexico, by its Oil Conservation Commission, hereby gives notice, pursuant to law, of the following public hearing to be held March 2, 1948, beginning at 10:00 o'clock a.m. on that day in the City of Santa Fe, New Mexico:

STATE OF NEW MEXICO TO:

All named parties in the following case,  
and notice to the public:

Case No. 123

In the matter of the application of Magnolia Petroleum Company for approval of Burro Hills Unit Area and Agreement, covering the following described lands: All of sections 3, 4, 5, 8, 9, 10, 11, 14, 15, 16, 17, 20, 21, 22, 23, 27, 28, 29, 30, 31, 32, 33, and the E $\frac{1}{2}$  section 19, Township 21 South, Range 22 East, N.M.P.M.; and all of sections 4, 5 and 6, Township 22 South, Range 22 East, N.M.P.M., Eddy County, New Mexico, and containing 16,092.26 acres, more or less.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on February 16, 1948.

STATE OF NEW MEXICO

OIL CONSERVATION COMMISSION

By R. R. Spurrer  
R. R. SPURRER, Secretary

NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION  
The State of New Mexico, by its Oil Conservation Commission, hereby gives notice, pursuant to law, of the following public hearing to be held March 2, 1948, beginning at 10:00 o'clock a.m. on that day in the City of Santa Fe, New Mexico: STATE OF NEW MEXICO TO:

All named parties in the following case, and notice to the public:  
Case No. 128

In the matter of the application of Magnolia Petroleum Company for approval of Burro Hills Unit Area and Agreement, covering the following described lands: All of sections 3, 4, 5, 8, 9, 10, 11, 14, 15, 16, 17, 20, 21, 22, 23, 27, 28, 29, 30, 31, 32, 33, and the E½ section 19, Township 21 South, Range 22 East, N.M.P.M.; and all of sections 4, 5 and 6, Township 22 South, Range 22 East, N.M.P.M., Eddy county, New Mexico, and containing 18,082.28 acres, more or less.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on February 18, 1948.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION  
By R. R. SPURRIER,  
Secretary.  
(SEAL)  
Pub. Feb. 18, 1948.

## Affidavit of Publication

State of New Mexico }  
County of Santa Fe } ss.

I, John E. Baker, being first duly sworn, declare and say that I am the ~~(Business Manager)~~ (Editor) of the Santa Fe New Mexican, a daily newspaper, published in the English Language, and having a general circulation in the City and County of Santa Fe, State of New Mexico, and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 of the Session Laws of 1937; that the publication, a copy which is hereto attached, was published in said paper ~~once each week~~ for one time ~~consecutive weeks~~, and on the same day of each week in the regular issue of the paper during the time of publication, and that the notice was published in the newspaper proper, and not in any supplement, ~~once each week~~ for one time ~~weeks consecutively~~, the first publication being on the 18th day of February, 1948, ~~and the last publication~~ ~~thereafter~~ ~~on the~~ ~~19th~~; that payment for said advertisement has been (duly made), or (assessed as court costs); that the undersigned has personal knowledge of the matters and things set forth in this affidavit.

### PUBLISHER'S BILL

35 lines, one time at \$ 3.50

lines, times, \$

Tax \$

Total . . . . \$ 3.50

received payment,

John E. Baker  
Manager

Subscribed and sworn to before me this 18th

day of February, A.D., 1948

Anna K. Ormsbee  
Notary Public

My Commission expires

June 14, 1949

C  
O  
P  
Y

P. O. Box 371  
February 16, 1943

THE SANTA FE NEW MEXICAN  
Santa Fe, New Mexico

RE: Case No. 126 - Notice of Publication

Gentlemen:

Please publish the enclosed notice once, immediately.  
Please proof-read the notice carefully and send a copy of the  
paper carrying such notice.

UPON COMPLETION OF THE PUBLICATION, PLEASE SEND  
PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment, please submit statement in duplicate,  
accompanied by voucher executed in duplicate. The necessary  
blanks are enclosed.

Very truly yours,

WV

JOHN A. GARNER,  
Attorney

C  
O  
P  
Y

P. O. Box 871  
February 16, 1943

Mr. Jack Sitton  
Carlsbad Current Argus  
Carlsbad, New Mexico

RE: Case No. 126 - Notice of Publication

Dear Jack:

Will you please publish the enclosed notice case, immediately. If you can get it in before February 21, 1943, will give the legal 10-day "notice" period. Also, please proof-read the notice carefully and the copy of the paper carrying the notice.

We are enclosing voucher for your signature and ask that you attach two copies of publisher's affidavit.

Best regards,

baw

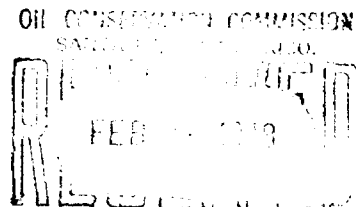
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J. M. HERVEY  
HIRAM M. DOW  
CLARENCE E. HINKLE  
W. E. BONDURANT, JR.

GEORGE H. HUNKER, JR.

LAW OFFICES  
HERVEY, DOW & HINKLE  
ROSWELL, NEW MEXICO

February 10, 1948



Mr. Dick Spurrier  
Secretary,  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Re: Burro Hills Unit Agreement,  
Eddy County, New Mexico.

Dear Dick:

We enclose herewith in triplicate Application of the Magnolia Petroleum Company for Approval of Unit Agreement for the Development and Operation of the Burro Hills Unit Area, Eddy County, New Mexico, which comprises 16,092.26 acres in Townships 21 and 22 South, Range 22 East, N.M.P.M. We also enclose herewith three copies of the proposed Unit Agreement.

You will note from the application that this area has been heretofore designated as one suitable and proper for unitization by the Director of the United States Geological Survey and that the form of the Unit Agreement has been approved by the Assistant Secretary of the Interior and with the exception of one or two slight changes which were made by the Department of the Interior, the form has been approved by your attorney, George Graham.

You will note that we have attached to the application as Exhibit "A" a duplicate original of the Geological Report and Gravity Meter Map, addressed to the Director of the United States Geological Survey and which was used for the purpose of obtaining the designation of the area by the Director.

We would like to have this matter set down for hearing as quickly as possible as a well is being drilled in about the center of the Unit Area and we are anxious to have the agreement approved before the well is completed.

We have attached the Geological Report so as to avoid, if possible, the expense of having the Magnolia geologists appear at the hearing in support of the application; however,

Page 2  
Mr. Dick Spurrier

February 10, 1948

if you think it advisable to put on any additional evidence,  
please advise us and we will be prepared to do so. Please  
advise us as soon as possible the date set for the hearing.

With kindest regards, we are

Yours sincerely,

HERVEY, DOW & HINKLE

By 

CEH:mmh

Enc.

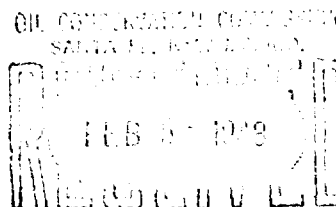
CC: Mr. S. P. Hannifin  
Magnolia Petroleum Company  
Roswell, New Mexico

Mr. George Graham  
Attorney  
State Land Office  
Santa Fe, New Mexico

J. M. HERVEY  
HIRAH M. DOW  
CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
  
GEORGE H. HUNKER, JR.

LAW OFFICES  
HERVEY, DOW & HINKLE  
ROSWELL, NEW MEXICO

February 2, 1948



Mr. Dick Spurrier  
Secretary  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Dear Dick:

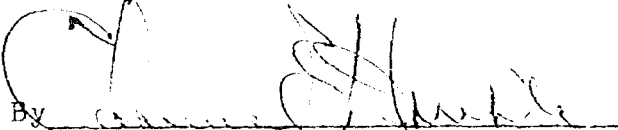
The Magnolia Petroleum Company has a proposed unit agreement for the operation and development of the Burro Hills Unit Area, Eddy County, the form of which has been approved by George Graham, and the form has been before the U.S.G.S. in Washington for sometime for approval and we are in receipt of a letter from Mr. Duncan, Chief of the Conservation Branch to the effect that he is now assured that the approval letter will be forwarded to us sometime this week. We enclose herewith a copy of the proposed unit agreement.

The reason for writing you at this time is that someone mentioned that the Conservation Commission would likely have a hearing on other matters sometime the middle of February and we would like, if possible, to include this unit agreement in the hearing. Just as soon as the approved form has been returned, we will make formal application to the Oil Conservation Commission for approval but, in the meantime, if you are not going to have sufficient time to get in a publication, I am wondering if it would not be possible for you to go ahead and give the notice so that the hearing can be held with the other matters which you have scheduled.

With kindest regards, I am

Yours sincerely,

HERVEY, DOW & HINKLE

By 

CEH:mmh

Enc.

CERTIFICATE OF APPROVAL BY COMMISSIONER OF  
PUBLIC LANDS, STATE OF NEW MEXICO, OF UNIT  
AGREEMENT FOR THE DEVELOPMENT AND OPERATION  
OF THE BURRO HILLS UNIT AREA, EDDY COUNTY,  
STATE OF NEW MEXICO.

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There having been presented to the undersigned, Commissioner of Public Lands of the State of New Mexico, for examination and agreement for the development and operation of the Burro Hills Unit Area, Eddy County, New Mexico, bearing date of the 9th day of February, 1948, 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;

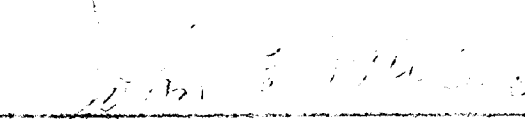
(b) That under the operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its lands in the area affected;

(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 Chapter 88 of the New Mexico Session Laws of 1943, approved April 14, 1943, 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 unit agreement above referred to for the development and operation of the Burro Hills Unit Area, Eddy County, New Mexico, subject to all of the provisions of the aforesaid act.

Executed this the 18th day of March, 1948.

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

INLET BULK

CERTIFICATE OF APPROVAL BY COMMISSIONER OF  
PUBLIC LANDS, STATE OF NEW MEXICO, OF UNIT  
AGREEMENT FOR THE DEVELOPMENT AND OPERATION  
OF THE BURRO HILLS UNIT AREA, EDDY COUNTY,  
STATE OF NEW MEXICO.

There having been presented to the undersigned, Commissioner of Public Lands of the State of New Mexico, for examination and agreement for the development and operation of the Burro Hills Unit Area, Eddy County, New Mexico, bearing date of the 9th day of February, 1948, 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 lands 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 Chapter 88 of the New Mexico Session Laws of 1943, approved April 14, 1943, 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 unit agreement above referred to for the development and operation of the Burro Hills Unit Area, Eddy County, New Mexico, subject to all of the provisions of the aforesaid act.

Executed this the 18th day of March, 1948.

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

FILED

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the act approved February 25, 1920, 41 Stat. 437; 30 U.S.C. secs. 181, et seq., as amended by the act of August 8, 1946, 60 Stat. 950, and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C.F.R. sec. 4.611, 12 F.R. 6784, I do hereby:

A. Approve the attached agreement for the development and operation of the Barre Mills Unit Area, State of New Mexico.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated APR 1 1951.

*W. H. Bradley*  
Director, United States Geological Survey.

Survey copy ✓



UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE BURRO HILLS UNIT AREA

EDDY COUNTY

STATE OF NEW MEXICO

**RECEIVED**  
MAR 18 1948

U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

I. SEC. No. 567

This agreement, entered into as of the 9<sup>th</sup> day of February, 1948, 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 Act of February 25, 1920, 41 Stat. 437, 30 U.S.C. secs. 181, et. seq., as amended by the Act of August 8, 1946, 50 Stat. 950, authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating under a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof, for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Chap. 38, Laws 1943) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Chap. 72, Laws 1935) to approve this agreement and the conservation provisions hereof; and

Exhibit A attached hereto is a map showing the unit area and the known ownership of all land and leases in said area. Exhibit B attached hereto is a schedule showing the percentage and kind of ownership of oil and gas interests in all land in the unit area. Exhibits A and B shall be revised by the Unit Operator whenever changes in the unit area or other changes render such revision necessary, and not less than six copies of the revised exhibits shall be filed with the Oil and Gas Supervisor.

The above-described unit area shall be expanded or contracted, whenever such action is necessary or desirable to conform with the purposes of this agreement, in the following manner;

(a) Unit Operator, on its own motion or on demand of the Director of the U. S. Geological Survey, hereinafter referred to as Director, or on demand of the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as Commissioner, shall prepare a notice of proposed expansion or contraction 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 Oil and Gas Supervisor, hereinafter referred to as Supervisor, and Commissioner, and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor and Commissioner evidence of mailing of the notice of

expansion or contraction 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 or contraction shall, upon approval by the Director and Commissioner, become effective as of the date prescribed in the notice thereof.

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

#### UNITIZED SUBSTANCES

3. 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".

#### UNIT OPERATOR

4. The Magnolia Petroleum Company, a corporation, with offices at Dallas, Texas, 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.

The Unit Operator may resign as Unit Operator whenever not in default under this agreement, but no Unit Operator shall be relieved from the duties and obligations of Unit Operator for

a period of 6 months after it has served notice of intention to resign on all owners of working interests subject hereto and the Director and Commissioner, unless a new Unit Operator shall have been selected and approved and shall have assumed the duties and obligations of Unit Operator prior to the expiration of said 6-month period. Upon default or failure in the performance of its duties or obligations under this agreement the Unit Operator may be removed by a majority vote of owners of working interests determined in like manner as herein provided for the selection of a successor Unit Operator. Prior to the effective date of relinquishment by or within 6 months after removal of Unit Operator, the duly qualified successor Unit Operator shall have an option to purchase on reasonable terms all or any part of the equipment, material, and appurtenances in or upon the land subject to this agreement, owned by the retiring Unit Operator and used in its capacity as such operator, or if no qualified successor operator has been designated, the working interest owners may purchase such equipment, material, and appurtenances. At any time within the next ensuing 3 months any equipment, material, and appurtenances not purchased and not necessary for the preservation of wells may be removed by the retiring Unit Operator, but if not removed shall become the joint property of the owners of unitized working interests in the participating area or, if no participating area has been established, in the entire unit area. The termination of the rights as Unit Operator under this agreement shall not terminate the right, title, or interest of such Unit Operator in its separate capacity as owner of interests in unitized substances.

#### SUCCESSOR UNIT OPERATOR

5. Whenever the Unit Operator shall relinquish the right as Unit Operator or shall be removed, the owners of the unitized working interests in the participating area on an acreage basis, or in the unit area on an acreage basis until a participating area shall have been established, shall select a new Unit Operator. A majority vote of the working interests qualified to vote shall be required to select a new Unit Operator; PROVIDED, That, if a majority but less than 75 percent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of at least one additional working interest owner 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 Director and Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Commissioner at their election may declare this unit agreement terminated.

#### UNIT ACCOUNTING AGREEMENT

6. If the Unit Operator is not the sole owner of working interests, all costs and expenses incurred in conducting unit operations hereunder and the working interest benefits accruing hereunder shall be apportioned among the owners of unitized working interests in accordance with a unit accounting 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 section, whether

one or more, are herein referred to as the "unit accounting 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 inconsistency or conflict between this unit agreement and the unit accounting agreement this unit agreement shall prevail. Three true copies of any unit accounting agreement executed pursuant to this section shall be filed with the Supervisor.

#### RIGHTS AND OBLIGATIONS OF UNIT OPERATOR

7. 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, and disposing of the unitized substances are hereby vested in 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.

The Unit Operator shall pay all costs and expenses of operation with respect to the unitized land. If and when the Unit Operator is not the sole owner of all working interests,

such costs shall be charged to the account of the owner or owners of working interests, and the Unit Operator shall be reimbursed therefor by such owners and shall account to the working interest owners for their respective shares of the revenue and benefits derived from operations hereunder, all in the manner and to the extent provided in the unit accounting agreement. The Unit Operator shall render each month to the owners of unitized interests entitled thereto an accounting of the operations on unitized land during the previous calendar month, and shall pay in value or deliver in kind to each party entitled thereto a proportionate and allocated share of the benefits accruing hereunder in conformity with operating agreements, leases, or other independent contracts between the Unit Operator and the parties hereto either collectively or individually.

The development and operation of land subject to this agreement under the terms hereof shall be deemed full performance by the Unit Operator of all obligations for such development and operation with respect to each and every part or separately owned tract of land 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 lease, operating agreement, or other contract by and between the parties hereto or any of them.

#### DRILLING TO DISCOVERY

8. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location to be approved by the Supervisor, if such location is upon lands of the United States, and if upon State lands or

patented lands, such location shall be approved by the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as the Commission, and thereafter continue such drilling diligently until a well not less than 7200 feet in depth has been drilled, unless at a lesser depth unitized substances shall be discovered which can be produced in paying quantities or the Unit Operator shall at any time establish to the satisfaction of the Supervisor as to wells on Federal land, or the Commission as to wells on State land or patented land, that further drilling of said well would not be warranted. If the first or any subsequent test well fails to result in the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 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 said Supervisor if on Federal land or the Commissioner if on State land or patented land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign, as provided in Section 4 hereof, after any well drilled under this section is placed in a satisfactory condition for suspension or is plugged and abandoned pursuant to applicable regulations. The Director, and the Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in their opinion, such action is warranted. Upon failure to comply with the drilling provisions of this section, the Director and 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.

The drilling of an initial test well to the depth and in the manner hereinabove specified by the Magnolia Petroleum Company shall satisfy the requirement set forth hereinabove for the drilling of such well, notwithstanding that such well may have been commenced or completed prior to the effective date of this agreement.

#### PLAN OF FURTHER DEVELOPMENT AND OPERATION

9. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission, an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Commissioner, and Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission, a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for exploration of the unitized area and for the determination of the commercially productive area thereof in each and every productive formation and shall be as complete and adequate as the Supervisor, the Commissioner, and the Commission may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall (a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject

to the approval of the Supervisor, Commissioner, and the Commission. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. All parties hereto agree that after completion of one commercially productive well no further wells, except such as may be necessary to afford protection against operations not under this agreement, shall be drilled except in accordance with a plan of development approved as herein provided.

#### PARTICIPATION AFTER DISCOVERY

10. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director, the Commissioner, and the Commission a schedule, based on subdivision of the public land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all land in said schedule on approval of the Director, the Commissioner and the Commission to constitute a participating area, effective as of the date of first production. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from

and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month following the date of first authentic knowledge or information on which such revision is predicated, unless a more appropriate effective date is specified in the schedule. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive apportionment of any sums accrued or paid for production obtained prior to the effective date of revision of the participating area.

In the absence of agreement at any time between the Unit Operator, the Director, the Commissioner, and the Commission as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable

to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor and the Commissioner and the amount thereof deposited with the District Land Office of the Bureau of Land Management and the Commissioner of Public Lands, respectively, to be held as unearned money until the participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor as to wells on Federal land and the Commissioner as to wells on State land, and the Commission as to patented land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall be allocated to the land on which the well is located so long as that well is not within a participating area established for the pool or deposit from which such production is obtained.

#### ALLOCATION OF PRODUCTION

11. All unitized substances produced from each participating area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production 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 said participating area. It is hereby agreed that production of unitized

substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area.

#### DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND

12. Any party hereto, other than the Unit Operator, owning or controlling a majority of the working interests in any unitized land not included in a participating area and having thereon a regular well location in accordance with a well-spacing pattern established under an approved plan of development and operation may drill a well at such location at his own expense, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such well in like manner as other wells are drilled by the Unit Operator under this agreement.

If such well is not drilled by the Unit Operator and results in production such that the land upon which it is situated may properly be included in a participating area, the party paying the cost of drilling such well shall be reimbursed as provided in the unit accounting agreement for the cost of drilling similar wells in the unit area, and the well shall be operated pursuant to the terms of this agreement as though the well had been drilled by the Unit Operator.

If any well drilled by the Unit Operator or by an owner of working interests, as provided in this section, obtains production insufficient to justify inclusion of the land on which said well is situated in a participating area, said owner of working interests at his election, within 30 days after determination of such insufficiency, shall be wholly responsible for and

may operate and produce the well at his sole expense and for his sole benefit. If such well was drilled by the Unit Operator and said owner of working interests elects to operate said well, he shall pay the Unit Operator a fair salvage value for the casing and other necessary equipment left in the well.

Wells drilled or produced at the sole expense and for the sole benefit of an owner of working interest other than the Unit Operator shall be operated pursuant to the terms and provisions of this agreement. Royalties in amount or value of production from any such well shall be paid as specified in the lease affected.

#### ROYALTIES AND RENTALS

13. The Unit Operator, on behalf of the parties hereto, shall pay in value or deliver in kind, according to the rights of the parties established by underlying leases or agreements, all royalties due upon production allocated to unitized land and shall pay all rentals or minimum royalties due on unitized land. All such payments or deliveries in kind shall be charged by the Unit Operator to the appropriate working interest owners as provided in the unit accounting agreement. Nothing herein contained shall operate to relieve the lessees of Federal or State land from their obligations under the terms of their respective leases to pay rentals and royalties.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by

law or regulation: PROVIDED, That for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

Rental or minimum royalty for land of the United States subject to this agreement shall be paid at the rates specified in the respective Federal leases, or such rental or minimum royalty may be waived, suspended, or reduced to the extent authorized by law and applicable regulations.

#### CONSERVATION

14. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances, to the end that the maximum efficient yield may be obtained without waste, as defined by or pursuant to State or Federal law or regulation; and production of unitized substances shall be limited to such production as can be put to beneficial use with adequate realization of fuel and other values.

#### DRAINAGE

15. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal land or as approved by the Commissioner as to State land.

LEASES AND CONTRACTS CONFORMED TO AGREEMENT

16. The parties hereto holding interests in leases embracing unitized land of the United States or of the State of New Mexico consent that the Secretary and Commissioner, respectively, may, and said Secretary and Commissioner, by their approval of this agreement do hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of such leases and the regulations in respect thereto, to conform said requirements to the provisions of this agreement, but otherwise the terms and conditions of said leases shall remain in full force and effect.

Said parties further consent and agree, and the Secretary and Commissioner by their approval hereof determine, that during the effective life of this agreement, drilling and producing operations performed by the Unit Operator upon any unitized land will be accepted and deemed to be operations under and for the benefit of all unitized leases embracing land of the United States and the State of New Mexico; and that no such lease shall be deemed to expire by reason of failure to produce wells situated on land therein embraced. Any Federal lease for a term of 20 years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force until the termination hereof. Any other Federal lease or state lease committed hereto shall continue in force as to the committed land so long as the lease remains committed hereto, provided a valuable deposit of unitized substances is discovered prior to the expiration date of the primary term of such lease. Authorized suspension of all operations and production on the

unitized land shall be deemed to constitute authorized suspension with respect to each unitized lease.

The parties hereto holding interests in land within the unit area other than Federal land consent and agree, to the extent of their respective interests, that all leases or other contracts concerning such land shall be modified to conform to the provisions of this agreement and shall be continued in force and effect during the life of this agreement.

#### COVENANTS RUN WITH LAND

17. 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, and as to Federal land shall be subject to approval by the Secretary and as to State land shall be subject to approval by the Commissioner.

#### EFFECTIVE DATE AND TERM

18. This agreement shall become effective upon approval by the Commissioner and Secretary and shall terminate on December 31, 1950, unless (a) such date of expiration is extended by the Director and Commissioner, or (b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities and after notice of

intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and the Commissioner, or (c) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which case the agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities; or (d) it is terminated as provided in section 5 or section 8 hereof. This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto with the approval of the Director and the Commissioner.

#### RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION

19. All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided further that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately-owned lands subject to

this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

#### CONFLICT OF SUPERVISION

20. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination, or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the said Unit Operator, working interest owners or any of them are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority vested in the Commission in and by any provisions of this contract are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

#### UNAVOIDABLE DELAY

21. 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, lockouts, acts of God, Federal, State, or municipal laws 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.

#### COUNTERPARTS

22. This agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document, or this agreement may be ratified with like force and effect by a separate instrument in writing specifically referring hereto. Any separate counterpart, consent, or ratification duly executed after approval hereof by the Secretary and the Commissioner shall be effective on the first day of the month next following the filing thereof with the Supervisor and the Commissioner, unless objection thereto is made by the Director or Commissioner and notice of such objection is served upon the appropriate parties within 60 days after such filing.

#### FAIR EMPLOYMENT

23. The Unit Operator shall not discriminate against any employee or applicant for employment because of race, creed, color, or national origin, and an identical provision shall be incorporated in all subcontracts.

#### LOSS OF TITLE

24. 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 this unit agreement, so that such tract is not committed to this unit agreement, there shall be such re-adjustment of participation as may be required on account of such failure of title. In the event of a dispute as to title or as to any interest in unitized land, the Unit Operator may withhold payment or delivery on account thereof without liability for

interest until the dispute is finally settled; PROVIDED: That as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico shall be withheld but such funds shall be deposited with the District Land Office of the Bureau of Land Management and Commissioner of Public Lands of the State of New Mexico, respectively, 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.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

MAGNOLIA PETROLEUM COMPANY

ATTEST:

*[Signature]*  
Asst. Secretary  
FEB 26 1948  
Date

By *L. A. Thompson*  
Vice-President

February 9, 1948  
Date

February 9, 1948  
Date

February 9, 1948  
Date

*Ruby S. Crosby (Mrs.)*  
*Stanley W. Crosby*

*(Miss) Ruby S. Crosby*

*Martina Geraldson*  
*Lucia Pexton*

2-10-1948  
Date

FEB 11 1948  
Date

Feb. 13, 1948  
Date

Feb. 14, 1948  
Date

Feb. 17 - 1948  
Date

Feb. 21, 1948  
Date

March 3, 1948  
Date

Date

Date

Date

Date

Date

Lovetyn Golden

W. P. Thurmon W. P. THURMON  
MIDLAND, TEXAS  
Hessie A. Thurmon

Thos A. Bewell

L. C. Golden

W. D. Welsch  
Myra J. Welsch  
Emily Belle Smith  
J. F. Smith Jr.  
Mrs. Lea Walker  
Emmitt Walker

STATE OF New Mexico }  
COUNTY OF Chaves } SS

On this 9th day of February, 1948, before me personally appeared Ruby S. Crosby and Stanley W. Crosby, her husband, 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 deed.

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

My Commission Expires:

Ruth Cole  
Notary Public

October 7th 1949

STATE OF Texas }  
COUNTY OF Dallas } SS

On this 26 day of February, 1948, before me personally appeared D. A. Thompson, 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 said D. A. Thompson 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.

Jere Zutaurn  
Notary Public

My Commission Expires:

JUN 1 1949

JERE ZUTAVERN, Notary Public  
in and for Dallas County, Texas

STATE OF New Mexico )  
COUNTY OF Chaves )

On this 9th day of February, 1948, before me personally appeared (Miss) Ruby S. Crosby, a single woman; Martha Donaldson, a widow; and Lucile Parker, a single woman, 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 deed.

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

My commission expires  
October 7th 1949

Ruth Case  
Notary Public

STATE OF Texas )  
COUNTY OF El Paso )

On this 10th day of February, 1948, before me personally appeared Dorothy Golden, a married woman to me known to be the person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed.

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

My commission expires:

W. E. Hays  
Notary Public

W. E. Hays, Notary Public, El Paso, Texas  
My Commission Expires June 1, 1949

STATE OF Texas )  
COUNTY OF Midland )

On this 11th day of February, 1948, before me personally appeared W. P. Thurmon and Flossie A. Thurmon, 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 deed.

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

My commission expires:  
June 1, 1949

Lorna Overbay  
Notary Public

STATE OF Texas )  
COUNTY OF Travis )

On this 13<sup>th</sup> day of February, 1948, before me personally appeared Thos. A. Powell, a single man, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

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

My commission expires

June 1, 1949

Harry S. Thildorf  
Notary Public

STATE OF Texas )  
COUNTY OF Potter )

On this 14<sup>th</sup> day of February, 1948, before me personally appeared C. C. Golden, a married man, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

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

My commission expires:

June 1, 1949

C. B. Clark  
Notary Public

STATE OF California )  
COUNTY OF Orange )

On this 17<sup>th</sup> day of February, 1948, before me personally appeared Marion J. Welsh and W. D. Welsh, her husband, 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 deed.

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

My commission expires:

Margaret Huston  
Notary Public

STATE OF New Mexico )

COUNTY OF Chaves )

On this 21<sup>st</sup> day of February, 1948, before me personally appeared Emily Belle Smith and J. F. Smith, Jr., her husband, 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 deed.

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

My commission expires  
Oct. 7, 1949

Ruth Case  
Notary Public

STATE OF New Mexico )

COUNTY OF Lincoln )

On this 3<sup>d</sup> day of March, 1948, before me personally appeared Mrs. Lea Walker and Emmitt Walker, her husband, 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 deed.

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

My commission expires:  
Oct. 7, 1949

Ruth Case  
Notary Public

STATE OF \_\_\_\_\_ )

COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 194\_\_\_\_, before me personally appeared \_\_\_\_\_, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as \_\_\_\_\_ free act and deed.

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

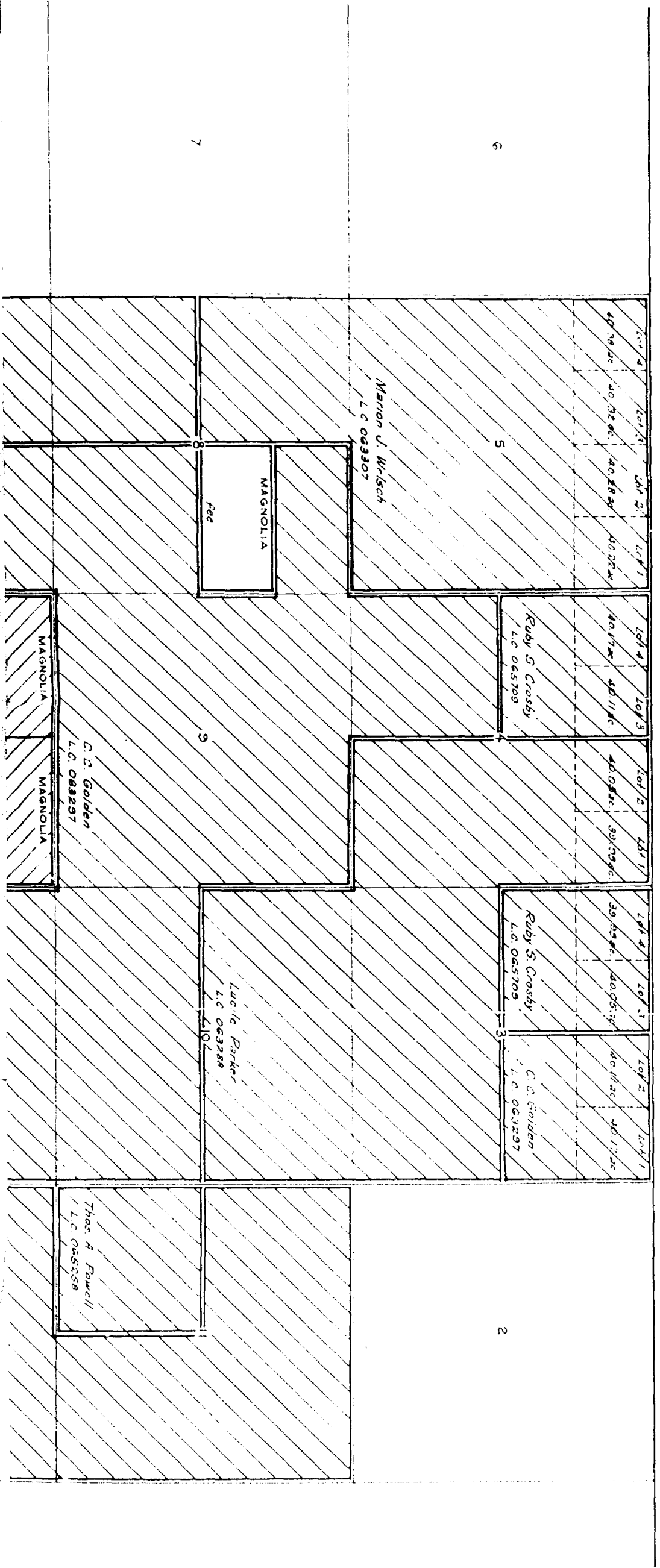
My commission expires:  
\_\_\_\_\_

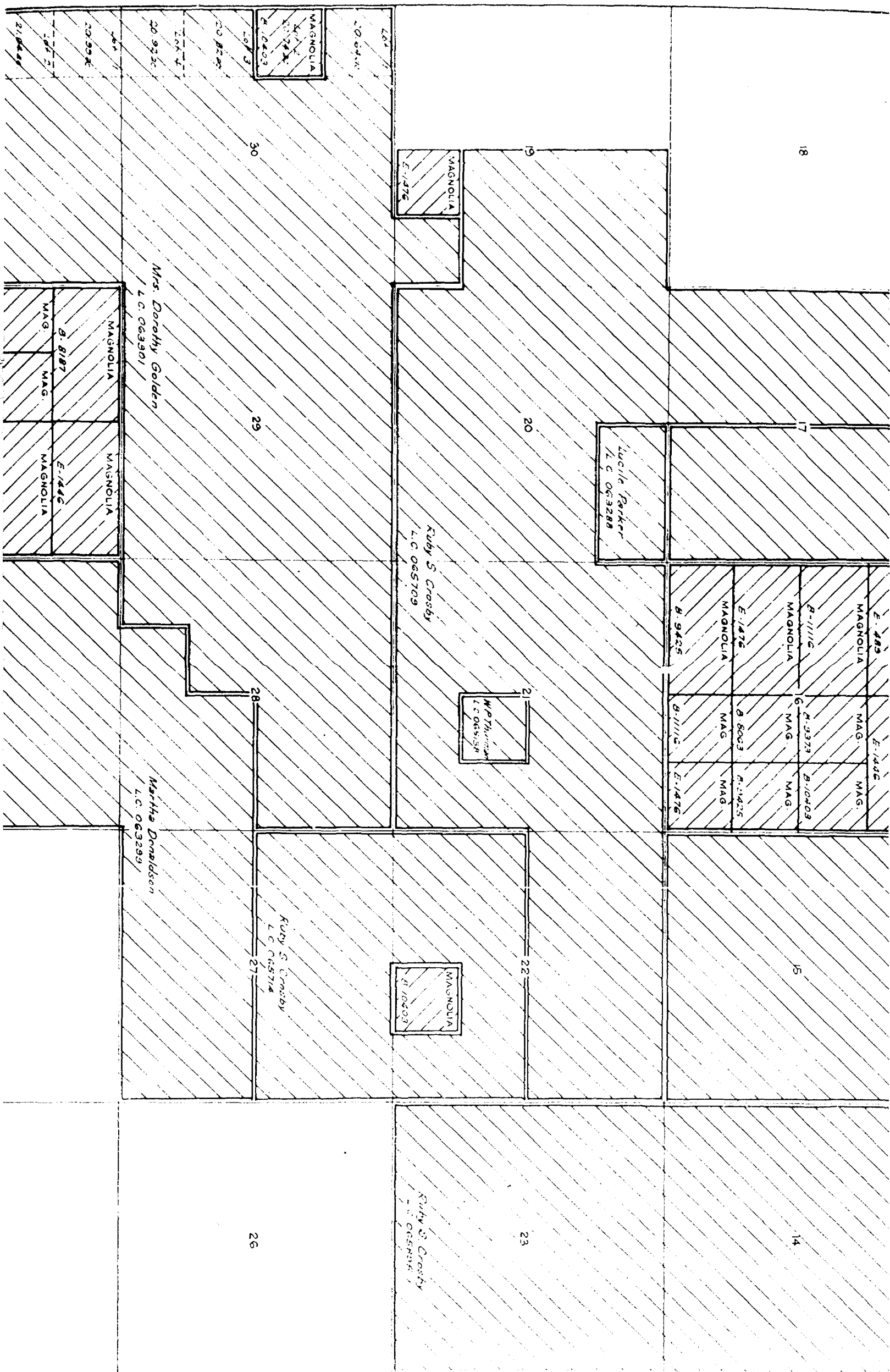
\_\_\_\_\_  
Notary Public

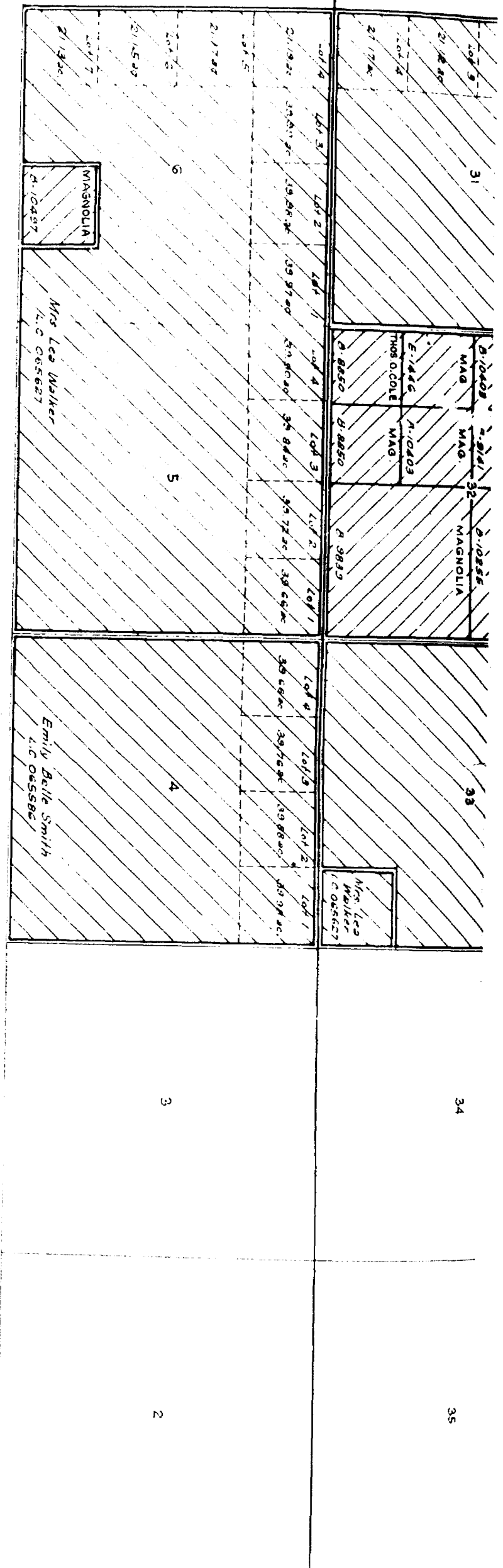
# BURRO HILLS UNIT AREA

## EDDY CO., N.M.

R 22 E

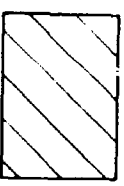






STATE

1420.74 Acres



FEDERAL

14,591.52 Acres



FEE

80.00 Acres

TOTAL 16,092.26 Acres

## EXHIBIT "B"

BURRO HILLS UNIT AREAEDDY COUNTY, NEW MEXICO

SCHEDULE SHOWING THE NATURE AND EXTENT OF OWNERSHIP  
OF OIL AND GAS RIGHTS IN ALL LANDS IN THE UNIT  
AREA

FEDERAL LANDS

<u>OWNERSHIP</u> <u>OIL AND GAS LEASES</u> <u>OR APPLICATIONS</u>	<u>LAS CRUCES</u> <u>SERIAL</u> <u>NUMBER</u>	<u>NO.</u> <u>OF</u> <u>ACRES</u>
<u>Ruby S. Crosby</u> ✓	065709	2,520.32
Lots 3 and 4, S $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 3; Lots 3 and 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 4; SW $\frac{1}{4}$ Sec. 8; W $\frac{1}{2}$ Sec. 17; NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 19; S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ , W $\frac{1}{2}$ Sec. 20; W $\frac{1}{2}$ , NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 21; N $\frac{1}{2}$ Sec. 22; T. 21 S., R. 22 E.,		
<u>Ruby S. Crosby</u> ✓	065895	1,760
N $\frac{1}{2}$ , SE $\frac{1}{4}$ Sec. 11; All Secs. 14 and 23, T. 21 S., R. 22 E.		
<u>Ruby S. Crosby</u> ✓	065714	600
E $\frac{1}{2}$ SE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ Sec. 22; N $\frac{1}{2}$ Sec. 27, T. 21 S., R. 22 E.		
<u>Martha Donaldson</u> ✓	063299	1,120
S $\frac{1}{2}$ Sec. 27; SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 28; N $\frac{1}{2}$ SW $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 33; T. 21 S., R. 22 E.		
<u>C. C. Golden</u> ✓	063297	2,480.28
Lots 1 and 2, S $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 3; SW $\frac{1}{4}$ Sec. 4; N $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ Sec. 8; All Sec. 9; S $\frac{1}{2}$ Sec. 10; All Sec. 15; E $\frac{1}{2}$ Sec. 17, T. 21 S., R. 22 E.		
<u>Dorothy Golden</u> ✓	063301	2,226.70
SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 19; N $\frac{1}{2}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 28; All Sec. 29; Lots 1, 3 and 4, E $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ Sec. 30; All Sec. 31, T. 21 S., R. 22 E.		
<u>Lucile Parker</u> ✓	063288	1,040.04
S $\frac{1}{2}$ Sec. 3; Lots 1 and 2, S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ Sec. 4; N $\frac{1}{2}$ Sec. 10; N $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 20, T. 21 S., R. 22 E.		
<u>Thos. A. Powell</u> ✓	065258	160
SW $\frac{1}{4}$ Sec. 11, T. 21 S., R. 22 E.		
<u>Emily Belle Smith</u> ✓	065586	639.28
All Sec. 4, T. 22 S., R. 22 E.		

OWNERSHIP  
OIL AND GAS LEASES  
OR APPLICATIONS

LAS CRUCES  
SERIAL  
NUMBER

NO.  
OF  
ACRES

W. P. Thurman ✓

065138

40

NW $\frac{1}{4}$ SE $\frac{1}{4}$  Sec. 21, T. 21 S., R. 22 E.

Mrs Lea Walker ✓

065627

1,203.70

SE $\frac{1}{4}$ SW $\frac{1}{4}$  Sec. 33, T. 21 S., R. 22 E.  
All Sec. 5, Lots 1, 2, 3, 4, 5, 6, and 7,  
SE $\frac{1}{4}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$  Sec.6,  
T. 22 S., R. 22 E.

Marion J. Welsch ✓

063307

801.20

All Sec. 5; NW $\frac{1}{4}$  Sec. 8, T. 21 S., R. 22 E.

Total Federal Lands

14,591.52

-- 0 --

STATE LANDS

PRESENT OWNER  
OR LESSEE

STATE  
LEASE NO.

ACRES

Magnolia Petroleum Company ✓

E-489

80

N $\frac{1}{2}$ NW $\frac{1}{4}$  Sec. 16, T. 21 S., R. 22 E.

Magnolia Petroleum Company ✓

E-1446

200

N $\frac{1}{2}$ NE $\frac{1}{4}$  Sec. 16; N $\frac{1}{2}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$  Sec. 32,  
T. 21 S., R. 22 E.

Magnolia Petroleum Company ✓

E-1476

160

N $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$  Sec. 16; SW $\frac{1}{4}$ SE $\frac{1}{4}$  Sec. 19,  
T. 21 S., R. 22 E.

Magnolia Petroleum Company ✓

E-8065

40

NW $\frac{1}{4}$ SE $\frac{1}{4}$  Sec. 16, T. 21 S., R. 22 E.

Magnolia Petroleum Company ✓

E-8187

80

N $\frac{1}{2}$ NW $\frac{1}{4}$  Sec. 32, T. 21 S., R. 22 E.

Magnolia Petroleum Company ✓

E-8850

40

SE $\frac{1}{4}$ SW $\frac{1}{4}$  Sec. 32, T. 21 S., R. 22 E.

PRESENT OWNER OR LESSEE	STATE LEASE NO.	ACRES
Thos. O. Cole	B-8850	40
SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 32, T. 21 S., R. 22 E.		
Magnolia Petroleum Company ✓	B-9141	40
SE $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 32, T. 21 S., R. 22 E.		
Magnolia Petroleum Company ✓	B-9373	40
SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 16, T. 21 S., R. 22 E.		
Magnolia Petroleum Company ✓	B-9425	120
NE $\frac{1}{4}$ SE $\frac{1}{4}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 16, T. 21 S., R. 22 E.		
Magnolia Petroleum Company ✓	B-9839	160
SE $\frac{1}{4}$ Sec. 32, T. 21 S., R. 22 E.		
Magnolia Petroleum Company ✓	B-10255	80
S $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 32, T. 21 S., R. 22 E.		
Magnolia Petroleum Company ✓	B-10403 <del>B-1043</del>	180.74
SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 16; SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 22; Lot 2 Sec.30; SW $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 32, T. 21 S., R. 22 E.		
<del>XXXXXXXXXXXX</del> Magnolia Petroleum Company, ✓	B-10497	40
SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 6, T. 22 S., R. 22 E.		
Magnolia Petroleum Company ✓	B-11116	120
S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 16, T. 21 S., R. 22 E.		
Total State Lands		1,420.74

-- 0 --

#### FEE LANDS

Lease Owner	Description	Acres
Magnolia Petroleum Company	S $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 8, T. 21 S., R. 22 E.	80

#### RECAPITULATION

	Acres
Federal Lands.....	14,591.52
State Lands.....	1,420.74
Fee Lands.....	80
TOTAL NUMBER OF ACRES IN BURRO HILLS UNIT AREA.....	16,092.26

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

ORDER NO. 755

### ORDER OF THE COMMISSION

This cause came on for hearing at ten o'clock A. M., March 2, 1948, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as "Commission", and said hearing was continued by order of the Commission to ten o'clock A. M., March 10, 1948, at Santa Fe, New Mexico.

FINDS that the proposed unit plan will in principle tend to promote the conservation of oil and gas and the prevention of waste;

That the order herein shall be known as the:

SECTION 1. (a). That the project herein shall be known as the Garro Hills Unit Agreement and shall hereinafter be referred to as the Project.

(b) That the plan by which the Project shall be operated shall be entered in the form of unit agreement for the development and operation of the same. This Unit Agreement shall be in the possession of the United States and shall be subject to the approval of the United States.

**THE UNIVERSITY OF CHICAGO**

I CERTIFY THAT THIS IS A TRUE AND CORRECT COPY  
OF THE ORIGINAL AS SUBMITTED TO ME  
THIS 4/8/37

W. H. Moseley

W. H. Moseley  
U. S. DEPT. OF JUSTICE  
WASHINGTON, D. C.

Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said Burro Hills Unit Agreement or relative to the production of oil and gas therefrom.

SECTION 3. (a) That the Unit Area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

T. 21 S., R. 22 E.

All Sections 3, 4, 5, 6, 9, 10, 11,  
14, 15, 16, 17, 20, 21, 22, 23, 27,  
28, 29, 30, 31, 32, 33, & Section 19.

T. 22 S., R. 22 E.

All Sections 4, 5 and 6.

Eddy County, New Mexico,  
containing 16,000.26 acres,  
more or less.

(b) The Unit area may be enlarged or diminished as provided in said Plan.

SECTION 4. That the unit operator shall file with the Commission an executed original, or executed counterparts thereof, of the Burro Hills Unit Agreement not later than 30 days after the effective date thereof.

SECTION 5. That any party owning rights in the unitized substances who does not commit such rights to said Unit Agreement before the effective date thereof may there after become a party thereto by subscribing to such Agreement or a counterpart thereof. The Unit Operator shall file with the Commission within 30 days an original of any such counterpart.

SECTION 6. That the order herein shall become effective on the first day of the calendar month next following the approval of Commissioner of Public Lands and the Secretary of the Interior and shall terminate upon facts on 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 hereinafore designated.

OIL CONSERVATION COMMISSION

THOMAS J. HARRIS, Chairman

JOHN E. HARRIS, Secretary

1. ORDERED BY THE BOARD OF DIRECTORS  
AND  
APPROVED BY THE BOARD OF DIRECTORS  
DATE 4/3

March

V. Mosley

SECRETARY  
S. C. HARRIS, INC.  
11, 1750, 1751

NEW MEXICO OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

APPLICATION FOR APPROVAL OF BURRO HILLS

UNIT AREA, EDDY COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

COMES the undersigned, the MAGNOLIA PETROLEUM COMPANY, a corporation, of Dallas, Texas, and files herewith three copies of a proposed Unit Agreement for the development and operation of the Burro Hills Unit Area, Eddy County, New Mexico, and hereby makes application for the approval of said agreement by the New Mexico Oil Conservation Commission as provided by law, and in support thereof shows:

1. That the Unit Area designated in said Unit Agreement covers a total of 16,092.26 acres situated in Townships 21 and 22 South, Range 22 East, Eddy County, New Mexico. That 14,591.52 acres of the lands in said proposed Unit Area are lands of the United States, and 1,420.74 acres are lands of the State of New Mexico, and that 80 acres are fee or privately owned lands. That said Unit Area is more particularly described by the plat attached to said proposed Unit Agreement, made a part thereof and for purposes of identification marked Exhibit "A".

2. That the owners of all of the oil and gas leases or pending applications therefor embracing lands of the United States and the Magnolia Petroleum Company, which owns the oil and gas leases covering substantially all of the lands of the State of New Mexico, and the fee lands have all

agreed to commit the same to said Unit Agreement.

3. That the Unit Area described in the proposed Unit Agreement has heretofore been designated by the Director of the United States Geological Survey as one suitable and proper for unitization, and that all lands embraced therein are believed to be situated upon the same geological structure; that there is attached hereto, made a part hereof, and for purposes of identification marked Exhibit "A", a duplicate original of the Geological Report and Geological Map, being based upon a gravity meter survey, which was filed with the United States Geological Survey and upon which the designation made by the Director was based, and which is to be treated as confidential.

4. That the undersigned, Magnolia Petroleum Company, is designated as the Unit Operator in said agreement, and the Unit Operator is given the authority under the terms of said agreement to carry on all operations which are necessary for the exploration and development of the Unit Area for oil and gas, subject to the regulations of the Secretary of the Interior, the Commissioner of Public Lands of the State of New Mexico, the New Mexico Oil Conservation Commission, and the terms of the respective leases. That a test well is now being drilled by the Magnolia Petroleum Company in the SW $\frac{1}{4}$ SE $\frac{1}{4}$  Section 16, Township 21 South, Range 22 East, N.M.P.M., upon lands of the State of New Mexico and being in approximately the center of the proposed Unit Area, and that said well is to be drilled to a depth of 7200 feet, unless at a lesser depth unitized substances shall be discovered which can be produced in paying quantities, or the Unit Operator shall establish to the satisfaction of the Commissioner of Public Lands that further drilling of said well would not be warranted.

5. That said Unit Agreement was approved as to form by the Acting Assistant Secretary of the Interior of the United States on January 30, 1948, and is in substantially the same form as Unit Agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico, the Secretary of the Interior, and the New Mexico Oil Conservation Commission, and it is believed that operations to be carried on under the terms thereof will promote the economical and efficient recovery of oil and gas to the end that the maximum yield may be obtained from the field or area, if oil or gas should be discovered in paying quantities, and the production is to be limited to such production as may be put to beneficial use with adequate realization of fuel and other values, and it is further believed that such agreement will be in the interest of conservation of oil and gas and the prevention of waste as contemplated by the Oil Conservation Statutes 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 the approval thereof by the Commissioner of Public Lands of the State of New Mexico, and the Secretary of the Interior of the United States, an approved copy of said agreement will be filed with the New Mexico Oil Conservation Commission.

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

Respectfully submitted,  
MAGNOLIA PETROLEUM COMPANY

By S. L. Harrison

EXHIBIT "A"

# MAGNOLIA PETROLEUM COMPANY

A SOCONY-VACUUM COMPANY

## EXPLORATION DEPARTMENT

P. O. BOX 900

DALLAS 1, TEXAS

October 2, 1947

S. A. THOMPSON  
VICE PRESIDENT AND MANAGER  
HENRY C. CORTES  
ASSISTANT MANAGER  
W. W. CLAWSON  
CHIEF GEOLOGIST  
PAUL E. NASH  
GEOLOGICAL EXPLORATION

Director  
United States Geological Survey  
Washington, D. C.

Dear Sir:

Request for Unitization - Burro Hill Prospect  
Townships 21 and 22 South, Range 22 East  
Brewer County, New Mexico

In support of our request for unitization of our Burro Hill Prospect, we submit the following geological information concerning the well we propose to drill.

We expect to encounter the following formations at the estimated depths shown:

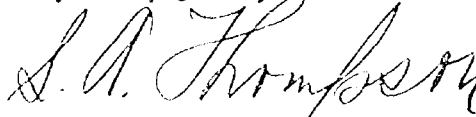
Top San Andres lime	450'
Top Glorieta sand	1775'
Top Yeco formation	1805'
Top Abo formation	3905'
Top Pennsylvanian	5585'
Top Mississippian	5810'
Top Devonian (Percha)	6045'
Top Silurian (Fusselman)	6085'
Top Ordovician (Montoya)	6260'
Top El Paso lime	6620'
Top Cambrian sandstone	6975'
Top Granite	7210'

The above estimates are based on Magnolia No. 1 Black Hills, Section 31, Township 17 South, Range 20 East, Chaves County. This is the nearest well which has penetrated the entire sedimentary section.

The most likely reservoir formations are the Glorieta, Yeco, Fusselman, Montoya, and El Paso.

In support of this request, we are attaching a copy of our gravity survey. This is a first-order assembly and is believed to indicate a deep-seated structure.

Very truly yours,



S. A. Thompson  
Vice President and  
Manager of Exploration

