

CASE 2939: Application of TEXACO  
for approval of the SQUARE LAKE 31  
UNIT AGREEMENT, Eddy County, N.Mex.

CASE No.  
2939

Application,  
TRANSCRIPTS,  
SMALL Exhibits  
ETC.



RECEIVED

JAN 4 1971

PETROLEUM PRODUCTS

PRODUCING DEPARTMENT -  
UNITED STATES  
MIDLAND DIVISION

December 29, 1970

OIL CONSERVATION COMMISSION  
P. O. BOX 8188  
MIDLAND, TEXAS 79701

TERMINATION OF UNIT OPERATIONS  
SQUARE LAKE "31" UNIT  
EDDY COUNTY, NEW MEXICO

State of New Mexico  
Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

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

Gentlemen:

The Oil Conservation Commission approved, on December 6, 1963, Texaco's Unit Agreement for the subject unit by Order No. R-2608 and Texaco's application for a waterflood project in this unit by Order No. R-2609.

This letter is to advise you that the Square Lake "31" Unit will be terminated effective January 1, 1971.

Texaco Inc. will continue operating the following wells which were originally owned by Texaco:


- A. N. Etz-Federal NCT-1
  - Well No. 1 - Unit L, Section 31-T16S-R30E(TA\*)
  - Well No. 2 - Unit M, Section 31-T16S-R30E(TA\*)
- A. N. Etz-Federal NCT-2
  - Well No. 3 - Unit G, Section 31-T16S-R30E(Prod\*)
  - Well No. 4 - Unit H, Section 31-T16S-R30E(SWDW\*)

\*Current Well Status

All other wells in this unit will be plugged and abandoned and the leases will revert to the original owners.

Yours very truly,

Darrell Smith  
Division Manager

By   
V. F. Dullnig  
Assistant Division Manager

CHF/vr

cc: USGS - Roswell  
NMOCC - Hobbs

PRODUCING DEPARTMENT -  
UNITED STATES  
MIDLAND DIVISION



PETROLEUM PRODUCTS

DEC 21 AM 8 29

2939

TEXACO INC.  
P. O. BOX 3109  
MIDLAND, TEXAS 79701

December 18, 1970

177157 - Square Lake 31 Unit  
Eddy County, New Mexico

Oil Conservation Commission  
State of New Mexico  
P. O. Box 2088  
Santa Fe, New Mexico

Gentlemen:

We enclose for your records, copy of letter dated December 10, 1970, from the United States Department of the Interior, Bureau of Land Management, advising of the termination of the Square Lake 31 Unit, Eddy County, New Mexico effective January 1, 1971, and further advising as to the term of the leases affected.

Yours very truly,

E. H. Watkins  
Division Landman

By W. R. Dowdy  
W. R. Dowdy

WRD:er

enclosure



# United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
DIVISION OF LANDS & MINERALS  
PROGRAM MANAGEMENT & LAND OFFICE  
P. O. Box 1449  
Santa Fe, New Mexico 87501

IN REPLY REFER TO

NM 04393 et al.  
Oil & Gas  
4.70a

GP 12/16  
CF 12/17

December 10, 1970

## DECISION

Lessees: (See below)

Oil and Gas

## Leases Extended

The Square Lake 31 Unit Agreement No. 14-08-0001-8568 has been terminated effective January 1, 1971. In accordance with the regulations Title 43 CFR Subpart 3107.5, the following oil and gas leases shall continue in effect for their original term or for two years after termination of the unit agreement, whichever is the longer and so long thereafter as oil or gas is produced in paying quantities:

<u>Serial No.</u>	<u>Lease Date</u>	<u>Lessee</u>
NM 04393	April 1, 1951	Depco, Inc.
NM 04712	December 1, 1951	John H. Trigg
NM 08529	April 1, 1953	Texaco Inc.

*Fred E. Padilla*  
Fred E. Padilla, Chief  
Branch of Oil and Gas

## Distribution

Regional Oil & Gas Supvr. (6)

USGS, Roswell, NM

Accounts

Docket - Ray

Branch of Oil and Gas

Square Lake 31 Unit (3)

Unit Operator - Texaco Inc.

P. O. Box 3109

Midland, TX 79701

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
November 20, 1963

EXAMINER HEARING

IN THE MATTER OF:

Application of Texaco, Inc. for a unit  
agreement, Eddy County, New Mexico.

&

Application of Texaco, Inc., for a waterflood  
project, Eddy County, New Mexico.

Case No. 2939 &  
2940

BEFORE: DANIEL S. NUTTER, EXAMINER

TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

SANTA FE, N. M.  
PHONE 983-3971

ALBUQUERQUE, N. M.  
PHONE 243-1191

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
November 20, 1963

EXAMINER HEARING

IN THE MATTER OF:

Application of Texaco, Inc. for a unit  
agreement, Eddy County, New Mexico;

&

Application of Texaco, Inc. for a water-  
flood project, Eddy County, New Mexico.

CASE NO. 2939 &  
2940

BEFORE: DANIEL S. NUTTER, EXAMINER

TRANSCRIPT OF HEARING

MR. NUTTER: The hearing will come to order, please.

We will call first Case 2939 and Case 2940.

MR. DURRETT: Application of Texaco, Inc. for a unit  
agreement, Eddy County, New Mexico, and application of Texaco, Inc.  
for a waterflood project, Eddy County, New Mexico.

MR. WHITE: Charles White of Santa Fe, New Mexico,  
appearing on behalf of the applicant. We have one witness to be  
sworn.

(Witness sworn)

MR. WHITE: If the Examiner please, for the sake of the  
hearing and saving of time, we would like to move that Cases 2939  
and 2940 be consolidated for the purposes of the hearing.

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MR. NUTTER: Cases 39 and 40 will be consolidated for hearing purposes.

MR. WHITE: Thank you.

D. M. WILLIAMS,

called as a witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WHITE:

Q Mr. Williams, will you state your name, full name, for the record?

A Don M. Williams.

Q And by whom and in what capacity are you employed?

A Employed by Texaco, Inc., District Petroleum Engineer in Hobbs, New Mexico.

Q Are you familiar with the applications in Cases 2939 and 2940?

A Yes, sir, I am.

Q Will you briefly state what Texaco is seeking by the applications?

A As initial unit operator, Texaco seeks approval of the Square Lake 31 Unit Agreement, seeks approval to initiate another flood activity in the proposed unit; third, approval to convert six wells to water injection.

Q Will you refer to what has been marked Exhibit One, and

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explain the exhibit, please?

A Exhibit One is a plat which shows the proposed unit area and the immediate area surrounding the unit. The unit is outlined by a hash line and contains some 480 acres more or less, consisting of the Southeast Quarter, the South Half of the Northeast Quarter, the Southwest Quarter and the East Half of the Northwest Quarter of Section 31, Township 16 South, Range 30 East, Eddy County, New Mexico.

Q All right.

A The plat also shows the names of the current operators of tracts within the unit, and it shows offset leases and operators.

Q Does the plat show the producing wells within the unit, the proposed injection wells?

A Yes, sir, it does. It shows 11 producing wells, which are completed, an average depth of approximately 3700. The six wells which are proposed for conversion to water injection are indicated on the plat by diagonal arrows and are further indicated by red circles around the wells.

Q Is the unit a portion of Square Lake Grayburg-San Andres Pool?

A Yes, it is.

Q Would the proposed pattern be the normal five-spot, and if so, would you give the location of the injection wells?

A Yes, sir. Conversion of the six indicated wells to water injection will provide five-spot injection pattern. Locations of



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these proposed injection wells are as follows: One in the Southeast of the Southeast; one in the Northwest of the Southeast; third in the Southeast of the Northeast; fourth in the Southeast of the Southwest; another in the Northwest of the Southwest; and the 6th well in the Southeast of the Northwest Quarter, all in Section 31.

Q Now, will you refer to Exhibit Number Two. Exhibit Number Two is what?

A Exhibit Number Two is a copy of the unit agreement, or the development and operation of the Square Lake 31 Unit area.

Q Is this a standard unit agreement?

A Yes, sir, it is.

Q Usual API form?

A Yes, sir.

Q Has the USGS tentatively approved the unit agreement?

A Yes. USGS Roswell office has indicated tentative approval of the unit agreement, and at the present time, the unit agreement is in the USGS office in Washington DC for approval.

Q Does the unit agreement embrace all Federal lands?

A Yes. All of the area within the proposed unit boundary is Federal land and the owner of the basic royalty on all tracts is the United States.

Q What percent of overriding royalty interest owners have signed up?

A All of the overriding royalty interest and all of the working interests have signed the agreement.



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Q Then, you will have one hundred percent participation?

A Yes, sir. With the signature of the USGS, we will have 100 percent participation.

Q Now, will you refer to what has been marked Exhibit Three, and give the history of the production?

A Exhibit Three is a graph showing production performance curves for the area, comprising the Square Lake 31 Unit.

Specifically shown on this graph are curves showing number of wells, monthly oil production, monthly water production, gas-oil ratio, and accumulative oil production. All of these curves covering by months the time interval from May, 1958, which was the month in which first production was obtained in the unit area, through August of 1963.

Q Does this exhibit show these wells are producing in the stripper stage?

A Yes. The curves show that peak oil production was obtained in April, 1959, when production from the 11 wells in the unit area was approximately 11,400 barrels of oil per month, and that production has declined to monthly production of approximately 500 barrels of oil per month. From all of the wells in the unit area, that is. Currently, then, this is an average of less than two barrels of oil per well per day.

Q Will you now refer to and explain Exhibit Four?

A Exhibit Four is a plat showing the unit area outlined in yellow, the proposed injection wells circled in red, and all wells



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in the unit area and within one mile in each direction from the unit area.

Q Does it also show the water injection wells in the Square Lake Salsich Waterflood?

A Yes, sir. This plat shows circled in green existing water injection wells in Section 36, adjacent to the unit area to the west. These are existing in the Square Lake Salsich Waterflood.

Q This proposed waterflood project is being conducted with the cooperation of the operators of the Salsich Waterflood?

A Yes, sir. Preliminary arrangements have been made and agreement obtained to cooperatively waterflood along the common line between the proposed Square Lake 31 Unit and the Salsich property to the west. It is planned to accomplish this cooperative injection by conversion of wells circled in red in Section 36. The injection pattern will mesh and will be continuous on the cooperating tracts.

Q What comments do you care to make in regard to the wells circled in red to the South of the unit?

A Operators of the properties offsetting the proposed Square Lake 31 Unit to the South are currently completing negotiations to develop a unitized or a cooperative waterflood program on their lease, which will enable cooperative injection with the pattern shown by wells circled in red.

Q Do you have any completion data on your injection wells?

A Yes, sir. These data are shown on Exhibit Five.



Q Will you explain Exhibit Five, please?

A Exhibit Five is a tabulation of data on the following proposed injection wells identified by current operator and lease. A. C. Holder, et al Decal Federal Number One; A. C. Holder, et al Decal Federal Number Three; John H. Trigg Federal Well Number Two-31; John H. Trigg Federal Well Number Three-31; Texaco, Inc. et al Federal Well Number One, and Texaco, Inc. et al Federal NCT2 Well Number Four. For each of these wells, is shown total depth, completion interval, size and depth set for all casing strings and number of sack of cement used on all casing strings.

Q How do you intend to inject the water?

A Injection will be down tubing; each injection well will be equipped for water injection by installing 2 3/8ths OD tubing and a packer with the packer to be set immediately above the top of the casing perforation. The tubing casing annulus in each injection well will be filled with fluid containing a corrosion inhibitor. Also, the inside of the injection tubing will be plastic coated to prevent corrosion.

Q In your opinion, will there be any communication with any other zones or formations?

A In my opinion, the injection wells will be so equipped as to eliminate communication of injection- - of injected water to any other zones.

Q What will be your source of supply for water?

A It is planned to obtain water for injection by purchasing

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water from Caprock Water Company, a commercial water company.

Q Will that be fresh water?

A This water is brackish water produced from shallow wells.

Q What is your planned rate of injection?

A It is planned to initially inject 300 barrels of water per day per injection well, or a total of 1800 barrels of water per day for the six total injection wells in the unit area. Initial injection pressures are not expected to exceed 1000 pounds per square inch, but equipment will be designed to handle injection at a maximum pressure of 2200 pound per square inch, if needed.

Q What do you estimate your secondary recovery to be?

A It is estimated that total oil recovered from water flooding will equal the total amount of oil produced by primary recovery.

Q Will you now refer to Exhibit Six, and explain that, please?

A Exhibit Six consists of five separate radio activity logs, one each on five of the six proposed injection wells. Those wells logged are the Texaco-Etz Federal NCT1 Well Number One; the Texaco-Etz Federal NCT2 Well Number Four; the John H. Trigg Federal E Well Number 2-31; the A. C. Holder, et al, Decal Federal Well Number One, and the A. C. Holder, et al, Decal Federal Number Three.

Q You have no log for the Trigg Number Three?

A No, sir. A log was not run and therefore, not available on the John H. Trigg Federal E Number 3-31. On each of the logs in each - - Exhibit Five, a completion interval is marked in red.

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Q Do these exhibits truly and correctly Are these exhibits true and correct to the best of your knowledge and belief?

A Yes, sir, they are.

Q At this time we offer the exhibits.

MR. NUTTER: Texaco's Exhibits One through Six will be admitted in evidence.

MR. WHITE: That concludes our testimony on direct.

MR. NUTTER: Are there any questions of this witness?

MR. IRBY: Would you tell me the location of the water source well?

A Mr. Irby, I do not have the exact location of this water source well. Pardon me. I have some information that identifies the well by name, if I can locate it here. Just one minute, please. It is my understanding that the Caprock Water source well that would supply water to this project is known as their Watson Water Supply Well, in Section Two. Now, I don't have the township or range. I understand that this is located some distance west of the unit area, and I believe it is the same source that is currently supplying the Salsich waterflood to the west of the proposed unit.

MR. IRBY: Can you give me an approximate distance how far west of the unit area?

A It is being delivered to the Salsich properties, that would be approximately one mile west of this unit area. I assume that line will be extended to this proposed unit.

MR. IRBY: Well, can you get that and mail it to me?



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A Yes, sir, I certainly can.

MR. IRBY: And will?

A That will be the exact location of the water source well, or wells?

MR. IRBY: Yes.

A Yes, sir. We will mail that to you.

MR. IRBY: Thank you. That is all I have, Mr. Nutter.

MR. NUTTER: Mr. Williams, I notice in the unit agreement on Page Two, that the area is described as being Lots Two and Three in the East Half of the West Half and all of the East Half of the Section 31, being 553 acres, yet the plat and the application is for 480 acres, leaving out the Featherstone Eight, North Half of the Northeast. Is that in the unit or not?

A No, sir, it is not in the unit. The area shown in Exhibit A of the unit agreement and in Exhibit B of the unit agreement describes correctly the area within the unit boundary.

MR. NUTTER: Well, will the unit agreement then be amended here in Section Two, Paragraph A, where it is incorrectly described?

A I was not aware of this discrepancy here. I presume, Mr. Examiner, that if it is required to obtain approval of all parties, it would be amended.

MR. NUTTER: It would appear that that portion of it is incorrect, if Exhibits A & B are correct.

A Yes, sir. It would appear that there is a discrepancy





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here in the written portion in Section Two, and the Exhibits A & B. I am sure that the area shown in Exhibits A & B do properly describe the unit.

MR. NUTTER: Another thing I was wondering about, Mr. Williams, on Decal Wells, it appears that both of those injection wells have three zones of perforations, and the other wells have only one. Will you inject into all three of those zones on the Decal wells?

A Yes, sir. we intend to inject into all zones open in the well.

MR. NUTTER: How many wells, of the producing wells, produce from these extra two sets of perforations that the Decal wells have?

A I don't have the exact completion data on all of the producing wells. I believe that a number of the producing wells have those intervals open, but I am not certain as to exact number.

MR. NUTTER: Then, you estimate that your secondary recovery will be approximately equal to the primary?

A Yes, sir, we do.

MR. NUTTER: Total primary for the area is about 190,000 barrels?

A That is approximately correct, yes, sir.

MR. NUTTER: Are there any other questions? You may be excused. Do you have anything further in this case, Mr. White?

MR. WHITE: That concludes our testimony.



MR. NUTTER: Does anyone have anything they wish to offer  
in Case 2939 or 2940? Take the cases under advisement.

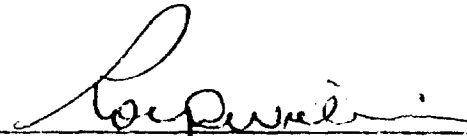
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STATE OF NEW MEXICO X

COUNTY OF BERNALILLO }

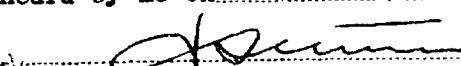
I, ROY D. WILKINS, Notary Public in and for the County of  
Bernalillo, State of New Mexico, do hereby certify that the fore-  
going and attached Transcript of Hearing before the New Mexico  
Oil Conservation Commission was reported by me, and that the same  
is a true and correct record of the said proceedings, to the best  
of my knowledge, skill, and ability.

WITNESS my Hand and Seal of Office, this 23rd day of  
December, 1963.

  
NOTARY PUBLIC

My Commission Expires:  
September 6, 1967.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case no. 2939-2940  
heard by me on 11/20, 19 63.

 Examiner  
New Mexico Oil Conservation Commission

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
EXHIBIT NO. \_\_\_\_\_  
CASE NO. \_\_\_\_\_



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## NEW MEXICO OIL CONSERVATION COMMISSION

## EXAMINER HEARING

SANTA FE, NEW MEXICO

REGISTER

HEARING DATE NOVEMBER 20, 1963 TIME: 9 A.M.

NAME:	REPRESENTING:	LOCATION:
D. M. Williams	Texaco Inc.	Hobbs, N. M.
Leewhite	Texaco	Santa Fe
John P. Carnes	Sun Oil Co.	Roswell, N. M.
R. L. Layden	Sun Oil Co.	" "
E. V. Stine	Sunray D-X	Midland Tex
Paul J. Beaver	Sunray D-X	" "
W. A. Shiggi	Sunray DX	Hobbs, N. Mex.
J. E. Sperling	M, S, S, R, & H	Alb.
Ray F. Mills	Mobil Oil	Hobbs, N. Mex.
C. A. Callaway	" "	" "
W. V. Kastler	GULF Oil Corp	Roswell, N. M.
L. R. Marshall	"	"
J. H. Hoog	"	"
Frank E. Stry	State Engr Office	Santa Fe







TEXACO  
MAIN OFFICE 000 INC.

1963 NOV 24 5 12 09

PETROLEUM PRODUCTS



November 21, 1963

DRAWER 728  
HOBBS, NEW MEXICO 88240

SQUARE LAKE 31 UNIT  
Eddy County, New Mexico

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

Attention: Mr. Daniel S. Nutter

Dear Mr. Nutter:

We wish to submit the following information concerning a point that was brought out during the hearing of Cases No. 2939 and 2940 on November 20, 1963. Specifically, this involved the difference in the description of the "Unit Area" as shown in Paragraph (a), Section 2 on Page 2 and the description as shown on Exhibit "A" and Exhibit "B", all parts of the UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE SQUARE LAKE 31 UNIT AREA, COUNTY OF EDDY, STATE OF NEW MEXICO, this Agreement having been submitted as Applicant's hearing Exhibit No. 2. Please be advised that the description as shown in Paragraph (a), Section 2, on Page 2 will be changed to agree with the description as indicated on Exhibits "A" and "B" of the Unit Agreement. As stated in the hearing testimony, the true and correct description of the Unit Area is that shown on Exhibit "A" and Exhibit "B" of the Unit Agreement and also shown on Applicant's hearing Exhibits No. 1 and 4.

The final execution copy of the Unit Agreement which will be filed with the Oil Conservation Commission will contain the appropriate Unit Area description in the aforementioned Section 2 so as to agree with the description in Exhibits "A" and "B" of the Agreement. We hope that this will be satisfactory and respectfully request that you advise if additional information is needed.

Yours very truly,

D. M. Williams  
District Engineer

DMW-bh  
CC: DBM

2939

**TEXACO**  
**INC.**

PETROLEUM PRODUCTS

DOMESTIC PRODUCING DEPARTMENT  
MIDLAND DIVISION



P. O. BOX 3100  
MIDLAND, TEXAS

January 2, 1964

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

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

Gentlemen:

In compliance with Order No. R-2608 dated December 6, 1963, Texaco Inc. as operator of the Square Lake 31 Unit is hereby submitting a copy of the executed unit agreement for the development and operation of the Square Lake 31 Unit, Eddy County, New Mexico.

This unit will become effective at 7:00 a. m., January 1, 1964, and as of that date Texaco Inc. will assume operation of the unit. Also attached for your information is a copy of the Certification of Effectiveness and Notice of Square Lake 31 Unit, Eddy County, New Mexico. If additional information is desired concerning this matter, please do not hesitate to advise.

Yours very truly,

*C. R. Black*

C. R. Black  
Division Proration Engineer

CRB-MM  
Attach.



CERTIFICATE OF EFFECTIVENESS AND NOTICE OF  
SQUARE LAKE 31 UNIT, EDDY COUNTY, NEW MEXICO

TO WHOM IT MAY CONCERN:

NOTICE IS HEREBY GIVEN that a Unit and Unit Operating Agreement were entered into on the first day of May, 1963, for the operation and development of the Square Lake 31 Unit Area, embracing the following described land situated in Eddy County, New Mexico:

T-16-S, R-30-E, N. M. P. M.

Section 31: Lots 3, 4, E/2 W/2, S/2 NE/4,  
SE/4, containing 473.53 acres,  
more or less.

PURSUANT to said Unit Agreement the following is stated:

(a). The Unit Agreement and Unit Operating Agreement have been executed or ratified by 100% of the working interest owners and the Unit Agreement has been executed or ratified by 100% of the royalty interest owners in the unit area.

(b). The Unit Agreement has been approved by the acting Director of the United States Geological Survey, a duly authorized representative of the Secretary of the Interior of the United States of America and also approved by the New Mexico Oil Conservation Commission.

NOTICE IS HEREBY FURTHER GIVEN that the effective date of the Square Lake 31 Unit will be January 1, 1964, and the unit will remain in effect as long as unitized substances are produced in paying quantities from the unit area or operations are prosecuted thereon.

NOTICE IS HEREBY FURTHER GIVEN that a copy of said Unit Agreement is on file in the office of the New Mexico Oil Conservation Commission, Santa Fe, New Mexico and copies of the Unit Agreement and the Unit Operating Agreement are on file in Texaco's Midland Division Office, Midland, Texas, and in the office of the Supervisor of the United States Geological Survey at Roswell, New Mexico, reference to which may be had for all of the terms and conditions of said Unit and Unit Operating Agreements.

This instrument is filed in accordance with the Square Lake 31 Unit Agreement by Texaco Inc., Unit Operator, and filed for the purpose of giving notice to all parties dealing with any of the lands committed to said Unit and Unit Operating Agreements of the existence of said instruments and the contents thereof.

IN WITNESS WHEREOF, this notice is given the 19th day of December, 1963.

Approved as to:

TEXACO Inc.

Terms 1/16

Form 258

By [Signature]  
Attorney-in-Fact

STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 19th day of December, 1963, by W. G. Leaz, Attorney-in-Fact for Texaco Inc., a Delaware Corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1965

P. M. MAUDLIN  
Notary Public in and for Midland  
County, Texas.

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 23rd day of December, A. D. 1963 at 1:30 o'clock P. M., and duly recorded in Book 138, Page 328 of the Records of Oil & Gas of said county.

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
SQUARE LAKE 31 UNIT AREA  
COUNTY OF EDDY  
STATE OF NEW MEXICO

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UNIT AGREEMENT  
SQUARE LAKE 31 UNIT  
EDDY COUNTY, NEW MEXICO

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EXHIBIT "A" (Map of Unit Area)

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Certification - Determination

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION OF THE  
SQUARE LAKE 31 UNIT AREA  
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of May, 1963,  
by and between the parties subscribing, ratifying or consenting  
hereto, and herein referred to as "parties hereto",

WITNESSETH: That,

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

WHEREAS, the Oil Conservation Commission of the State of New  
Mexico is authorized by law (Chap. 72, Laws of 1935, as amended by  
Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, and Chap. 168,  
Laws of 1949) to approve this Agreement, and the conservation pro-  
visions hereof; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, (41 Stat.  
437, as amended, 30 U.S.C. Sections 181 et seq.) authorizes Federal  
lessees and their representatives to unite with each other or jointly  
or separately with others in collectively adopting and operating a  
co-operative 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 de-  
termined and certified by the Secretary of the Interior to be neces-  
sary or advisable in the public interest; and

WHEREAS, the parties hereto hold sufficient interests in the  
SQUARE LAKE 31 UNIT AREA covering the land hereinafter described to  
give reasonably effective control of operation therein; and

WHEREAS, it is the purpose of the parties hereto, to enable in-  
stitution and consummation of secondary recovery operations, conserve  
natural resources, prevent waste and secure the other benefits ob-  
tainable through development and operation of the area subject to  
this Agreement under the terms, conditions and limitations herein  
set forth.

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

SECTION 1. ENABLING ACT AND REGULATIONS: The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid, pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder and valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this Agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this Agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this Agreement.

SECTION 2. UNIT AREA AND DEFINITIONS: For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

(a) "Unit Area" is defined as those lands specified on Exhibit "A" hereof, and such land is hereby designated and recognized as constituting the Unit Area; the lands described in said Exhibit "A" are described as follows, to-wit:

Township 16 South, Range 30 East, New Mexico Principal Meridian

Section 31: Lots 3, 4, E/2 W/2, S/2 NE/4, SE/4

containing 473.53 acres, more or less, in Eddy County, New Mexico.

(b) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.

(c) "Director" is defined as the Director of the United States Geological Survey.

(d) "Secretary" is defined as the Secretary of the Interior of the United States of America.

(e) "Department" is defined as the Department of the Interior of the United States of America.

(f) "Supervisor" is defined as the Supervisor, Branch of Oil and Gas Operations of the United States Geological Survey.

(g) "Premier Sand-Grayburg Formation" is defined and shall mean that heretofore established underground reservoir, the top of

which is found at 2387 feet, and the base of which is found at 2745 feet, on the Gamma Ray Log of TEXACO Inc.; Etz Federal (NCT-1) lease, Well No. 1, located in the NW/4 SW/4 of Section 31, T-16-S, R-30-E, insofar as the same lies within the Unit Area.

(h) "Unitized Formation" is defined as the portion of the Premier Sand-Grayburg Formation effectively committed to this Agreement.

(i) "Unitized Substances" is defined as and shall mean all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquids or liquefiable hydrocarbons within or produced from the Unitized Formation.

(j) "Working Interest" is defined as the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, or otherwise held.

(k) "Working Interest Owner" is defined as and shall mean any party hereto owning a Working Interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise, which interest is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing and producing the Unitized Substance from the Unitized Formation and operating thereof hereunder.

(l) "Royalty Interest" or "Royalty" is defined as an interest other than a Working Interest in or right to receive a portion of the Unitized Substances or the proceeds thereof and includes the royalty interest reserved by the lessor by an oil and gas lease and any overriding royalty interest, oil payment interest, net profit contracts, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.

(m) "Royalty Owner" is defined as and shall mean the owner of a Royalty Interest.

(n) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 10, infra, and shall be styled "Unit Operating Agreement, Square Lake 31 Unit, Eddy County, New Mexico".

(o) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells on the unitized land.

(p) "Unit Manager" is defined as the person or corporation appointed by the Working Interest Owners to perform the duties of the Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Section 9 hereof.

(q) "Cumulative Oil Production" is defined as that cumulative volume of oil produced and saved from each tract to April 1, 1962, insofar as such production was reported to the Commission.

(r) "Current Oil Production" is defined as that oil produced and saved during the period from October 1, 1961 to April 1, 1962 from each tract.

(s) "Tract" means each parcel of land described as such and given a Tract number in Exhibit "B".

SECTION 3. EXHIBITS: Exhibit "A" attached hereto is a map showing, to the extent known to the Unit Operator, the Unit Area and the boundaries and identity of tracts and leases in said Unit Area. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each tract, percentage ownership of each Working Interest Owner in each tract, and the percentage of participation each tract has 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 render such revision necessary, and not less than six copies thereof shall be filed with the Supervisor.

SECTION 4. EXPANSION: The above described Unit Area may when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this Agreement to conform with the purposes of this Agreement. Such expansion shall be effected in the following manner:

(a) The Working Interest Owner or owners of a tract or tracts desiring to bring such tract or tracts into this Unit, shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the unit participation to be assigned to such tract or tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if 90 percent of the Working Interest Owners on the basis of unit participation, have agreed to such tract or tracts being brought into the Unit, then Unit Operator shall:

(1) Prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the unit participation to be assigned thereto and the proposed effective date thereof, preferably the first day of the month subsequent to the date of notice; and

(2) Deliver copies of said notice to the Director, and each working Interest Owner (mailing copy of such notice to the last known address of each such Working Interest Owner) and to the lessee and lessor whose interests are proposed to be committed, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above and provided that objections of not more than 10 percent of the Working Interest Owners have been filed thereto, with the Director the following: (a) Comprehensive statement as to mailing such notice of expansion; (b) An application for such expansion; and (c) An instrument containing the appropriate joinders in compliance with the participation requirements of Section 14, infra.

The expansion shall, after due consideration of all pertinent information and upon approval by the Director, become effective as of the date prescribed in the notice thereof or on such other date as set by the Director in the order or instrument approving such expansion.

SECTION 5. CONTRACTION: When practicable, the Unit Area shall be contracted to exclude land not effectively committed to this Unit Agreement whenever such contraction is necessary or advisable to conform with the purposes of this Agreement. Such contraction should be effected in the following manner:

(a) Unit Operator, with concurrence of at least 80 percent of the Working Interest Owners, on the basis of unit participation, and with preliminary concurrence of the Director, shall prepare a notice of contraction describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, and copies thereof mailed to the last known address of each Working Interest Owner, lessee, and Royalty Owner 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, a comprehensive statement as to mailing of the notice of contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such contraction.

(d) After due consideration of all pertinent information, the contraction, upon approval by the Director, shall become effective as of the date prescribed in the notice thereof.

SECTION 6. UNITIZED LANDS AND UNITIZED SUBSTANCES: All oil and gas, including gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquids or liquefiable hydrocarbons, in the hereinabove described lands, committed to this agreement, as to the Premier Sand-Grayburg formation, together with pertinent surface rights, are unitized under



the terms of this agreement and herein are called "unitized substances", and said lands shall constitute lands referred to herein as "unitized lands" or "lands subject to this agreement".

SECTION 7. UNIT OPERATOR: TEXACO Inc., a Delaware corporation, is hereby designated as Unit Operator, and by signing this instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, 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.

SECTION 8. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners and the Director, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by 75 percent of the committed Working Interest Owners (on the basis of Unit participation) exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Director.

In all such instances of resignation or removal, until a successor to Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible

for the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, books, and records, materials, appurtenances and any other assets, used in conducting the Unit operations and owned by the Working Interest Owners (including any and all data and information which it might have gained or assembled by reason of its operation of the Unit Area) to the new duly qualified successor Unit Operator or to the Unit Manager 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. Nothing herein contained shall be construed to relieve or discharge any Unit Operator who resigns or is removed hereunder for any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 9. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall by affirmative vote of at least 55 percent of their voting interests, based upon the percentages of participation assigned to tracts in the Unit Area, select a successor Unit Operator, provided, however, that should any Working Interest Owner own a voting interest of more than 45 percent, the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by 80 percent or more of the voting interests of the remaining Working Interest Owners, and provided further that the Unit Operator shall not vote to succeed

himself. 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 filed with the Supervisor. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the Director, at his election, may declare this Agreement terminated.

SECTION 10. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT:

Costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating 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 Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Agreement shall prevail. Three true copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Supervisor, prior to approval of this Agreement, and thereafter promptly after any revision or amendment.

SECTION 11. 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.

SECTION 12. PLAN OF OPERATIONS: It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this Agreement is to formulate and to put into effect a secondary recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners and the Supervisor, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, and any other substance or a combination of any of said substances, whether produced from the Unit Area or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. After commencement of secondary operations, Unit Operator shall furnish the Supervisor monthly, injection and production reports for each well in the Unit. The Working Interest Owners and the Supervisor, shall be furnished periodical reports on the progress of the plan of operation and any revisions or changes thereto; provided however, that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners and the Supervisor.

The initial plan of operation shall be filed with the Supervisor concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Supervisor may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation.

Notwithstanding anything to the contrary herein contained, the Unit Operator shall commence secondary recovery operations on the Unit Area within six (6) months after the effective date of this Agreement, or any extension thereof approved by the Director, or this Agreement shall terminate automatically, in which latter event Unit Operator shall notify all interested parties. After such operations are commenced, Unit Operator shall carry on such operations as would a reasonably prudent operator under the same or similar circumstances.

SECTION 13. TRACT PARTICIPATION: In Exhibit "B" attached hereto, there are listed and numbered the various tracts within the Unit Area and set forth opposite each tract is a figure which represents the percentage of participation allocated to each tract in the Unit Area calculated on 100 percent tract commitment. The participation percentage of each tract was determined as follows:

Participation		
Percentage of	=	92%
Each Tract		$\frac{\text{(Tract Cumulative Oil Production)}}{\text{(Unit Area Adjusted Cumulative Oil Production)}}$
	plus	8%
		$\frac{\text{(Tract Current Oil Production)}}{\text{(Unit Area Current Oil Production)}}$

However, if the Unit Agreement is approved with less than 100 percent tract commitment, said participation percentage shall be revised to fit the commitment status as of the effective date hereof, and thereafter, as needed pursuant to Section 15 (Allocation of Unitized Substances).

SECTION 14. TRACTS QUALIFIED FOR UNIT PARTICIPATION: On and after the effective date hereof the tracts within the Unit Area which shall be entitled to participation in the production of Unitized Substances therefrom shall be those tracts within the Unit Area and more particularly described in said Exhibit "B" that are qualified as follows:

(a) Each and all of those tracts as to which Working Interest Owners owning 100% of the Working Interest in said tract and Royalty Owners owning 100% of the Royalty Interest in said tract have subscribed, ratified or consented to this Agreement; and

(b) Each and all of those tracts as to which Working Interest Owners owning not less than 95% of the Working Interest therein and Royalty Owners owning not less than 75% of the Royalty Interest therein have executed this Agreement, and in which the Working Interest Owners in said tract who have executed this Agreement have agreed to indemnify and hold harmless all other parties hereto, in a manner satisfactory to 85% of the Working Interest Owners qualified under (a), against any and all claims and demands that may be made by the nonjoining Working Interest Owners or Royalty Owners, or both, on account of the commitment and joinder of such tract to the Unit Agreement, and operation thereof under such conditions on the basis herein provided, and as to which 85% of the Working Interest Owners qualified under (a), exclusive of the Working Interest Owner submitting such tract, have approved the commitment of such tract to this Unit Agreement.

If, on the effective date of this Agreement, there is any tract or tracts which have not been effectively committed to or made subject to this Agreement by qualifying as above provided, then such tract or tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this Agreement for final approval by Director, file therewith or as soon thereafter as practicable, a schedule of those tracts which have been committed and made subject to this Agreement and are entitled to participate in the production from the Unit Area hereunder. Said schedule shall set forth opposite each such committed tract the lease number or assignment number, the owner of record of the lease, and the percentages of participation of such tract which shall be computed according to the participation formula set out in Section 13 (Tract Participation) above. This schedule of participation shall be a part of Exhibit "B" and upon approval by the Supervisor shall become a part of this Agreement and shall govern the allocation of production of Unitized Substances until a new schedule is approved by the Supervisor or the Director.

SECTION 15. ALLOCATION OF UNITIZED SUBSTANCES: All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, camp, and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the Unit Area in accordance with the respective tract participation effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedules of participation in Exhibit "B". The amount of Unitized Substances so allocated to each tract, and only that amount, (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such tract) shall, for all intents, uses and purposes, be deemed to have been produced from such tract.

The Unitized Substances allocated to each tract shall be distributed among, or accounted for to the parties executing, consenting to or ratifying this Agreement entitled to share in the production from such tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such tracts, or in the proceeds thereof, had this Agreement not been entered into; and with the same legal force and effect.

No tract committed to this Agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances and nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any tract.

If the Working Interest and the Royalty Interest in any tract are divided with respect to separate parcels or portions of such tract and owned severally by different persons, the percentage participation assigned to such tract shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator

fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

The Unitized Substances allocated to each tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on unitized land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 16 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unit Area currently as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party and in order to avoid curtailing the operation of the Unit Area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all Royalty on the lease or leases and tracts contributed by it and received



into the Unit, and each such party shall hold each other party harmless against all claims, demands and causes of action for such Royalty on the lease or leases and tracts contributed by it and received into the unitized land.

If, after the effective date of this Agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any tract or tracts within the Unit Area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 31 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the Unit Area as provided for in Section 30 (Loss of Title), the schedules of participation as shown in Exhibit "B", subject to Section 13 (Tract Participation) or Section 31 (Nonjoinder and Subsequent Joinder), whichever is appropriate, shall be revised by the Unit Operator and distributed to the Working Interest Owners, the Supervisor, and the Director to show the new percentages of participation of all the then effectively committed tracts; and the revised schedules, upon approval by the Supervisor or the Director, shall govern all the allocation of production from and after the effective date thereof until a new schedule is so approved. In any such new schedule, the Tract Participation of the previously qualified tracts shall remain in the same ratio one to the other.

SECTION 16. ROYALTY SETTLEMENT: The United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances produced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interest not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day

of each month for Unitized Substances produced during the preceeding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

If gas obtained from lands not subject to this Agreement is introduced into the Unitized Formation, for use in repressuring, stimulation of production or increasing ultimate recovery in conformity with a plan approved pursuant to Section 12 (Plan of Operations), a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the Unitized Formation, Royalty free as to dry gas but not as to the products extracted therefrom; provided such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and provided further that such right of withdrawal shall terminate as of the effective date of termination of the Unit Agreement. If liquefied petroleum gases obtained from lands or formations not subject to this agreement be injected into the unitized land for the purpose of increasing ultimate recovery, which shall be in conformance with a plan first approved by the Supervisor, part or all of such liquefied petroleum gases may be withdrawn royalty free pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor.

Royalty due the United States of America and the other Royalty Owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective tract or tracts committed hereto, in lieu of actual production from such tract or tracts.

Each Royalty Owner (other than the United States of America) that executes this Agreement represents and warrants that it is the owner of a Royalty Interest in a tract or tracts within the Unit Area as its interest appears in Exhibit "B" attached hereto. If any Royalty Interest in a tract or tracts should be lost by title

failure or otherwise in whole or in part, during the term of this Agreement, then the Royalty Interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interest of all parties shall be adjusted accordingly.

SECTION 17. RENTAL SETTLEMENT: Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rentals or minimum royalty in lieu thereof, due under their leases. Rental or minimum royalty for lands of the United States of America subject to this Agreement shall be paid at the rate specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 18. 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 Federal and State laws and regulations.

SECTION 19. DRAINAGE: 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, with consent of the Director, pursuant to applicable regulations, pay a fair and reasonable compensatory royalty as determined by the Supervisor.

SECTION 20. LEASES AND CONTRACTS CONFORMED AND EXTENDED: The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that

the Secretary by his approval hereof, or by the approval hereof by his duly authorized representatives, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement.

Without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

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

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

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

(d) Each non-Federal lease, sublease, or contract relating to the exploration, drilling, development or operation for oil and gas which by its terms might expire prior to the termination of this Agreement, is hereby extended beyond any such term so provided therein, so that it shall be continued in full force and effect for and during the term of this Agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this Agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the committed land so long as such land remains committed hereto, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this Agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended

by the immediately preceeding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) The segregation of any Federal lease committed to this Agreement is governed by the following provision in the fourth paragraph of Section 17 (j) of the Mineral Leasing Act as amended by the Act of September 2, 1960, (74 Stat. 781, 784): "Any [Federal] lease hereafter committed to any such plan [unit] embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such lease as to the non-unitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities".

SECTION 21. CORRECTION OF ERRORS: It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical or clerical errors which may exist in the pertinent exhibits to this agreement; provided, however, that correction of any error other than mathematical or clerical shall be made by Unit Operator only after first having obtained approval of Working Interest Owners, and the Supervisor.

SECTION 22. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interest 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 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, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

SECTION 23. EFFECTIVE DATE AND TERM: This agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 o'clock a.m. of the first day of the month next following:

(a) The execution or ratification of this Agreement and the Unit Operating Agreement by Working Interest Owners owning a combined unit participation of at least 95 percent, and the execution or ratification of this agreement by Royalty Owners owning a combined interest of at least 75 percent of the Royalty Interest, in said Unit Area; and

(b) The approval of this Agreement by the Secretary or his duly authorized representative.

(c) The filing for record in Eddy County, New Mexico, of a certificate to the effect that provision (a) and (b) of this section have been complied with and stating further the effective date and the location of the governmental agency offices where copies of this agreement are filed.

If (a), (b) and (c) above are not accomplished on or before January 1, 1964, this Agreement shall ipso facto expire on said date (hereinafter called "expiration date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined unit participation of at least ninety (90%) percent, and the Working Interest Owners owning a combined unit participation of at least ninety (90%) percent committed to this Agreement have decided to extend said expiration date for a period not to exceed six (6) months (hereinafter called "extended expiration date"). If said expiration date is so extended and (a), (b) and (c) are not accomplished on or before said extended expiration date, this agreement shall ipso facto expire on said extended expiration date and thereafter be of no further force and effect. For the purpose of this Section, ownership shall be computed on the basis of unit participation as determined from Exhibit "C" attached to the Unit Operating Agreement.

The term of this Agreement shall be for and during the time that Unitized Substances are produced in paying quantities from the Unit Area and as long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner hereinafter provided.

This Agreement may be terminated with the approval of the Director by Working Interest Owners owning ninety (90%) percent unit participation whenever such Working Interest Owners determine that Unit operations are no longer profitable, feasible or in the interest of conservation. Notice of any such termination shall be given by Unit Operator to all parties hereto.

Upon termination of this Agreement, the further development and operation of the Unit Area as a Unit shall be abandoned, Unit operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts.

If not otherwise covered by the leases unitized under this Agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this Agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit operations.

SECTION 24. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION: All production and the disposal thereof shall be in conformity with allocations 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, at 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.

Powers in this Section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen days from notice.

SECTION 25. NONDISCRIMINATION: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 301(1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which are hereby incorporated by reference in this agreement.

SECTION 26. APPEARANCES: Unit Operator shall have the right to appear for or on behalf of any and all interests affected hereby

before the Department, and the Commission and to appeal from any order issued under the rules and regulations of the Department, or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Department, or the Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expenses to be heard in any such proceeding.

SECTION 27. NOTICES: All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified 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 or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 28. NO WAIVER OF CERTAIN RIGHTS: Nothing in this Agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or rules or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

SECTION 29. UNAVOIDABLE DELAY: All obligations under this Agreement requiring the Unit Operator to commence or continue secondary recovery operations 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, acts of God, Federal, State or municipal law or agency, unavoidable accident, 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.

SECTION 30. LOSS OF TITLE: In the event title to any tract of unitized land shall fail so as to render the tract inoperable under this Agreement and the true owner cannot be induced to join this Unit Agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any Royalty, Working Interest or other interest subject thereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to Federal land or leases, no payments of funds due the United States of America shall be withheld, but such funds shall be deposited as directed by the Supervisor, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

SECTION 31. NONJOINDER AND SUBSEQUENT JOINDER: If the owner of any substantial interest in a tract within the Unit Area fails or refuses to subscribe, ratify, or consent in writing to this Agreement, the Working Interest Owner in that tract who has executed or ratified this Agreement may withdraw said tract from this Agreement by written notice to the Director, and Unit Operator prior to the effective date of this Agreement. Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Unit Agreement.

Any oil or gas interest in the Unitized Formations underlying the Unit Area not committed hereto prior to submission of this Agreement to the Director for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 14 (Tracts Qualified for Unit Participation) hereof, at any time up to the effective date hereof and for a period to and including six (6) months thereafter, on the same basis of participation as provided in said Section 14, by the owner or owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that from and after six (6) months from the effective date hereof the right of subsequent joinder as provided in this Section shall be subject to such requirements or approvals and on such basis as may be agreed upon by ninety (90%) percent of the Working Interest Owners (based upon the percentages of participation in the Unit Area). Such joinder by a proposed Working Interest Owner must be evidenced by his execution or ratification of this Agreement and the Unit Operating Agreement. Such joinder by a proposed Royalty Owner must be evidenced by his execution, ratification or consent of this Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such proposed Royalty Owner. Except as may be otherwise herein provided, subsequent joinder to this Agreement shall be effective at 7:00 a.m. as of the first day of the month following the filing with the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of any tract or interest to this Agreement, unless objection to such joinder by the Director is duly made within sixty (60) days after such filing.

SECTION 32. COUNTERPARTS: This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and 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 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.

SECTION 33. TAXES: Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the unitized land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No such taxes shall be charged to the United States nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 34. CONFLICT OF SUPERVISION: 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 provisions thereof to the extent that the said Unit Operator or the 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 things concerning which it is required herein that such concurrence be obtained. The parties hereto and the Commission agree that all powers and authority vested in the Commission

in and by any provisions of this Agreement 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.

SECTION 35. BORDER AGREEMENTS: Subject to the approval of the Supervisor , the Unit Operator, with concurrence of sixty (60%) percent of the Working Interest Owners, based upon the percentages of participation in the Unit Area, may enter into a border protection agreement or agreements with the Working Interest Owners of adjacent lands along the boundaries of the Unit Area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

SECTION 36. NO PARTNERSHIP: It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, expressed or implied, or any operations conducted hereunder, shall create or be deemed to create a partnership or association between the parties hereto or any of them.

SECTION 37. OIL IN LEASE TANKAGE ON EFFECTIVE DATE: Unit Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area in order to ascertain the amount of merchantable oil in such tanks, above the pipe line connections, as of 7:00 a.m. on the effective date hereof. All such oil as is a part of the prior allowable of the well or wells from which the same was produced shall be and remain the property of the Working Interest Owners entitled thereto the same as if the Unit had not been formed, and such Working Interest Owners shall promptly remove said oil from the Unit Area. Any such oil not so removed may be sold by the Unit Operator for the account of such Working Interest Owners, subject to the payment of all Royalty to Royalty Owners under the terms and provisions of the applicable lease or leases and

other contracts. All such oil and gas as is in excess of the prior allowable of the well or wells from which the same was produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof. If, as of the effective date hereof, any tract is overproduced with respect to the allowable of the well or wells on that tract and the amount of such overproduction has been sold or otherwise disposed of, such over production shall be regarded and included as a part of the Unitized Substances produced after the effective date hereof and the amount thereof charged to such tract as having been delivered to the persons entitled to Unitized Substances allocated to such tract.

SECTION 38. PERSONAL PROPERTY EXCEPTED: All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands subject to this Agreement shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners (subject to the provisions of Section 12). The rights and interests therein as among Working Interest Owners are covered by the Unit Operating Agreement.

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

APPROVED AS TO  
Terms BSW Perm  
Form 1005  
Date: \_\_\_\_\_

TEXACO Inc.

By [Signature]  
Attorney-in-Fact

Address: P. O. Box 3109  
Midland, Texas

UNIT OPERATOR AND WORKING INTEREST  
OWNER.

JOHN H. TRIGG

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

A. M. ARNSTEIN

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

LESTER ALSTON

Date: 8-2-63

*Lester Alston*  
Address: Master of Alston  
\_\_\_\_\_

D. D. PATTESON

Date: 8-21-63

*[Signature]*  
Address: 501 W. Scharbauer Dr. Apt. #3  
Midland, Texas

A. C. HOLDER

Date: 8-2-63

*A.C. Holder*  
Address: Box 1476 Lovington N.M.  
El Paso Co. Texas

O. J. HOLDER

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

B. D. CHAFFIN

Date: 8-2-63

*B.D. Chaffin*  
Address: 402 W. Clayton - Lovington, N.M.  
Norman J. Chaffin  
Norman J. Chaffin

M. G. CROSSLAND

Date: 8-2-63

*M.G. Crossland*  
Address: 1226 S. Hurston  
Albuquerque, New Mexico

C. C. YEARWOOD

Date: 8-2-63

*C.C. Yearwood*  
Address: Box 1245 Lovington, N.M.  
El Paso Co. Texas

OLEN F. FEATHERSTONE

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

A. N. ETZ

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

ATTEST:

DEKALB AGRICULTURAL ASSOCIATION

Secretary \_\_\_\_\_

By \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

ROYALTY INTEREST OWNERS

STATE OF TEXAS  
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me  
this 3<sup>rd</sup> day of October, 1963, by W. B. [unclear],  
Attorney-in-Fact for Texaco Inc., a Delaware corporation, on  
behalf of said corporation.

My Commission Expires: 6-1-65 MARY E. [unclear]  
Notary Public in and for Midland  
County, Texas.

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by John H. Trigg.

My Commission Expires: \_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_.

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by A. M. Arnstein.

My Commission Expires: \_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_.

STATE OF New Mexico  
COUNTY OF Lea

The foregoing instrument was acknowledged before me  
this 2<sup>nd</sup> day of August, 1963, by Lester Alston, AND  
Mabel Z. Alston, his wife.

My Commission Expires: June 17, 1967 Betty Rose Camp  
Notary Public in and for Lea  
County, N.M.

STATE OF TEXAS  
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me  
this 1<sup>st</sup> day of August, 1963, by D. D. Patteson.

My Commission Expires: 6-1-65 Louise Patterson  
Notary Public in and for Midland  
County, Texas



STATE OF New Mexico

COUNTY OF Lea

The foregoing instrument was acknowledged before me  
this 2<sup>nd</sup> day of August, 1963, by A. C. Holder, AND  
Ruby F. Holder, his wife.

My Commission Expires:

June 17, 1967

Betty Rose Camp  
Notary Public in and for  
County, N.M.

STATE OF

COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by O. J. Holder.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
County, \_\_\_\_\_

STATE OF New Mexico

COUNTY OF Lea

The foregoing instrument was acknowledged before me  
this 2<sup>nd</sup> day of August, 1963, by B. D. Chaffin,  
Norma Jean Chaffin, his wife.

My Commission Expires:

June 17, 1967

Betty Rose Camp  
Notary Public in and for  
County, N.M.

STATE OF New Mexico

COUNTY OF Lea

The foregoing instrument was acknowledged before me  
this 2<sup>nd</sup> day of August, 1963, by M. G. Crossland,  
AND Ira L. Crossland, his wife.

My Commission Expires:

June 17, 1967

Betty Rose Camp  
Notary Public in and for  
County, N.M.

STATE OF New Mexico

COUNTY OF Lea

The foregoing instrument was acknowledged before me  
this 2<sup>nd</sup> day of August, 1963, by C. C. Yearwood, AND  
Bess E. Yearwood, his wife.

My Commission Expires:

June 17, 1967

Betty Rose Camp  
Notary Public in and for  
County, N.M.

RATIFICATION AND JOINDER  
SQUARE LAKE 31 UNIT AGREEMENT  
AND UNIT OPERATING AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Square Lake 31 Unit Area embracing lands situated in Eddy County, New Mexico, and a copy of the Unit Operating Agreement for the Development and Operation of the Square Lake 31 Unit Area, Eddy County, New Mexico, which said agreements are dated the 1st day of May, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of a leasehold, royalty or other interest in and to the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Square Lake 31 Unit Agreement and Unit Operating Agreement, and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement or counterparts thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Larry S. Wasserman  
Larry S. Wasserman

A.M.A. A. M. Arnstein  
A.M.A. Adele M. Arnstein

STATE OF

||  
||  
||

COUNTY OF

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by \_\_\_\_\_, for \_\_\_\_\_, a corporation, on behalf of said corporation.

My Commission Expires:

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

STATE OF NEW YORK

||  
||  
||

COUNTY OF NEW YORK

The foregoing instrument was acknowledged before me this 16th day of August, 1963, by A. M. Arnstein & Adele M. Arnstein, his wife

My Commission Expires:

Edward Dreitlein  
Notary Public

EDWARD DREITLEIN  
Notary Public, State of New York  
No. 36-6098-150  
Qualified in Nassau County  
Certificate filed in New York County  
Commission Expires March 30, 1964

RATIFICATION AND JOINDER  
SQUARE LAKE 31 UNIT AGREEMENT  
AND UNIT OPERATING AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Square Lake 31 Unit Area embracing lands situated in Eddy County, New Mexico, and a copy of the Unit Operating Agreement for the Development and Operation of the Square Lake 31 Unit Area, Eddy County, New Mexico, which said agreements are dated the 1st day of May, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of a leasehold, royalty or other interest in and to the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Square Lake 31 Unit Agreement and Unit Operating Agreement, and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement or counterparts thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

O. J. Holder  
Mildred C. Holder

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by \_\_\_\_\_, for \_\_\_\_\_, a corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

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

STATE OF NEW MEXICO  
COUNTY OF SANTA FE

The foregoing instrument was acknowledged before me this 5th day of August, 1963, by O. J. Holder and Mildred C. Holder, his wife

My Commission Expires: \_\_\_\_\_

My Commission Expires Oct. 29, 1966.

Nadine B. North  
Notary Public

RATIFICATION AND JOINDER  
SQUARE LAKE 31 UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Square Lake 31 Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of a royalty or other interest in and to the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby expressly join said unit and do hereby commit all of their said interest to the Square Lake 31 Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

\_\_\_\_\_  
\_\_\_\_\_

A. N. Etz  
\_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by \_\_\_\_\_ for \_\_\_\_\_, a corporation, on behalf of said corporation.

My Commission Expires:

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

STATE OF California  
COUNTY OF Los Angeles

The foregoing instrument was acknowledged before me this 20<sup>th</sup> day of August, 1963, by A. N. Etz.

My Commission Expires:

4-27-67

Lloyd C. Knight  
Notary Public  
Lloyd C. Knight

RATIFICATION AND JOINDER  
SQUARE LAKE 31 UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Square Lake 31 Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of a royalty or other interest in and to the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby expressly join said unit and do hereby commit all of their said interest to the Square Lake 31 Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

ATTEST:

M. E. G. Smith  
Secretary

DEKALE AGRICULTURAL ASSN., INC.

BY: C. C. Roberts  
Vice President

STATE OF Illinois  
COUNTY OF DeKalb

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of September, 1963, by C. C. Roberts, Vice President, for DeKalb Agricultural Assn., Inc., a corporation, on behalf of said corporation.

My Commission Expires:

11-12-64

Leone R. Brown  
Notary Public

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1963, by \_\_\_\_\_,

My Commission Expires:

\_\_\_\_\_

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

RATIFICATION AND JOINDER  
SQUARE LAKE 31 UNIT AGREEMENT  
AND UNIT OPERATING AGREEMENT

RECEIVED  
OCT - 7 1963  
U. S. GEOLOGICAL SURVEY  
ROSWELL, N. M.

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Square Lake 31 Unit Area embracing lands situated in Eddy County, New Mexico, and a copy of the Unit Operating Agreement for the Development and Operation of the Square Lake 31 Unit Area, Eddy County, New Mexico, which said agreements are dated the 1st day of May, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of a leasehold, royalty or other interest in and to the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Square Lake 31 Unit Agreement and Unit Operating Agreement, and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement or counterparts thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by \_\_\_\_\_, for \_\_\_\_\_, a corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

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

STATE OF Texas  
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 4th day of October, 1963, by Margaret D. Patterson, wife of D. D. Patterson.  
My Commission Expires: \_\_\_\_\_

June 1, 1965

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

RATIFICATION AND JOINDER  
SQUARE LAKE 31 UNIT AGREEMENT  
AND UNIT OPERATING AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Square Lake 31 Unit Area embracing lands situated in Eddy County, New Mexico, and a copy of the Unit Operating Agreement for the Development and Operation of the Square Lake 31 Unit Area, Eddy County, New Mexico, which said agreements are dated the 1st day of May, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of a leasehold, royalty or other interest in and to the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Square Lake 31 Unit Agreement and Unit Operating Agreement, and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement or counterparts thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Pauline V. Trigg  
PAULINE V. TRIGG

John H. Trigg  
JOHN H. TRIGG

STATE OF  
COUNTY OF

||  
||  
||

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by \_\_\_\_\_ for \_\_\_\_\_, a corporation, on behalf of said corporation.

My Commission Expires:

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

STATE OF NEW MEXICO  
COUNTY OF CHAVES

||  
||  
||

The foregoing instrument was acknowledged before me this 12th day of SEPTEMBER, 1963, by PAULINE V. TRIGG AND JOHN H. TRIGG, wife and husband.

My Commission Expires:

February 13, 1966

Victoria A. Sanchez  
Notary Public

R-30-E

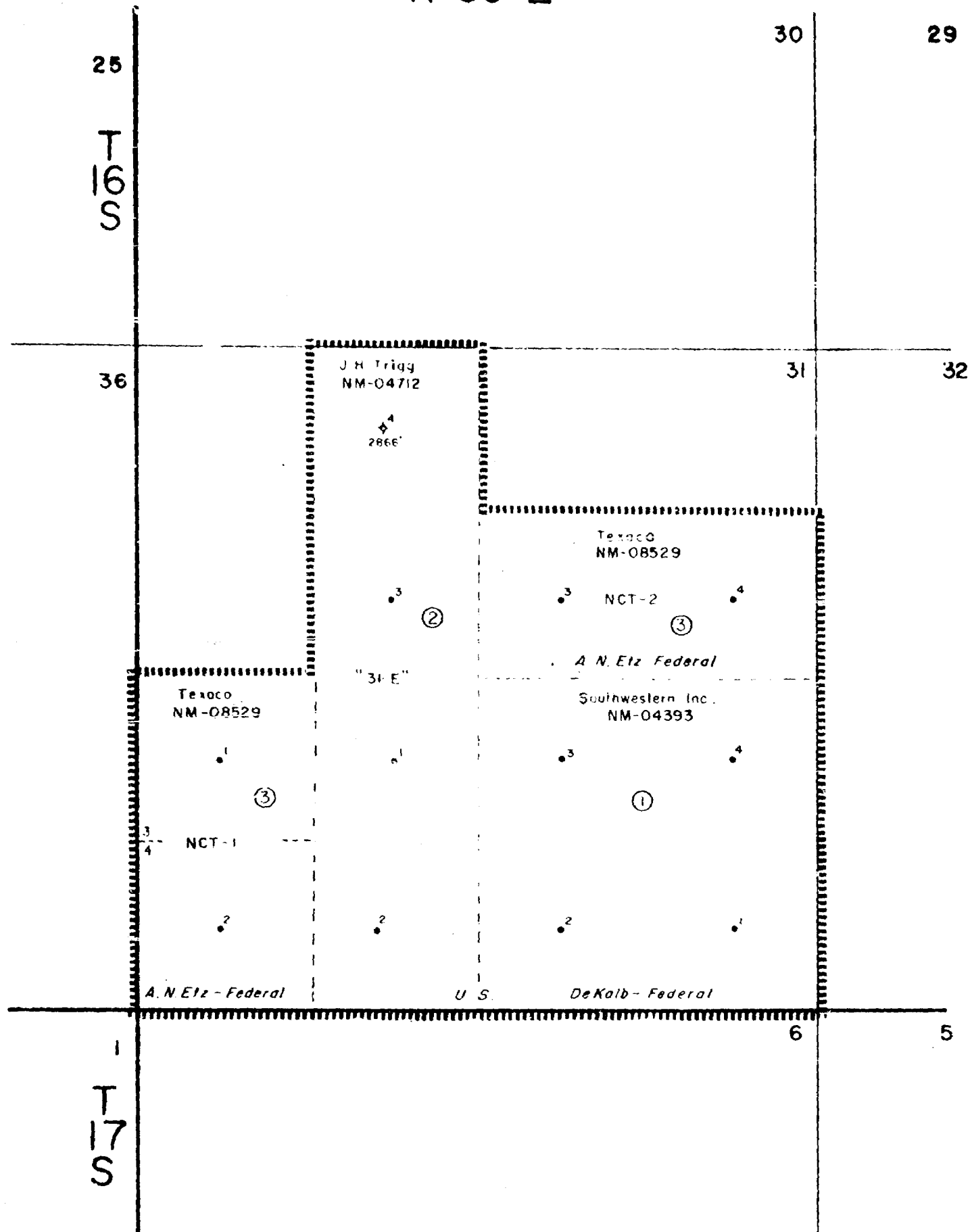


EXHIBIT "A"

SQUARE LAKE 31 UNIT AREA  
EDDY CO., NEW MEXICO

SCALE - 1" = 1000'



SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP

Square Lake 31 Unit Area, Eddy County, New Mexico, T-16-S, R-30-E

Tract Number	Description of land	No. of Acres	Serial No. & exp. date of lease	Basic royalty & ownership Percentage	Lessee of record	Overriding Royalty & Percentage	Working Interest & Percentage	Percent participation of tract in unit
	Federal land Sec. 31 <u>T-16-S, R-30-E</u>							
3	Lots 3,4,S/2 NE/4	153.53	NM-08529 HBP	U. S. - All	Texaco Inc.	A. N. Etz 5%	Texaco Inc. 100%	31.52513
2	E/2 W/2	160.00	NM-04712 HBP	U. S. - All	John H. Trigg	None	John H. Trigg 100%	29.35136
1	SE/4	160.00	NM-04393 HBP	U. S. - All	Dekalb Agric. Assoc.	Dekalb Agric. Assoc. 12-1/2%	A. M. Arnstein 20%	39.02351

3 federal tracts comprising total unit area of 473.53 acres

100,00000

## EXHIBIT "B"

RECAPITULATION OF UNIT PARTICIPATION

Lester Alston	5.85353
A. M. Arnstein	7.80470
B. D. Chaffin	1.17070 (5)
M. G. Crossland	1.17070 (5)
A. C. Holder	16.19476
O. J. Holder	1.46338
D. D. Patteson	1.46338
Texaco Inc.	31.62513
John H. Trigg	29.35136
C. C. Yearwood	<u>3.90235</u>
Total	100.00000%

CERTIFICATION - DETERMINATION


14-08-0001 8568

Pursuant to the authority vested in the Secretary of the Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, I do hereby:

A. Approve the attached agreement for the development and operation of the Square Lake 31 Unit Area, Eddy County, 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.

  
ACTING Director, United States Geological Survey

Dated DEC 3 - 1963

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
SQUARE LAKE 31 UNIT AREA  
COUNTY OF EDDY  
STATE OF NEW MEXICO

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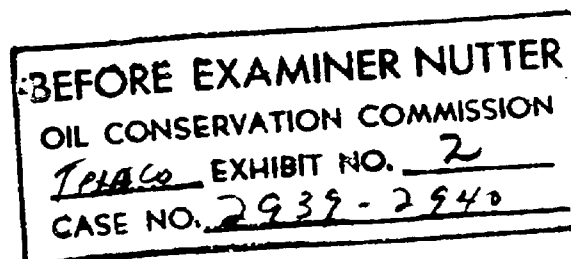
Preamble

Agreement Proper

Map of Unit Area .....Exhibit "A"

Schedule of Ownership.....Exhibit "B"

Certification - Determination



UNIT AGREEMENT  
SQUARE LAKE 31 UNIT  
EDDY COUNTY, NEW MEXICO

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EXHIBIT "A" (Map of Unit Area)

EXHIBIT "B" (Schedule of Ownership)

Certification - Determination

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION OF THE  
SQUARE LAKE 31 UNIT AREA  
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of May, 1963,  
by and between the parties subscribing, ratifying or consenting  
hereto, and herein referred to as "parties hereto",

WITNESSETH: That,

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

WHEREAS, the Oil Conservation Commission of the State of New  
Mexico is authorized by law (Chap. 72, Laws of 1935, as amended by  
Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, and Chap. 168,  
Laws of 1949) to approve this Agreement, and the conservation pro-  
visions hereof; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, (41 Stat.  
437, as amended, 30 U.S.C. Sections 181 et seq.) authorizes Federal  
lessees and their representatives to unite with each other or jointly  
or separately with others in collectively adopting and operating a  
co-operative 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 de-  
termined and certified by the Secretary of the Interior to be neces-  
sary or advisable in the public interest; and

WHEREAS, the parties hereto hold sufficient interests in the  
SQUARE LAKE 31 UNIT AREA covering the land hereinafter described to  
give reasonably effective control of operation therein; and

WHEREAS, it is the purpose of the parties hereto, to enable in-  
stitution and consummation of secondary recovery operations, conserve  
natural resources, prevent waste and secure the other benefits ob-  
tainable through development and operation of the area subject to  
this Agreement under the terms, conditions and limitations herein  
set forth.

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

SECTION 1. ENABLING ACT AND REGULATIONS: The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid, pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder and valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this Agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this Agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this Agreement.

SECTION 2. UNIT AREA AND DEFINITIONS: For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

(a) "Unit Area" is defined as those lands specified on Exhibit "A" hereof, and such land is hereby designated and recognized as constituting the Unit Area; the lands described in said Exhibit "A" are described as follows, to-wit:

Township 16 South, Range 30 East, New Mexico Principal Meridian

Section 31: Lots 3, 4, E/2 W/2, E/2

containing 553.53 acres, more or less, in Eddy County, New Mexico.

(b) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.

(c) "Director" is defined as the Director of the United States Geological Survey.

(d) "Secretary" is defined as the Secretary of the Interior of the United States of America.

(e) "Department" is defined as the Department of the Interior of the United States of America.

(f) "Supervisor" is defined as the Supervisor, Branch of Oil and Gas Operations of the United States Geological Survey.

(g) "Premier Sand-Grayburg Formation" is defined and shall mean that heretofore established underground reservoir, the top of

which is found at 2387 feet, and the base of which is found at 2745 feet, on the Gamma Ray Log of TEXACO Inc.; Etz Federal (NCT-1) lease, Well No. 1, located in the NW/4 SW/4 of Section 31, T-16-S, R-30-E, insofar as the same lies within the Unit Area.

(h) "Unitized Formation" is defined as the portion of the Premier Sand-Grayburg Formation effectively committed to this Agreement.

(i) "Unitized Substances" is defined as and shall mean all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquids or liquefiable hydrocarbons within or produced from the Unitized Formation.

(j) "Working Interest" is defined as the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, or otherwise held.

(k) "Working Interest Owner" is defined as and shall mean any party hereto owning a Working Interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise, which interest is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing and producing the Unitized Substance from the Unitized Formation and operating thereof hereunder.

(l) "Royalty Interest" or "Royalty" is defined as an interest other than a Working Interest in or right to receive a portion of the Unitized Substances or the proceeds thereof and includes the royalty interest reserved by the lessor by an oil and gas lease and any overriding royalty interest, oil payment interest, net profit contracts, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.

(m) "Royalty Owner" is defined as and shall mean the owner of a Royalty Interest.

(n) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 10, infra, and shall be styled "Unit Operating Agreement, Square Lake 31 Unit, Eddy County, New Mexico".

(o) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells on the unitized land.

(p) "Unit Manager" is defined as the person or corporation appointed by the Working Interest Owners to perform the duties of the Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Section 9 hereof.

(q) "Cumulative Oil Production" is defined as that cumulative volume of oil produced and saved from each tract to April 1, 1962, insofar as such production was reported to the Commission.

(r) "Current Oil Production" is defined as that oil produced and saved during the period from October 1, 1961 to April 1, 1962 from each tract.

(s) "Tract" means each parcel of land described as such and given a Tract number in Exhibit "B".



SECTION 3. EXHIBITS: Exhibit "A" attached hereto is a map showing, to the extent known to the Unit Operator, the Unit Area and the boundaries and identity of tracts and leases in said Unit Area. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each tract, percentage ownership of each Working Interest Owner in each tract, and the percentage of participation each tract has 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 render such revision necessary, and not less than six copies thereof shall be filed with the Supervisor.

SECTION 4. EXPANSION: The above described Unit Area may when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this Agreement to conform with the purposes of this Agreement. Such expansion shall be effected in the following manner:

(a) The Working Interest Owner or owners of a tract or tracts desiring to bring such tract or tracts into this Unit, shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the unit participation to be assigned to such tract or tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if 90 percent of the Working Interest Owners on the basis of unit participation have agreed to such tract or tracts being brought into the Unit, then Unit Operator shall:

(1) Prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the unit participation to be assigned thereto and the proposed effective date thereof, preferably the first day of the month subsequent to the date of notice; and

(2) Deliver copies of said notice to the Director, and each working Interest Owner (mailing copy of such notice to the last known address of each such Working Interest Owner) and to the lessee and lessor whose interests are proposed to be committed, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above and provided that objections of not more than 10 percent of the Working Interest Owners have been filed thereto, with the Director the following: (a) Comprehensive statement as to mailing such notice of expansion; (b) An application for such expansion; and (c) An instrument containing the appropriate joinders in compliance with the participation requirements of Section 14, infra.

The expansion shall, after due consideration of all pertinent information and upon approval by the Director, become effective as of the date prescribed in the notice thereof or on such other date as set by the Director in the order or instrument approving such expansion.

SECTION 5. CONTRACTION: When practicable, the Unit Area shall be contracted to exclude land not effectively committed to this Unit Agreement whenever such contraction is necessary or advisable to conform with the purposes of this Agreement. Such contraction should be effected in the following manner:

(a) Unit Operator, with concurrence of at least 80 percent of the Working Interest Owners, on the basis of unit participation, and with preliminary concurrence of the Director, shall prepare a notice of contraction describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, and copies thereof mailed to the last known address of each Working Interest Owner, lessee, and Royalty Owner 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, a comprehensive statement as to mailing of the notice of contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such contraction.

(d) After due consideration of all pertinent information, the contraction, upon approval by the Director, shall become effective as of the date prescribed in the notice thereof.

SECTION 6. UNITIZED LANDS AND UNITIZED SUBSTANCES: All oil and gas, including gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquids or liquefiable hydrocarbons, in the hereinabove described lands, committed to this agreement, as to the Premier Sand-Grayburg formation, together with pertinent surface rights, are unitized under

the terms of this agreement and herein are called "unitized substances", and said lands shall constitute lands referred to herein as "unitized lands" or "lands subject to this agreement".

SECTION 7. UNIT OPERATOR: TEXACO Inc., a Delaware corporation, is hereby designated as Unit Operator, and by signing this instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, 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.

SECTION 8. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners and the Director, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by 75 percent of the committed Working Interest Owners (on the basis of Unit participation) exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Director.

In all such instances of resignation or removal, until a successor to Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible

for the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, books, and records, materials, appurtenances and any other assets, used in conducting the Unit operations and owned by the Working Interest Owners (including any and all data and information which it might have gained or assembled by reason of its operation of the Unit Area) to the new duly qualified successor Unit Operator or to the Unit Manager 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. Nothing herein contained shall be construed to relieve or discharge any Unit Operator who resigns or is removed hereunder for any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 9. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall by affirmative vote of at least 55 percent of their voting interests, based upon the percentages of participation assigned to tracts in the Unit Area, select a successor Unit Operator, provided, however, that should any Working Interest Owner own a voting interest of more than 45 percent, the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by 80 percent or more of the voting interests of the remaining Working Interest Owners, and provided further that the Unit Operator shall not vote to succeed

himself. 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 filed with the Supervisor. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the Director, at his election, may declare this Agreement terminated.

SECTION 10. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT:

Costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating 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 Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Agreement shall prevail. Three true copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Supervisor, prior to approval of this Agreement, and thereafter promptly after any revision or amendment.

SECTION 11. 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.

SECTION 12. PLAN OF OPERATIONS: It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this Agreement is to formulate and to put into effect a secondary recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners and the Supervisor, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, and any other substance or a combination of any of said substances, whether produced from the Unit Area or not, and that the location of input wells and the rate of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. After commencement of secondary operations, Unit Operator shall furnish the Supervisor monthly, injection and production reports for each well in the Unit. The Working Interest Owners and the Supervisor, shall be furnished periodical reports on the progress of the plan of operation and any revisions or changes thereto; provided however, that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners and the Supervisor.

The initial plan of operation shall be filed with the Supervisor concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Supervisor may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation.

Notwithstanding anything to the contrary herein contained, the Unit Operator shall commence secondary recovery operations on the Unit Area within six (6) months after the effective date of this Agreement, or any extension thereof approved by the Director, or this Agreement shall terminate automatically, in which latter event Unit Operator shall notify all interested parties. After such operations are commenced, Unit Operator shall carry on such operations as would a reasonably prudent operator under the same or similar circumstances.

SECTION 13. TRACT PARTICIPATION: In Exhibit "B" attached hereto, there are listed and numbered the various tracts within the Unit Area and set forth opposite each tract is a figure which represents the percentage of participation allocated to each tract in the Unit Area calculated on 100 percent tract commitment. The participation percentage of each tract was determined as follows:

Participation		
Percentage of	= 92%	(Tract Cumulative Oil Production)
Each Tract		(Unit Area Adjusted Cumulative Oil Production)
	plus 8%	(Tract Current Oil Production)
		(Unit Area Current Oil Production)

However, if the Unit Agreement is approved with less than 100 percent tract commitment, said participation percentage shall be revised to fit the commitment status as of the effective date hereof, and thereafter, as needed pursuant to Section 15 (Allocation of Unitized Substances).

SECTION 14. TRACTS QUALIFIED FOR UNIT PARTICIPATION: On and after the effective date hereof the tracts within the Unit Area which shall be entitled to participation in the production of Unitized Substances therefrom shall be those tracts within the Unit Area and more particularly described in said Exhibit "B" that are qualified as follows:

(a) Each and all of those tracts as to which Working Interest Owners owning 100% of the Working Interest in said tract and Royalty Owners owning 100% of the Royalty Interest in said tract have subscribed, ratified or consented to this Agreement; and

(b) Each and all of those tracts as to which Working Interest Owners owning not less than 95% of the Working Interest therein and Royalty Owners owning not less than 75% of the Royalty Interest therein have executed this Agreement, and in which the Working Interest Owners in said tract who have executed this Agreement have agreed to indemnify and hold harmless all other parties hereto, in a manner satisfactory to 85% of the Working Interest Owners qualified under (a), against any and all claims and demands that may be made by the nonjoining Working Interest Owners or Royalty Owners, or both, on account of the commitment and joinder of such tract to the Unit Agreement, and operation thereof under such conditions on the basis herein provided, and as to which 85% of the Working Interest Owners qualified under (a), exclusive of the Working Interest Owner submitting such tract, have approved the commitment of such tract to this Unit Agreement.

If, on the effective date of this Agreement, there is any tract or tracts which have not been effectively committed to or made subject to this Agreement by qualifying as above provided, then such tract or tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this Agreement for final approval by Director, file therewith or as soon thereafter as practicable, a schedule of those tracts which have been committed and made subject to this Agreement and are entitled to participate in the production from the Unit Area hereunder. Said schedule shall set forth opposite each such committed tract the lease number or assignment number, the owner of record of the lease, and the percentages of participation of such tract which shall be computed according to the participation formula set out in Section 13 (Tract Participation) above. This schedule of participation shall be a part of Exhibit "B" and upon approval by the Supervisor shall become a part of this Agreement and shall govern the allocation of production of Unitized Substances until a new schedule is approved by the Supervisor or the Director.



SECTION 15. ALLOCATION OF UNITIZED SUBSTANCES: All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, camp, and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the Unit Area in accordance with the respective tract participation effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedules of participation in Exhibit "B". The amount of Unitized Substances so allocated to each tract, and only that amount, (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such tract) shall, for all intents, uses and purposes, be deemed to have been produced from such tract.

The Unitized Substances allocated to each tract shall be distributed among, or accounted for to the parties executing, consenting to or ratifying this Agreement entitled to share in the production from such tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such tracts, or in the proceeds thereof, had this Agreement not been entered into; and with the same legal force and effect.

No tract committed to this Agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances and nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any tract.

If the Working Interest and the Royalty Interest in any tract are divided with respect to separate parcels or portions of such tract and owned severally by different persons, the percentage participation assigned to such tract shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator

fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

The Unitized Substances allocated to each tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on unitized land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 16 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unit Area currently as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party and in order to avoid curtailing the operation of the Unit Area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all Royalty on the lease or leases and tracts contributed by it and received

into the Unit, and each such party shall hold each other party hereto harmless against all claims, demands and causes of action for such Royalty on the lease or leases and tracts contributed by it and received into the unitized land.

If, after the effective date of this Agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any tract or tracts within the Unit Area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 31 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the Unit Area as provided for in Section 30 (Loss of Title), the schedules of participation as shown in Exhibit "B", subject to Section 13 (Tract Participation) or Section 31 (Nonjoinder and Subsequent Joinder), whichever is appropriate, shall be revised by the Unit Operator and distributed to the Working Interest Owners, the Supervisor, and the Director to show the new percentages of participation of all the then effectively committed tracts; and the revised schedules, upon approval by the Supervisor or the Director, shall govern all the allocation of production from and after the effective date thereof until a new schedule is so approved. In any such new schedule, the Tract Participation of the previously qualified tracts shall remain in the same ratio one to the other.

SECTION 16. ROYALTY SETTLEMENT: The United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances produced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interest not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day

of each month for Unitized Substances produced during the preceeding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

If gas obtained from lands not subject to this Agreement is introduced into the Unitized Formation, for use in repressuring, stimulation of production or increasing ultimate recovery in conformity with a plan approved pursuant to Section 12 (Plan of Operations), a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the Unitized Formation, Royalty free as to dry gas but not as to the products extracted therefrom; provided such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and provided further that such right of withdrawal shall terminate as of the effective date of termination of the Unit Agreement. If liquefied petroleum gases obtained from lands or formations not subject to this agreement be injected into the unitized land for the purpose of increasing ultimate recovery, which shall be in conformance with a plan first approved by the Supervisor, part or all of such liquefied petroleum gases may be withdrawn royalty free pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor.

Royalty due the United States of America and the other Royalty Owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective tract or tracts committed hereto, in lieu of actual production from such tract or tracts.

Each Royalty Owner (other than the United States of America) that executes this Agreement represents and warrants that it is the owner of a Royalty Interest in a tract or tracts within the Unit Area as its interest appears in Exhibit "B" attached hereto. If any Royalty Interest in a tract or tracts should be lost by title

failure or otherwise in whole or in part, during the term of this Agreement, then the Royalty Interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interest of all parties shall be adjusted accordingly.

SECTION 17. RENTAL SETTLEMENT: Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rentals or minimum royalty in lieu thereof, due under their leases. Rental or minimum royalty for lands of the United States of America subject to this Agreement shall be paid at the rate specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 18. 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 Federal and State laws and regulations.

SECTION 19. DRAINAGE: 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, with consent of the Director, pursuant to applicable regulations, pay a fair and reasonable compensatory royalty as determined by the Supervisor.

SECTION 20. LEASES AND CONTRACTS CONFORMED AND EXTENDED: The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that

the Secretary by his approval hereof, or by the approval hereof by his duly authorized representatives, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement.

Without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

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

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

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

(d) Each non-Federal lease, sublease, or contract relating to the exploration, drilling, development or operation for oil and gas which by its terms might expire prior to the termination of this Agreement, is hereby extended beyond any such term so provided therein, so that it shall be continued in full force and effect for and during the term of this Agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this Agreement shall continue in force beyond the term provided therein until the termination hereof, Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the committed land so long as such land remains committed hereto, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this Agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended

by the immediately preceeding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) The segregation of any Federal lease committed to this Agreement is governed by the following provision in the fourth paragraph of Section 17 (j) of the Mineral Leasing Act as amended by the Act of September 2, 1960, (74 Stat. 781, 784): "Any [Federal] lease hereafter committed to any such plan [unit] embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such lease as to the non-unitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities".

SECTION 21. CORRECTION OF ERRORS: It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical or clerical errors which may exist in the pertinent exhibits to this agreement; provided, however, that correction of any error other than mathematical or clerical shall be made by Unit Operator only after first having obtained approval of Working Interest Owners, and the Supervisor.

SECTION 22. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interest 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 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, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

SECTION 23. EFFECTIVE DATE AND TERM: This agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 o'clock a.m. of the first day of the month next following:

(a) The execution or ratification of this Agreement and the Unit Operating Agreement by Working Interest Owners owning a combined unit participation of at least 95 percent, and the execution or ratification of this agreement by Royalty Owners owning a combined interest of at least 75 percent of the Royalty Interest, in said Unit Area; and

(b) The approval of this Agreement by the Secretary or his duly authorized representative.

(c) The filing for record in Eddy County, New Mexico, of a certificate to the effect that provision (a) and (b) of this section have been complied with and stating further the effective date and the location of the governmental agency offices where copies of this agreement are filed.

If (a), (b) and (c) above are not accomplished on or before January 1, 1964, this Agreement shall ipso facto expire on said date (hereinafter called "expiration date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined unit participation of at least ninety (90%) percent, and the Working Interest Owners owning a combined unit participation of at least ninety (90%) percent committed to this Agreement have decided to extend said expiration date for a period not to exceed six (6) months (hereinafter called "extended expiration date"). If said expiration date is so extended and (a), (b) and (c) are not accomplished on or before said extended expiration date, this agreement shall ipso facto expire on said extended expiration date and thereafter be of no further force and effect. For the purpose of this Section, ownership shall be computed on the basis of unit participation as determined from Exhibit "C" attached to the Unit Operating Agreement.

The term of this Agreement shall be for and during the time that Unitized Substances are produced in paying quantities from the Unit Area and as long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner hereinafter provided.

This Agreement may be terminated with the approval of the Director by Working Interest Owners owning ninety (90%) percent unit participation whenever such Working Interest Owners determine that Unit operations are no longer profitable, feasible or in the interest of conservation. Notice of any such termination shall be given by Unit operator to all parties hereto.



Upon termination of this Agreement, the further development and operation of the Unit Area as a Unit shall be abandoned, Unit operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts.

If not otherwise covered by the leases unitized under this Agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this Agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit operations.

SECTION 24. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION:

All production and the disposal thereof shall be in conformity with allocations 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, at 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.

Powers in this Section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen days from notice.

SECTION 25. NONDISCRIMINATION: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 301(1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which are hereby incorporated by reference in this agreement.

SECTION 26. APPEARANCES: Unit Operator shall have the right to appear for or on behalf of any and all interests affected hereby

before the Department, and the Commission and to appeal from any order issued under the rules and regulations of the Department, or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Department, or the Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expenses to be heard in any such proceeding.

SECTION 27. NOTICES: All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified 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 or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 28. NO WAIVER OF CERTAIN RIGHTS: Nothing in this Agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or rules or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

SECTION 29. UNAVOIDABLE DELAY: All obligations under this Agreement requiring the Unit Operator to commence or continue secondary recovery operations 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, acts of God, Federal, State or municipal law or agency, unavoidable accident, 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.

SECTION 30. LOSS OF TITLE: In the event title to any tract of unitized land shall fail so as to render the tract inoperable under this Agreement and the true owner cannot be induced to join this Unit Agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any Royalty, Working Interest or other interest subject thereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to Federal land or leases, no payments of funds due the United States of America shall be withheld, but such funds shall be deposited as directed by the Supervisor, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

SECTION 31. NONJOINDER AND SUBSEQUENT JOINDER: If the owner of any substantial interest in a tract within the Unit Area fails or refuses to subscribe, ratify, or consent in writing to this Agreement, the Working Interest Owner in that tract who has executed or ratified this Agreement may withdraw said tract from this Agreement by written notice to the Director, and Unit Operator prior to the effective date of this Agreement. Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Unit Agreement.

Any oil or gas interest in the Unitized Formations underlying the Unit Area not committed hereto prior to submission of this Agreement to the Director for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 14 (Tracts Qualified for Unit Participation) hereof, at any time up to the effective date hereof and for a period to and including six (6) months thereafter, on the same basis of participation as provided in said Section 14, by the owner or owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that from and after six (6) months from the effective date hereof the right of subsequent joinder as provided in this Section shall be subject to such requirements or approvals and on such basis as may be agreed upon by ninety (90%) percent of the Working Interest Owners (based upon the percentages of participation in the Unit Area). Such joinder by a proposed Working Interest Owner must be evidenced by his execution or ratification of this Agreement and the Unit Operating Agreement. Such joinder by a proposed Royalty Owner must be evidenced by his execution, ratification or consent of this Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such proposed Royalty Owner. Except as may be otherwise herein provided, subsequent joinder to this Agreement shall be effective at 7:00 a.m. as of the first day of the month following the filing with the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of any tract or interest to this Agreement, unless objection to such joinder by the Director is duly made within sixty (60) days after such filing.

SECTION 32. COUNTERPARTS: This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and 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 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.

SECTION 33. TAXES: Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the unitized land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No such taxes shall be charged to the United States nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 34. CONFLICT OF SUPERVISION: 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 provisions thereof to the extent that the said Unit Operator or the 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 things concerning which it is required herein that such concurrence be obtained. The parties hereto and the Commission agree that all powers and authority vested in the Commission

in and by any provisions of this Agreement 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.

SECTION 35. BORDER AGREEMENTS: Subject to the approval of the Supervisor , the Unit Operator, with concurrence of sixty (60%) percent of the Working Interest Owners, based upon the percentages of participation in the Unit Area, may enter into a border protection agreement or agreements with the Working Interest Owners of adjacent lands along the boundaries of the Unit Area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

SECTION 36. NO PARTNERSHIP: It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, expressed or implied, or any operations conducted hereunder, shall create or be deemed to create a partnership or association between the parties hereto or any of them.

SECTION 37. OIL IN LEASE TANKAGE ON EFFECTIVE DATE: Unit Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area in order to ascertain the amount of merchantable oil in such tanks, above the pipe line connections, as of 7:00 a.m. on the effective date hereof. All such oil as is a part of the prior allowable of the well or wells from which the same was produced shall be and remain the property of the Working Interest Owners entitled thereto the same as if the Unit had not been formed, and such Working Interest Owners shall promptly remove said oil from the Unit Area. Any such oil not so removed may be sold by the Unit Operator for the account of such Working Interest Owners, subject to the payment of all Royalty to Royalty Owners under the terms and provisions of the applicable lease or leases and

other contracts. All such oil and gas as is in excess of the prior allowable of the well or wells from which the same was produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof. If, as of the effective date hereof, any tract is overproduced with respect to the allowable of the well or wells on that tract and the amount of such overproduction has been sold or otherwise disposed of, such over production shall be regarded and included as a part of the Unitized Substances produced after the effective date hereof and the amount thereof charged to such tract as having been delivered to the persons entitled to Unitized Substances allocated to such tract.

SECTION 38. PERSONAL PROPERTY EXCEPTED: All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands subject to this Agreement shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners (subject to the provisions of Section 12). The rights and interests therein as among Working Interest Owners are covered by the Unit Operating Agreement.

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

TEXACO Inc.

Date: \_\_\_\_\_

By \_\_\_\_\_  
Attorney-in-Fact

Address: P. O. Box 3109  
Midland, Texas

UNIT OPERATOR AND WORKING INTEREST  
OWNER.

Date: \_\_\_\_\_

JOHN H. TRIGG

\_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

A. M. ARNSTEIN

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

LESTER ALSTON

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

D. D. PATTESON

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

A. C. HOLDER

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

O. J. HOLDER

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

B. D. CHAFFIN

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

M. G. CROSSLAND

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

C. C. YEARWOOD

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

OLEN F. FEATHERSTONE

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_



A. N. ETZ

Date: \_\_\_\_\_

\_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

ATTEST:

DEKALB AGRICULTURAL ASSOCIATION

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

ROYALTY INTEREST OWNERS

STATE OF TEXAS  
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
Attorney-in-Fact for Texaco Inc., a Delaware corporation, on  
behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for Midland  
County, Texas.

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by John H. Trigg.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_.

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by A. M. Arnstein.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_.

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by Lester Alston.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_.

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by D. D. Patteson.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_.

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by A. C. Holder.

My Commission Expires:

Notary Public in and for  
County, \_\_\_\_\_.

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by O. J. Holder.

My Commission Expires:

Notary Public in and for  
County, \_\_\_\_\_.

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by B. D. Chaffin.

My Commission Expires:

Notary Public in and for  
County, \_\_\_\_\_.

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by M. G. Crossland.

My Commission Expires:

Notary Public in and for  
County, \_\_\_\_\_.

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by C. C. Yearwood.

My Commission Expires:

Notary Public in and for  
County, \_\_\_\_\_.

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by Olen F. Featherstone.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
County, \_\_\_\_\_.

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by A. N. Etz.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
County, \_\_\_\_\_.

STATE OF  
COUNTY OF

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
for Dekalb Agricultural Association, on  
behalf of said association.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
County, \_\_\_\_\_.

R-30-E

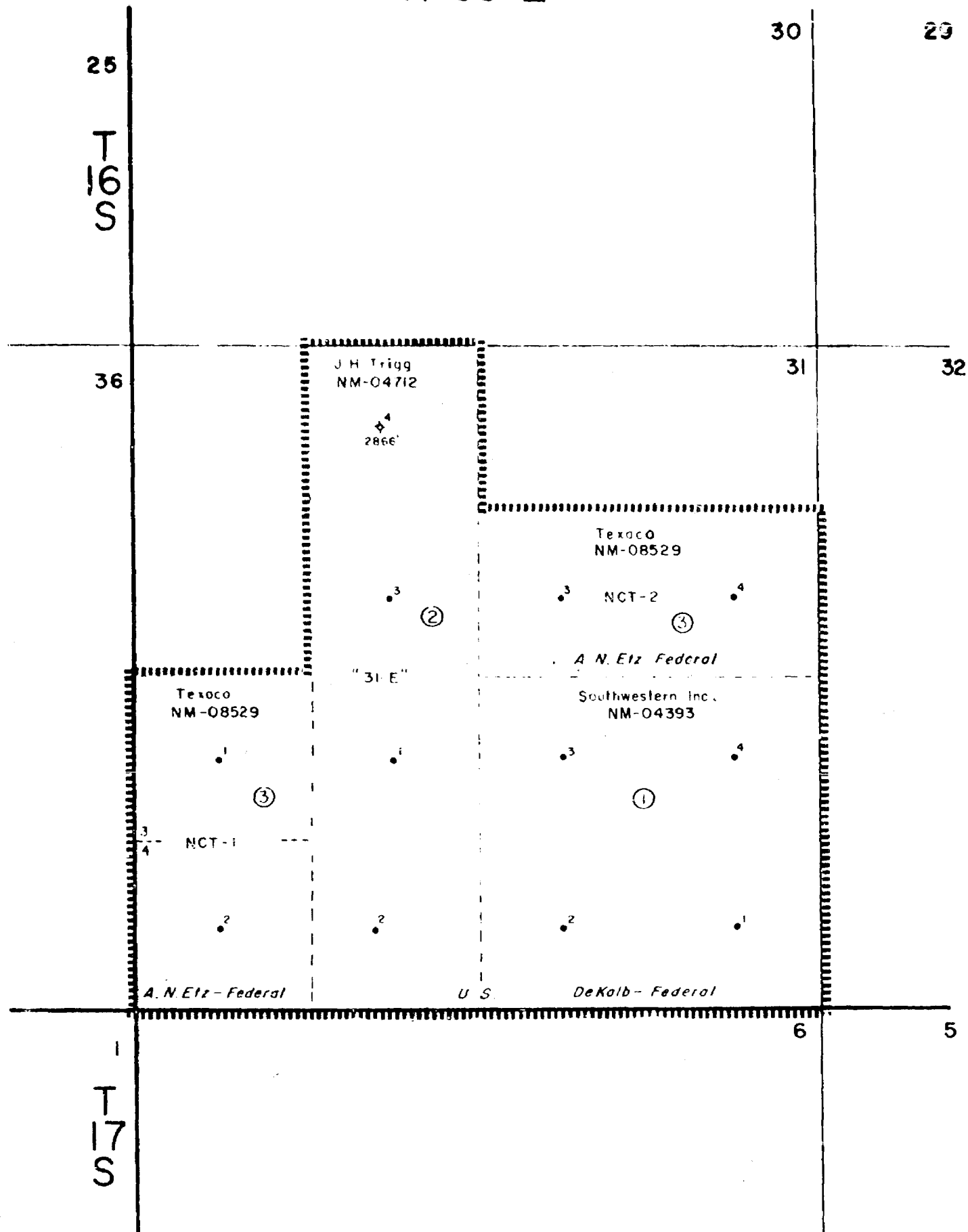


EXHIBIT "A"

SQUARE LAKE 31 UNIT AREA

EDDY CO., NEW MEXICO

SCALE - 1"=1000'

UNIT AREA  
① TRACT NO.

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP

Square Lake 31 Unit Area, Eddy County, New Mexico, T-16-S, R-30-E

Tract Number	Description of land	No. of Acres	Serial No. & exp. date of lease	Basic royalty & ownership percentage	Lessee of record	Overriding Royalty & percentage	Working Interest & percentage	Percent participation of tract in unit
Federal Land Sec. 31 <u>T-16-S, R-30-E</u>								
3	Lots 3, 4, S/2 NE/4	153.53	NM-08529 HBP	U. S. - All	Texaco Inc.	A. N. Fitz 5%	Texaco Inc. 100%	31.62513
2	E/2 W/2	160.00	NM-04712 HBP	U. S. - All	John H. Trigg	None	John H. Trigg 100%	29.35136
1	SE/4	160.00	NM-04393 HBP	U. S. - All	DeKalb Agric. Assoc.	DeKalb Agric. Assoc. 12-1/2%	A. M. Arnstein 20%	39.02351
<div style="display: flex; justify-content: space-between;"> <div> <p>Lester Alston 15%</p> <p>D. D. Patteson 3.75%</p> <p>A. C. Holder 41.5%</p> <p>O. J. Holder 3.75%</p> <p>B. D. Chaffin 3%</p> <p>M. G. Crossland 3%</p> <p>C. C. Yearwood 10%</p> </div> </div>								

3 federal tracts comprising total unit area of 473.55 acres

100,00000

EXHIBIT "B"

RECAPITULATION OF UNIT PARTICIPATION

Lester Alston	5.85353
A. M. Arnstein	7.80470
B. D. Chaffin	1.17070 (5)
M. G. Crossland	1.17070 (5)
A. C. Holder	16.19476
O. J. Holder	1.46238
D. D. Patteson	1.46338
Texaco Inc.	31.62513
John H. Trigg	29.35136
C. C. Yearwood	3.90235
Total	<u>100.00000%</u>

CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, I do hereby:

A. Approve the attached agreement for the development and operation of the Square Lake 31 Unit Area, Eddy County, 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.

Director, United States Geological Survey

Dated \_\_\_\_\_



**TEXACO**  
INC.

PETROLEUM PRODUCTS



DOMESTIC PRODUCING DEPARTMENT  
MIDLAND DIVISION

NOV 11 1963

PM 1 02

P. O. BOX 3100  
MIDLAND, TEXAS

November 4, 1963

Mr. D. S. Nutter  
New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Dear Dan:

Reference is made to my telephone conversation of November 1 concerning the hearing for the proposed Square Lake 31 Unit, Square Lake (Grayburg-San Andres) Pool, Eddy County, New Mexico.

As requested by you, attached are three copies of the letter formally recommending that this matter be set for hearing. Thank you for your personal consideration in setting this matter on the first available docket.

Yours very truly,

*Bob*

C. R. Black  
Division Proration Engineer

CRB-MM  
Attach.

TEXACO  
INC.

PETROLEUM PRODUCTS

DOMESTIC PRODUCING DEPARTMENT  
MIDLAND DIVISION



P. O. BOX 3100  
MIDLAND, TEXAS

November 4, 1963

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

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

Gentlemen:

Texaco Inc. as the initial operator of the proposed Square Lake 31 Unit, Square Lake (Grayburg-San Andres) Pool, Eddy County, New Mexico, respectfully requests that a hearing be scheduled to consider its application for (1) approval of the Square Lake 31 Unit Agreement, (2) approval to initiate waterflooding activities in the Square Lake (Grayburg-San Andres) Pool, and (3) approval to convert six wells to injection to form a normal five-spot pattern for waterflood operations. In support of our application we wish to state the following facts:

1. The proposed Square Lake 31 Unit is a portion of the Square Lake (Grayburg-San Andres) Pool, Eddy County, New Mexico.
2. Currently there are eleven wells in the proposed unit area producing from this reservoir at an approximate depth of 2700'.
3. The area sought to be designated as the Square Lake 31 Unit comprises 480 acres, more or less, situated in Eddy County, New Mexico and which is more particularly described as follows:

Township 16 South, Range 30 East  
New Mexico Principal Meridian

Sec. 31: S/2, S/2 NE/4, E/2 NW/4

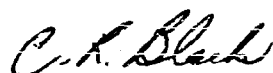
4. The proposed pattern will be a normal five-spot and will consist of six injection wells.
5. The proposed wells to be converted to injection are as follows:

November 4, 1963

<u>Company</u>	<u>Lease and Well No.</u>	<u>Unit</u>	<u>S. T. R.</u>
A. C. Holder et al	DeKalb-Fed. No. 1	P	31-16-30
A. C. Holder et al	DeKalb-Fed. No. 3	J	31-16-30
Texaco Inc.	A. N. Etz-Fed. NCT-1 No. 1	L	31-16-30
Texaco Inc.	A. N. Etz-Fed. NCT-2 No. 4	H	31-16-30
J. H. Trigg	"31-E" No. 2	N	31-16-30
J. H. Trigg	"31-E" No. 3	F	31-16-30

Attached is a plat of the Square Lake 31 Unit with the boundary of the Unit shown by the hatched line. The proposed injection wells are shown circled in red. It is respectfully requested that the subject application be set on the first available hearing docket.

Yours very truly,



C. R. Black  
Division Proration Engineer

CRB-MM  
Attach.

R-30-E

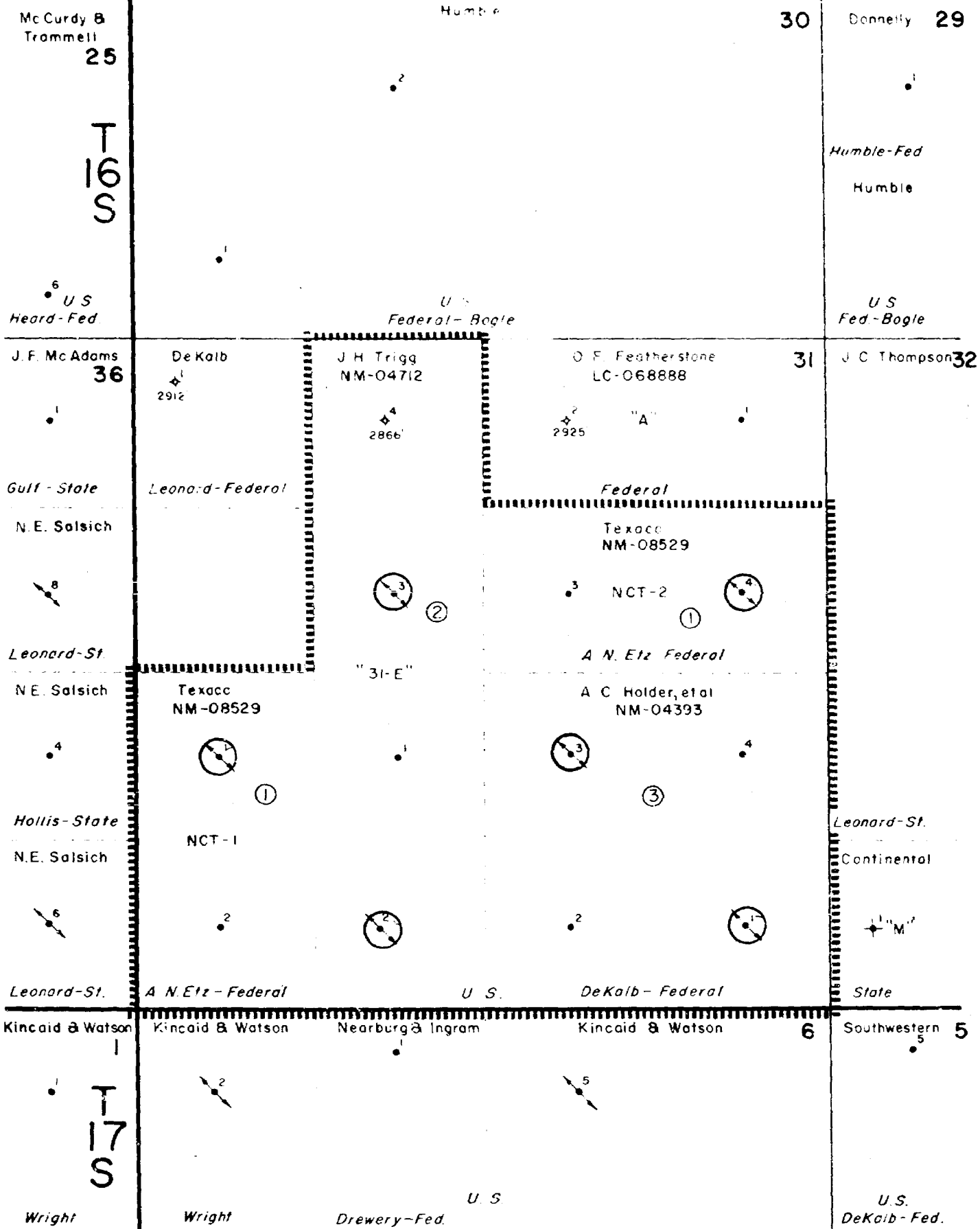


EXHIBIT "A"

SQUARE LAKE 31 UNIT AREA  
EDDY CO., NEW MEXICO

SCALE: 1" = 1000'

UNIT AREA  
TRACT NO.  
PROPOSED WATER INJECTION WELL

**TEXACO  
INC.**

PETROLEUM PRODUCTS

DOMESTIC PRODUCING DEPARTMENT  
MIDLAND DIVISION



P. O. BOX 3109  
MIDLAND, TEXAS

November 4, 1963

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

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

Gentlemen:

Texaco Inc. as the initial operator of the proposed Square Lake 31 Unit, Square Lake (Grayburg-San Andres) Pool, Eddy County, New Mexico, respectfully requests that a hearing be scheduled to consider its application for (1) approval of the Square Lake 31 Unit Agreement, (2) approval to initiate waterflooding activities in the Square Lake (Grayburg-San Andres) Pool, and (3) approval to convert six wells to injection to form a normal five-spot pattern for waterflood operations. In support of our application we wish to state the following facts:

1. The proposed Square Lake 31 Unit is a portion of the Square Lake (Grayburg-San Andres) Pool, Eddy County, New Mexico.
2. Currently there are eleven wells in the proposed unit area producing from this reservoir at an approximate depth of 2700'.
3. The area sought to be designated as the Square Lake 31 Unit comprises 480 acres, more or less, situated in Eddy County, New Mexico and which is more particularly described as follows:

Township 16 South, Range 30 East  
New Mexico Principal Meridian

Sec. 31: S/2, S/2 NE/4, E/2 NW/4

4. The proposed pattern will be a normal five-spot and will consist of six injection wells.
5. The proposed wells to be converted to injection are as follows:

NMOCC

-2-

November

<u>Company</u>	<u>Lease and Well No.</u>	<u>Unit</u>	<u>S. T. R.</u>
A. C. Holder et al	DeKalb-Fed. No. 1	P	31-16-30
A. C. Holder et al	DeKalb-Fed. No. 3	J	31-16-30
Texaco Inc.	A. N. Etz-Fed. NCT-1 No. 1	L	31-16-30
Texaco Inc.	A. N. Etz-Fed. NCT-2 No. 4	H	31-16-30
J. H. Trigg	"31-E" No. 2	N	31-16-30
J. H. Trigg	"31-E" No. 3	F	31-16-30

Attached is a plat of the Square Lake 31 Unit with the boundary of the Unit shown by the hatched line. The proposed injection wells are shown circled in red. It is respectfully requested that the subject application be set on the first available hearing docket.

Yours very truly,

*C. R. Black*

C. R. Black  
Division Proration Engineer

CRB-MM  
Attach.

R-30-E

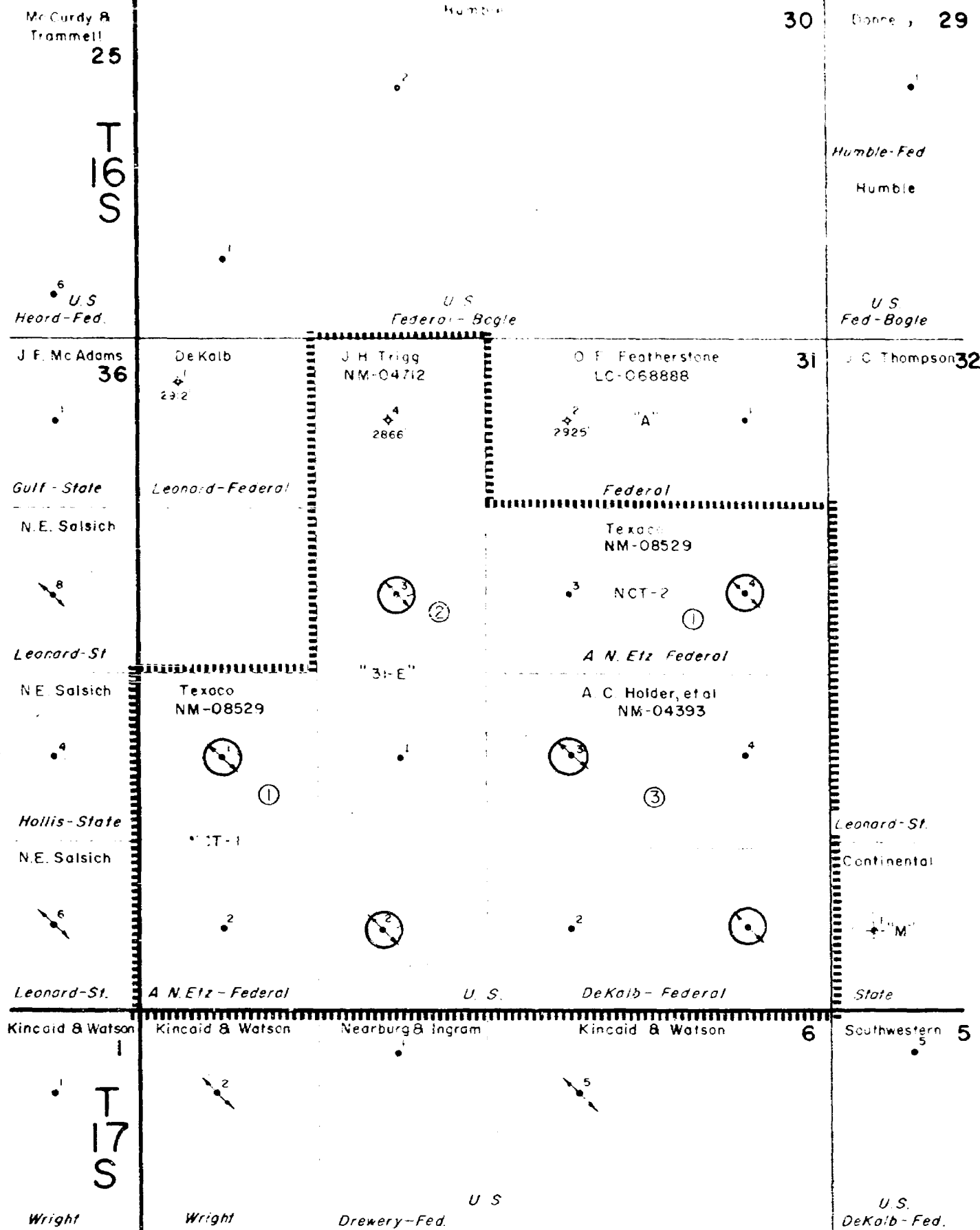


EXHIBIT "A"

SQUARE LAKE 31 UNIT AREA  
EDDY CO., NEW MEXICO

SCALE: 1"=1000'

UNIT AREA  
TRACT NO.  
PROPOSED WATER INJECTION WELL

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 20, 1963

9:00 A. M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or  
Elvis A. Utz, Alternate Examiner:

- CASE 2929: Application of Texaco Inc. for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Square Lake 31 Unit Area comprising 480 acres, more or less, of Federal land in Section 31, Township 16 South, Range 30 East, Eddy County, New Mexico.
- CASE 2940: Application of Texaco Inc. for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Square Lake Pool, Eddy County, New Mexico, by the injection of water into the Premier Sand through six wells located in Section 31, Township 16 South, Range 30 East.
- CASE 2941: Application of Texaco Inc. for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the triple completion (tubingless) of its L. R. Kershaw Well No. 9, located in Unit B of Section 13, Township 20 South, Range 37 East, Lea County, New Mexico, to produce oil from the Skaggs Glorieta and East Weir Blinebry Pools and gas from the Weir Tubb Gas Pool through parallel strings of 2 7/8 inch casing cemented in a common well bore.
- CASE 2942: Application of Sunray DX Oil Company for the creation of a new oil pool and for special temporary pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Bough "C" Oil Pool for its New Mexico State "AO" Well No. 1, located in Unit M of Section 16, Township 10 South, Range 34 East, Lea County, New Mexico, and the establishment of temporary pool rules therefor, including a provision for 160-acre proration units and for fixed well locations.
- CASE 2943: Application of Gulf Oil Corporation to combine two existing gas pools, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the consolidation of the Monument-Ellenburger and Monument-McKee Gas Pools, Lea County, New Mexico, into a single pool to be operated and prorated under the existing rules for the Monument-McKee Pool.



PAGE -2-

Docket No. 34-63

CASE 2944: Application of Socony Mobil Oil Company for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox location for a proposed triple completion in the Vacuum-Devonian, Vacuum-Wolfcamp and North Vacuum-Abo Pools, Lea County, New Mexico, said well to be drilled at a point 600 feet East of the center of the NW/4 SW/4 of Section 36, Township 17 South, Range 34 East.

Oil Conservation Commission

ir/

DRAFT

JMD/esr

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 2939

Order No. R- 2608

APPLICATION OF TEXACO INC. FOR  
APPROVAL OF THE SQUARE LAKE 31  
UNIT AGREEMENT, EDDY COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 20, 1963, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this December day of November, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Texaco Inc., seeks approval of the Square Lake 31 Unit Agreement covering 480 acres, more or less, of Federal land in Section 31, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico.

(3) That approval of the proposed Square Lake 31 Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Square Lake 31 Unit Agreement is hereby approved.

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the

development and operation of the Square Lake 31 Unit Area, and such plan shall be known as the Square Lake 31 Unit Agreement Plan.

(3) That the Square Lake 31 Unit Agreement Plan is hereby 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, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Square Lake 31 Unit, or relative to the production of oil or gas therefrom.

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

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO  
TOWNSHIP 16 SOUTH, RANGE 30 EAST  
Section 31: S/2 NE/4, SE/4, E/2 NW/4  
and SW/4

containing 480 acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Square Lake 31 Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(6) That this order shall become effective upon the approval of said unit agreement by the Director of the United States Geological Survey, and shall terminate ipso facto upon the termination

-3-  
CASE No. 2939

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

(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

State of New Mexico  
Oil Conservation Commission



STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY • DIRECTOR

15/

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

Date 11/22/65

CASE 2939

Hearing Date 9am 11/20/63  
DSN @ SF

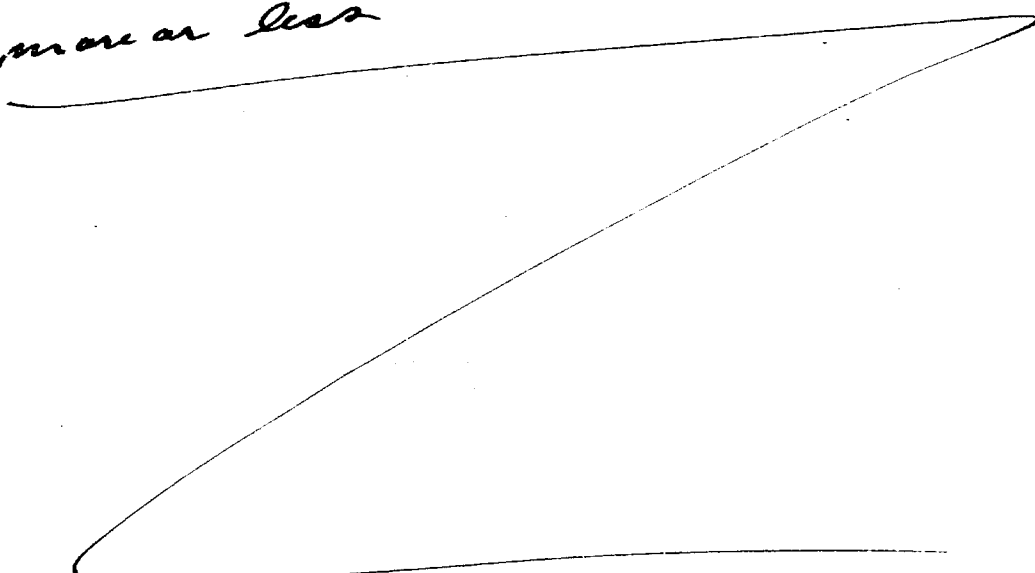
My recommendations for an order in the above numbered cases are as follows:

Enter an order approving TEXASO's

Square Lake 31 Unit Area.

Use standard unit order.

Area is S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ , E $\frac{1}{2}$  NW $\frac{1}{4}$  & SW $\frac{1}{4}$   
of Sec 31, Twp 16 S, Rge 30 E  
Eddy Co, New Mexico, 480 acres  
more or less

  
Kandarian  
Staff Engineer

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 2939  
Order No. R-2608

APPLICATION OF TEXACO INC.  
FOR APPROVAL OF THE SQUARE  
LAKE 31 UNIT AGREEMENT, EDDY  
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 20, 1963, at Santa Fe, New Mexico, before Daniel S. Mutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 6th day of December, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Mutter, 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 applicant, Texaco Inc., seeks approval of the Square Lake 31 Unit Agreement covering 480 acres, more or less, of Federal land in Section 31, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico.

(3) That approval of the proposed Square Lake 31 Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Square Lake 31 Unit Agreement is hereby approved.

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the

-2-

CASE No. 2939  
Order No. R-2608

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(3) That the Square Lake 31 Unit Agreement Plan is hereby 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, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Square Lake 31 Unit, or relative to the production of oil or gas therefrom.

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NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO  
TOWNSHIP 16 SOUTH, RANGE 30 EAST  
Section 31: S/2 NE/4, SE/4, E/2 NW/4  
and SW/4

containing 480 acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Square Lake 31 Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(6) That this order shall become effective upon the approval of said unit agreement by the Director of the United States Geological Survey, and shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.

(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.



-3-  
CASE No. 2939  
Order No. R-2608

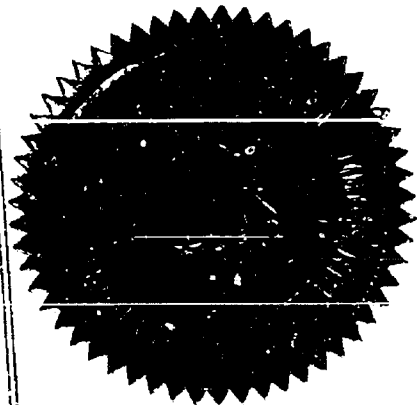
DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

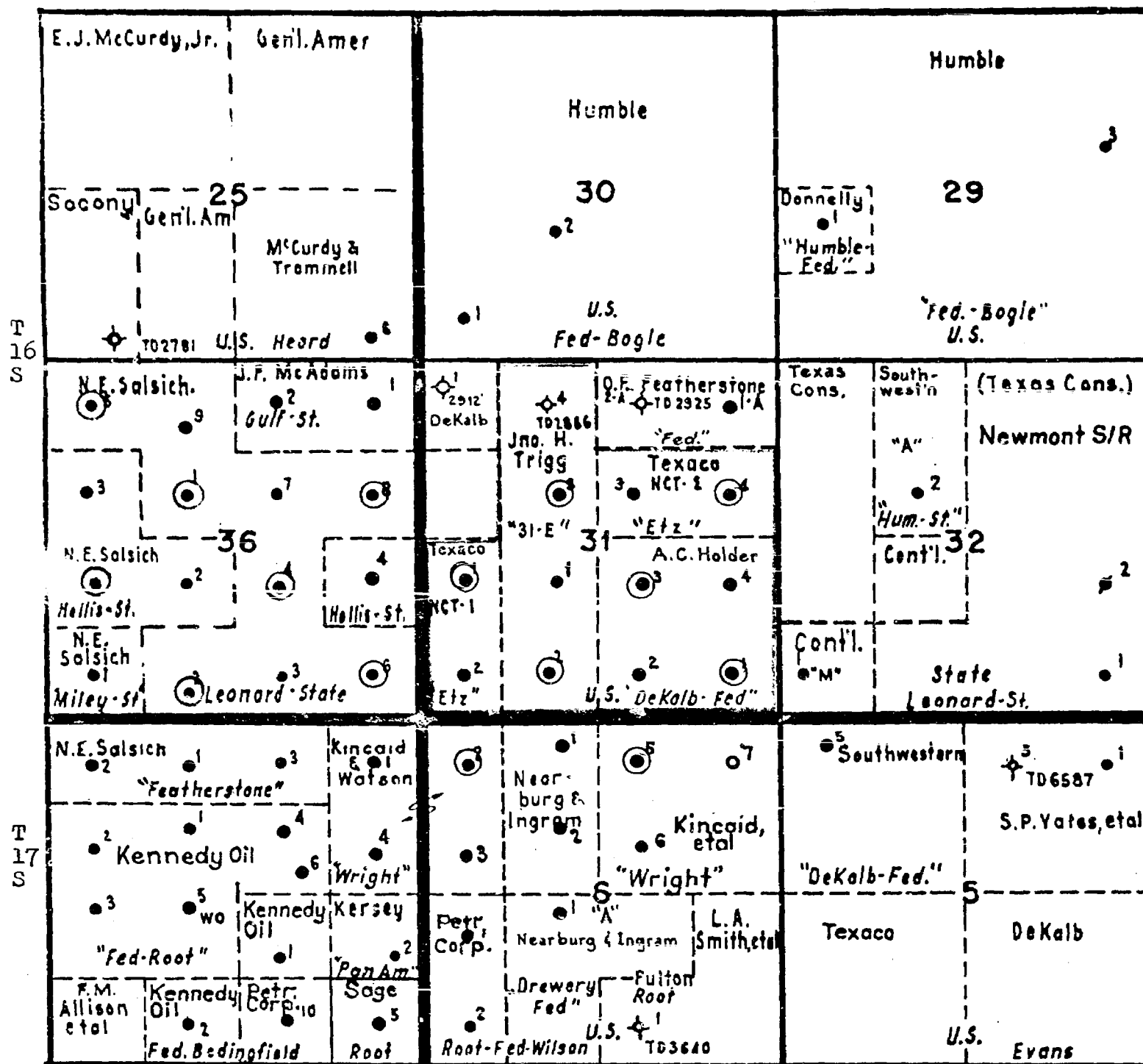
*Jack M. Campbell*  
JACK M. CAMPBELL, Chairman

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

*A. L. Porter, Jr.*  
A. L. PORTER, JR., Member & Secretary



esr/



TEXACO INC.  
 SQUARE LAKE 31 UNIT  
 EDDY COUNTY, NEW MEXICO

Case 29394  
 General  
 LWP 8/1/70  
 4

R-30-E

Humber

30

Donnelly 29

McCurdy B  
Trammell

25

T  
16  
S

U.S.  
Heard-Fed.

U.S.  
Federal-Bogle

Humble-Fed

Humble

U.S.  
Fed-Bogle

J.F. McAdams  
36

DeKalb

2912

J.H. Trigg  
NM-04712

2866'

O.F. Featherstone  
LC-068888

2925'

"A"

J.C. Thompson 32

Gulf-State

N.E. Salsich

Leonard-Federal

Federal

Texaco  
NM-08529

NCT-2

Leonard-St.

N.E. Salsich

Texaco  
NM-08529

"31-E"

A.N. Elz-Federal

A.C. Holder, et al  
NM-04393

Hollis-State

N.E. Salsich

NCT-1

Leonard-St.

Continental

"M"

Leonard-St.

A.N. Elz-Federal

U.S.

DeKalb-Federal

State

Kincaid & Watson

Kincaid & Watson

Nearburg & Ingram

Kincaid & Watson

6

Southwestern 5

T  
17  
S

Wright

Wright

Drewery-Fed

U.S.

U.S.  
DeKalb-Fed.

EXHIBIT "A"

SQUARE LAKE 31 UNIT AREA

EDDY CO., NEW MEXICO

SCALE 1"=1000'

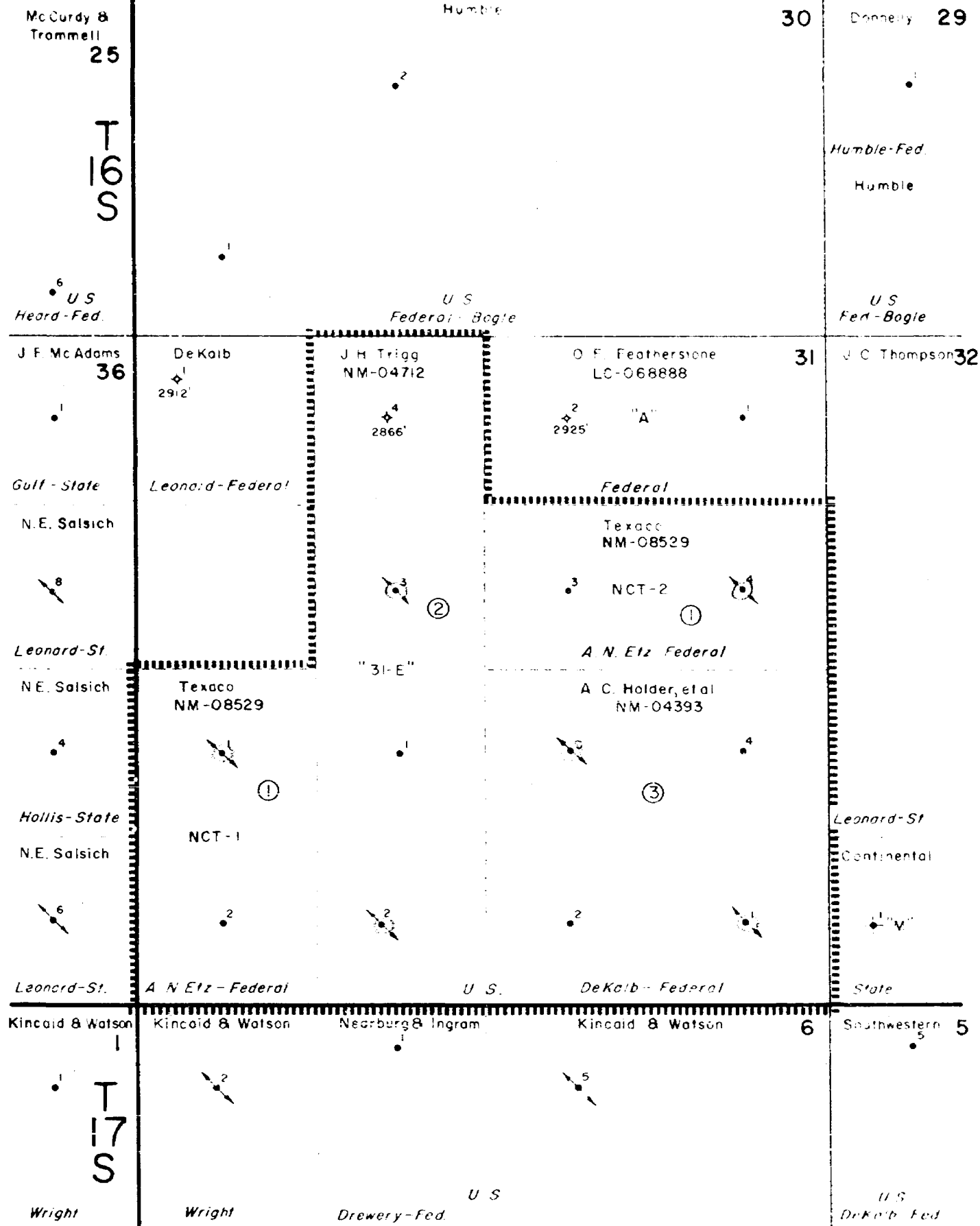


UNIT AREA  
TRACT NO.

PROPOSED WATER INJECTION WELL

I

R-30-E



Case 2939-40  
Carr  
April 4, 1961  
I