

CASE 3487: Application of AMERADA
for approval of its STATE "SN"
UNIT AGREEMENT, Lea County.

CASE No.
3487

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

11/22/66

Unit Name STATE S "N" UNIT
Operator AMERADA PETROLEUM CORPORATION
County LEA

3451

| DATE | OCC CASE NO. 3487 | EFFECTIVE DATE | TOTAL ACREAGE | STATE | FEDERAL | INDIAN-FEE | SEGREGATION CLAUSE | TERM |
|-------------------|----------------------|------------------|---------------|--------|---------|------------|--------------------|----------------------------------------|
| APPROVED | OCC ORDER NO. R-3143 | | | | | | | |
| Commissioner | November 9, 1966 | December 1, 1966 | 691.96 | 691.96 | -0- | -0- | Yes | during production in paying Quantities |
| November 22, 1966 | | | | | | | | |

UNIT AREA

TOWNSHIP 15 SOUTH, RANGE 33 EAST, NMPM
Section 3: N/2 and N/2S/2

Section 4: NE/4

TERMINATED

EA 8-2-71

11/22/66

Unit Name STATE S "N" UNIT
Operator AMERADA PETROLEUM CORPORATION
County LEA

| STATE TRACT NO. | LEASE NO. | INSTI- TUTION | SEC. | TWP. | RGE. | SUBSECTION | RATIFIED DATE | ACRES | ACREAGE NOT RATIFIED | LESSEE |
|--------------------|--------------|------------------|------|------|------|----------------------------------------------|------------------|--------|----------------------------|----------------------------------|
| 1 | E-2118-1 | C.S. | 3 | 15S | 33E | Lots 2, 3, and 4, S/2NE/4, 8/17/66 N/2S/2 | 8/17/66 | 563.44 | -0- | Amerada Petroleum Corporation |
| 2. | E-819-1 | C.S. | 3 | 15S | 33E | Lots 1, 2, and S/2NE/4 Lot 1 | 8/17/66 | 48.52 | -0- | Amerada Petroleum Corporation |
| 3. | E-9380 | C.S. | 3 | 15S | 33E | S/2NW/4 | 10/21/66 | 80.00 | -0- | Texaco Inc. |

TERMINATED
CH 8-2-71

11/22/66

Unit Name STATE S "N" UNIT
Operator AMERADA PETROLEUM CORPORATION
County LEA

CHAC

3457

| DATE | OCC CASE NO. 3487 | EFFECTIVE DATE | TOTAL ACREAGE | STATE | FEDERAL | INDIAN-FEE | SEGREGATION CLAUSE | TERM |
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| November 22, 1966 | | | | | | | | |

UNIT AREA

TOWNSHIP 15 SOUTH, RANGE 33 EAST, NMPM
Section 3: N/2 and N/2S/2

Section 4: NE/4

TERMINATED

EH 8-2-71

RECEIVED
AUG 7 1971

August 2, 1971

Mr. Charles B. Gillespie, Jr.
P. O. Box 1179
Midland, Texas 79701

Re: State S "N" Unit
TERMINATION
Lee County, New Mexico

Dear Mr. Gillespie:

We are in receipt of your Termination Instruments for the State S "N" Unit, Lee County, New Mexico, as per Section 23 of the Unit Agreement. The Commissioner of Public Lands has this date given approval to your Termination, the effective date to be as of August 2, 1971.

Enclosed are three (3) Certificates of Termination reflecting the Commissioner's approval.

The Commissioner of Public Lands also accepts the Resignation of Amerada Hess Corporation as Operator of the State S "N" Unit, Lee County, New Mexico and approves Charles B. Gillespie, Jr. as the successor unit operator.

Very truly yours,

RAY D. GRAHAM, Director
Oil and Gas

AJA/EDG/s
encls.

cc: Amerada Hess Corporation
Box 591
Midland, Texas 79701

New Mexico Oil Conservation Commission
Santa Fe, New Mexico 87501

GENERAL OFFICE
Box 2040
TULSA, OKLA. 74102

AMERADA PETROLEUM CORPORATION
Box 668
HOBBS, NEW MEXICO 88240

October 8, 1968

New Mexico Oil Conservation Commission
P. O. Box 1980
Hobbs, New Mexico

Re: Saunders Field
State "SN" Unit

Dear Sir:

This is to advise that we have discontinued injecting water in Amerada's State "SN" Unit Waterflood, located in Sections 3 & 4, T-15-S, R-33-E, Lea County, New Mexico as of 12:00 Noon - 9-30-68. Injection Wells Nos. 2, 3, 4 & 14 are closed in as of this date.

The results of this flood has not been as anticipated. Flood has been discontinued pending further study.

Yours very truly,
AMERADA PETROLEUM CORPORATION


By W. C. Henderson

WCH/lh

cc: Secretary - Director
N.M. Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Mr. B. J. Sinex (2)
Midland Office

File

35 Oct 9 1968

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO

January 23, 1967

Amerada Petroleum Corporation
P. O. Box 312
Midland, Texas 79701

Attention: Mr. J. R. Enloe

Re: Initial Plan of Operator
State S "N" Unit, Lea
County, New Mexico

Gentlemen:

This is to advise that the New Mexico Oil Conservation Commission has this date approved the Initial Plan of Operation for the State S "N" Unit, Lea County, New Mexico, subject to like approval by the Commissioner of Public Lands of the State of New Mexico.

Two approved copies of the plan are returned herewith.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/JEK/og
cc: Commissioner of Public Lands
Santa Fe, New Mexico

C
O
P
Y

December 6, 1966

Amerada Petroleum Corporation
P. O. Box 2040
Tulsa, Oklahoma, 74102

Re: State S "N" Unit
Lea County, New Mexico

ATTENTION: Mr. J. R. Enloe

Gentlemen:

The Commissioner of Public Lands has this date approved your Initial Plan of Operation for the State S "N" Unit, Lea County, New Mexico, subject to like approval by the Oil Conservation Commission.

One approved copy of the plan is enclosed.

We have not received a copy of the Unit Operating Agreement as provided for under section 9 of the Unit Agreement.

Very truly yours,

GUYTON B. HAYS
COMMISSIONER OF PUBLIC LANDS

BY:
Ted Bilberry, Director
Oil and Gas Department

GBH/MMR/s
encl. 1.
cc: Oil Conservation Commission ✓
Santa Fe, New Mexico

GENERAL OFFICE
BOX 2040
TULSA, OKLA 74102

AMERADA PETROLEUM CORPORATION

P. O. BOX 312

MIDLAND, TEXAS 79701

Phone MU 4-5533

December 2, 1966

Commissioner of Public Lands (3)
The State of New Mexico
Capitol Annex Building
Santa Fe, New Mexico

Oil Conservation Commission (3)
of The State of New Mexico
Capitol Annex Building
Santa Fe, New Mexico

Tenneco, Inc. (2)
P. O. Box 3109
Midland, Texas

RE: State S "M" Unit
Lea County, New Mexico

Gentlemen:

In accordance with Section 12 of the Unit Agreement for the Development and Operation of the State S "M" Unit, Saunders Field, Lea County, New Mexico, Amerada Petroleum Corporation respectfully submits for your approval an initial plan of operation.

The Unit became effective on December 1, 1966. The purpose of the Unit is to conduct a pilot waterflood in the Permian-Pennsylvanian formation. Wells No. 2, 3, 4, and 14 will be used as injection wells and the remaining ten wells will be producing wells. Approximately 2000 barrels of water per well per day will be injected.

Yours very truly,

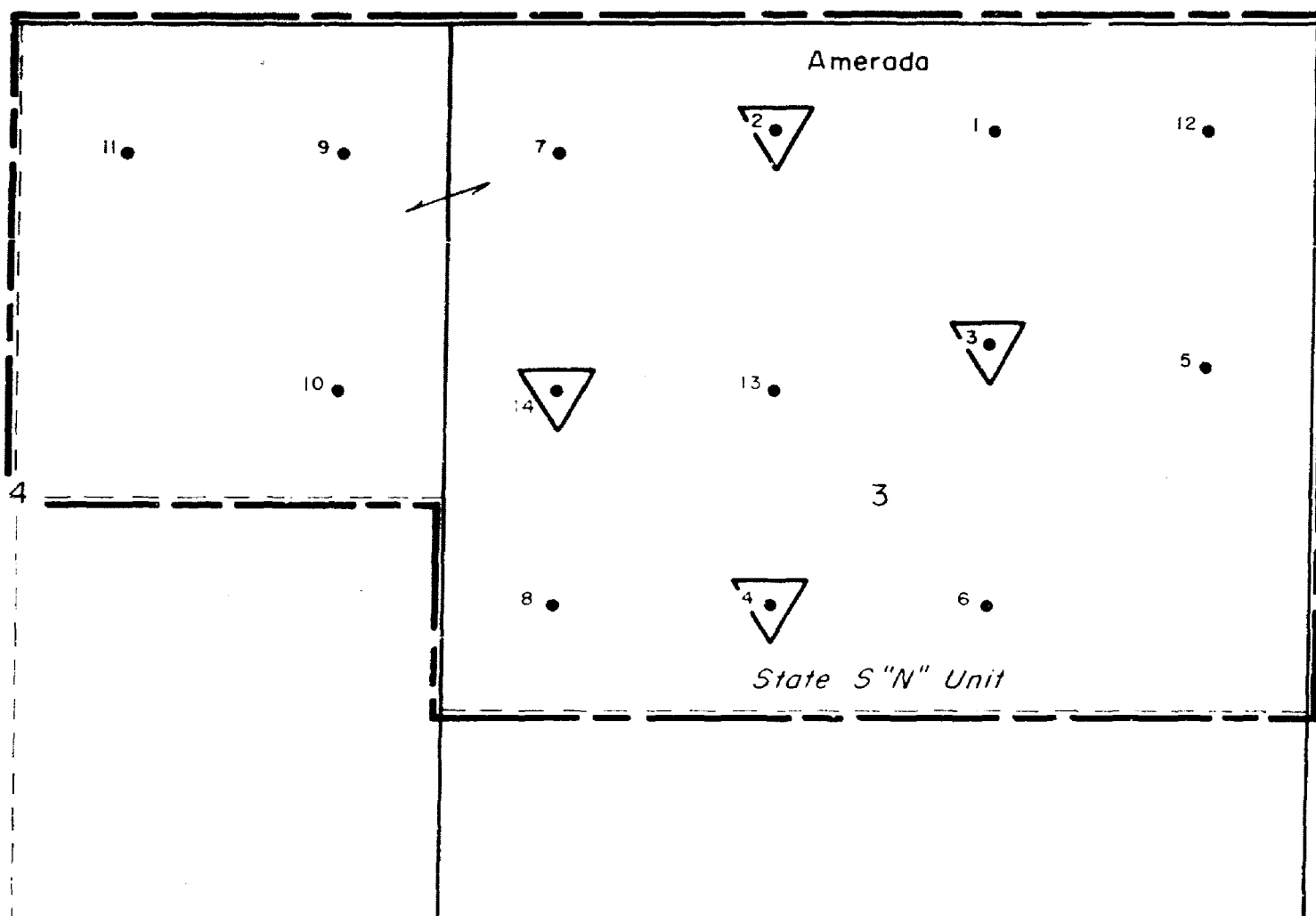
AMERADA PETROLEUM CORPORATION



J. R. Enloe, Chairman,
Working Interest Owners Committee

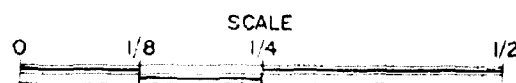
JRE/ah

Approved.....*[Signature]*.....12.4.66
[Signature]
Secretary-Director
NEW MEXICO OIL CONSERVATION COMMISSION



STATE S'N' UNIT
 SAUNDERS FIELD
 LEA COUNTY, NEW MEXICO
 T 15 S R 33 E

UNIT OUTLINE
 INJECTION WELL



AMERADA PETROLEUM CORPORATION

P. O. BOX 2040

TULSA, OKLAHOMA 74102

December 16, 1966

Re: State S "N" Unit
Saunders Field
Lea County, New Mexico

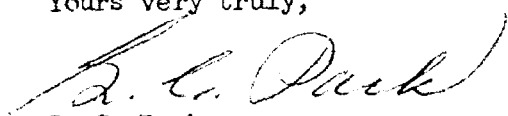
Oil Conservation Commission
State of New Mexico
Capitol Annex Building
Santa Fe, New Mexico

Gentlemen:

Paragraph 3, Order No. R-3143, Case No. 3487, dated November 9, 1966, provides for the filing in your office of an original of the State S "N" Unit Agreement within thirty days following the unit effective date.

The unit became effective December 1, 1966. In compliance with the provisions of the stated Order, we submit herewith an executed original of the State S "N" Unit Agreement. Should your office require additional material concerning this unit, please let us know.

Yours very truly,


G. C. Pack
Land Department

GCP:lt

Enclosure

cc: Texaco Inc.
P. O. Box 3109
Midland, Texas
Attention: Mr. T. E. Johnson

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
STATE S "N" UNIT AREA
SAUNDERS FIELD, COUNTY OF LEA,
STATE OF NEW MEXICO

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
STATE S "N" UNIT AREA
SAUNDERS FIELD, COUNTY OF LEA,
STATE OF NEW MEXICO

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
STATE S "N" UNIT AREA
SAUNDERS FIELD, COUNTY OF LEA,
STATE OF NEW MEXICO

THIS AGREEMENT entered into as of the first day of July, 1966, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

W I T N E S S E T H:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by law (Volume 2, Chapter 7, Article 11, Section 39, New Mexico Statutes, 1953 Annotated) to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 1, Chapter 162, Laws of 1951; Chapter 7, Article 11, Section 41, New Mexico Statutes, 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field, or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Volume 9, Part 2, Chapter 65, Article 3, New Mexico Statutes, 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

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

WHEREAS, it is the purpose of the parties hereto to enable institution and consummation of secondary recovery operations, to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the Unit Area subject to this agreement under the terms, conditions and limitations herein set forth.

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the "Unit Area" and the "Unitized Formation" lying thereunder (as those terms are defined hereinafter) and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS. 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 of New Mexico are hereby accepted and made a part of this agreement.

2. DEFINITIONS. For the purpose of this agreement, the following terms and expressions as used herein shall mean:

(a) "Commission" means the Oil Conservation Commission of the State of New Mexico.

(b) "Commissioner" means the Commissioner of Public Lands of the State of New Mexico.

(c) "Royalty Interest" or "Royalty" means 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 profits contract, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.

(d) "Royalty Owner" means the owner of a Royalty Interest.

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

(f) "Tract Participation" means the percentage of Unitized Substances allocated to a Tract under this agreement as shown in Exhibit A.

(g) "Unit Area" means the land shown on Exhibit A, and described by Tracts in Exhibit B, containing 691.96 acres.

(h) "Unit Operating Agreement" means any agreement or agreements, whether one or more, entered into either separately or collectively by and between the Unit Operator and the Working Interest Owners, as provided in Section 9, ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT, and shall be styled "Unit Operating Agreement for the Development and Operation of the State S "N" Unit Area, County of Lea, State of New Mexico."

(i) "Unit Participation" of each Working Interest Owner means the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation of such Tract.

(j) "Unitized Formation" means the Permo-Pennsylvanian Formation encountered between the depths of 9,753 feet and 10,065 feet below the derrick floor elevation on the Schlumberger electric log of the Amerada Petroleum Corporation State SD Well No. 5, located 1980 feet from the west line and 810 feet from the south line of Section 3, T 15S, R 33E, Lea County, New Mexico.

(k) "Unitized Substances" means all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.

(l) "Voting Interest" of a Working Interest Owner, unless provided otherwise hereinafter, means such Working Interest Owner's Phase II Unit Participation as same is set out in Exhibit C of the Unit Operating Agreement.

(m) "Working Interest" means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, 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, producing and operating the Unitized Formation.

(n) "Working Interest Owner" means a party hereto who owns a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

(o) "Unit Operations" means all operations conducted by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of the development and operations of the Unitized Formation for the production of Unitized Substances.

3. EXHIBITS. The following Exhibits are incorporated herein and made a part hereof:

(a) Exhibit A attached hereto is a map showing, to the extent known to Unit Operator, the Unit Area and the boundaries and identity of Tracts and leases in said Unit Area.

(b) Exhibit B attached hereto is a schedule describing each Tract included within the Unit Area and showing the Tract Participation of each such Tract. The Phase I Tract Participations shall become effective at 7:00 a.m. on the effective date of this agreement and shall continue in effect until 7:00 a.m. on the first day of the month next following the month in which the total oil produced from the Unitized Formation underlying the Unit Area, as shown on the original Exhibit A, equals 373,200 barrels after

January 1, 1966 (as determined by the Commission's monthly reports, Form C-115). The Phase II Tract Participations shall become effective at the end of the effective time of the Phase I Tract Participations, and shall continue in effect for the remainder of the term of this agreement.

Whenever reference herein or in the Unit Operating Agreement is made to an Exhibit, the reference is to the Exhibit as originally attached or, if revised, to the latest revision.

The description and ownership of the respective Tracts have been established by using the best information available. If it subsequently appears that clerical errors, including errors in Tract Ownership or mechanical miscalculations have been made, Unit Operator shall revise the Exhibits to conform with the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participations. Errors and miscalculations discovered prior to the effective date of this agreement shall be corrected by Unit Operator in the first revision of Exhibits following the effective date and said first revisions shall be effective as of the effective date of this agreement. The correction of any error other than correction of a clerical or mechanical error shall be made by Unit Operator only after first having obtained approval of Working Interest Owners and the Commissioner.

Exhibits A and B shall be revised by Unit Operator whenever changes render such revision necessary. If an Exhibit is revised pursuant to this agreement, Unit Operator shall certify and file two (2) copies of the revised Exhibit with the Commissioner, and one (1) copy for record with the County Clerk, Lea County, New Mexico. Except as specified above, a revised Exhibit shall become effective on such date as may be determined by the Working Interest Owners and set forth on said revised Exhibit.

4. EXPANSION OF UNIT AREA. 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, whenever such expansion is necessary or advisable to conform with the purposes of this agreement. Tract Participations resulting from

such expansion shall be on a negotiated basis and, after agreement between the affected parties has been reached, such expansion shall be effected in the following manner:

(a) Unit Operator, with concurrence of at least 88 percent of the then Voting Interests and after preliminary concurrence, the Commissioner and the Commission, shall prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

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

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

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

In any approved expansion of the Unit Area, the revised Tract Participations of those Tracts which were committed prior to each such expansion shall remain in the same ratio one to another.

5. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid and liquefiable hydrocarbons in the lands committed to this agreement are, as to the Permo-Pennsylvanian Formation, unitized under the terms of this agreement (and are herein called Unitized Substances) and said lands shall constitute lands referred to herein as "unitized land" or "land subject to this agreement."

6. UNIT OPERATOR. Amerada Petroleum Corporation is hereby designated as the Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties of Unit Operator for the 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 interest in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such interest is owned by it.

7. 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 notice of intention to resign has been served by Unit Operator on all Working Interest Owners and the Commissioner and the Commission, and until all wells then drilled hereunder are placed in satisfactory condition for suspension or abandonment, whichever is required by the Commission as to State lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The resignation of Unit Operator shall not release Unit Operator from any liability or default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by affirmative vote of at least seventy-five percent (75%) of the Voting Interests. Such removal shall be effective upon notice thereof to the Commissioner.

In all such instances of resignation or removal, until a successor Unit Operator is selected and approved, as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of Unit Operator and shall, not later than thirty (30) days before such

resignation or removal becomes effective, appoint a common agent 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 interests in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the Unit operations owned by the Working Interest Owners to the new duly qualified successor Unit Operator, or to the owner thereof if no such new Unit Operator is elected, to be used for the purpose of conducting Unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, the Working Interest Owners shall, by affirmative vote of at least seventy-five percent (75%) of the Voting Interests, select a successor Unit Operator; provided, however, that should any Working Interest Owner own a Voting Interest of more than twenty-five percent (25%), the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by eighty percent (80%) or more of the Voting Interests of the remaining Working Interest Owners and, provided further, that the Unit Operator shall not vote to succeed itself and its Voting Interest shall not be counted in a vote concerning its removal as the Unit Operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner may, at his election, declare this Unit Agreement terminated.

9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. All costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be apportioned among, borne and paid by the Working Interest Owners,

all in accordance with this agreement and the Unit Operating Agreement. The 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 they may agree upon. However, the Unit Operating Agreement shall not be deemed either to modify the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement; in case of any inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement, this agreement shall prevail. One true copy of any Unit Operating Agreement shall be filed with the Commissioner.

10. 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 (including surface rights) which are necessary or convenient for the prospecting for, producing, storing, allocating, and distributing the Unitized Substances, are hereby granted and delegated to and shall be exercised by the Unit Operator as herein provided. Upon request therefor, 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, lease, Royalty Interest, operating agreement or communitization 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.

11. EQUIPMENT AND FACILITIES NOT FIXTURES ATTACHED TO REALTY. Each Working Interest Owner has heretofore placed and used on its Tract or Tracts committed to this agreement, various well and lease equipment and other property, equipment and facilities. It is also recognized that additional equipment and facilities may hereafter be placed and used upon the Unit Area

as now or hereafter constituted. Therefore, for all purposes of this agreement any and all such equipment shall be considered to be personal property and not fixtures attached to realty. Accordingly, said well and lease equipment and personal property is hereby severed from the mineral estates affected by this agreement, and it is agreed that any and all such equipment and personal property shall be and remain personal property for all purposes.

12. PLAN OF FURTHER DEVELOPMENT AND OPERATION. It is recognized and agreed by the parties hereto that the object and purpose of this agreement is to formulate and to put into effect a secondary recovery project in order to effect the optimum 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, the Commissioner and the Commission, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, or any other substance or a combination of any of said substances, whether produced from the Unitized Formation 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. This agreement is and shall be subject to the conservation laws of the State of New Mexico, to the valid rules, regulations and orders of the Commissioner and the Commission and to all other applicable federal, state and municipal laws, rules, regulations and orders. The parties hereto, subject to prior rights, if any, grant to Unit Operator the use of brine or water or both from any formation in and under the Unit Area for injection into the Unitized Formation. After commencement of secondary operations, Unit Operator shall furnish the Commissioner monthly injection and production reports for each well in the Unit Area. The Working Interest Owners and the Commissioner shall be furnished periodic reports on the progress of the plan of operation and any revisions or changes thereto necessary to meet changed conditions or to protect the interests of all parties to this agreement; 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, the Commissioner and the Commission.

13. PARTICIPATION. Exhibit B shows the percentages of participation to which each Tract shall be entitled if all Tracts within the Unit Area are committed as of the effective date of this agreement (the qualifications necessary for inclusion of a Tract being set forth in Section 14 hereof). If less than all Tracts within the Unit Area are committed as of the effective date of this agreement, Unit Operator, with approval of the Working Interest Owners, as soon as practicable after the effective date of this agreement, shall file with the Commissioner and the Commission schedules of committed Tracts as of said effective date, which said schedules shall be designated "Revised Exhibit B" and considered for all purposes as a part of this agreement. Such Revised Exhibit B shall set forth opposite each such committed Tract the revised Tract Participation therefor (which shall be calculated by using the same Tract factors and formula which were used to arrive at the Tract Participation of each Tract as set out in Exhibit B attached hereto, but applying the same only to the committed Tracts). Such Revised Exhibit B, unless disapproved by the Commissioner and the Commission within 30 days after filing, shall supersede, effective as of the effective date hereof, the Tract Participations set forth in Exhibit B attached hereto until a further revision or revisions thereof is approved by the Commissioner and the Commission. The Tract Participations shown on Exhibit B attached hereto or as may be shown on the Revised Exhibit B, as above provided, shall govern the allocation of Unitized Substances on and after the effective date of this Unit Agreement as set forth in Section 3 hereof, and until the allocation schedule is revised pursuant to this agreement and the revised Tract Participations are approved by the Commissioner and the Commission.

14. TRACTS QUALIFIED FOR PARTICIPATION. From the effective date hereof, the Tracts which shall be entitled to participation shall be those Tracts which are described in Exhibit B and which, at any time, are qualified as follows:

- (a) Each Tract as to which Working Interest Owners owning 100% of the Working Interest therein have become parties hereto

and as to which Royalty Owners owning 75% or more of the Royalty Interest therein have become parties hereto.

(b) Each Tract as to which Working Interest Owners owning 100% of the Working Interest therein have become parties hereto and as to which Royalty Owners owning less than 75% of the Royalty Interest therein have become parties hereto and, further, as to which:

(i) All Working Interest Owners in any such Tract have joined in a request for the qualification of such Tract; and

(ii) 80% of the combined voting interests of Working Interest Owners in all Tracts meeting the requirements of paragraph (a) hereof have voted in favor of qualifying such Tract.

For the purpose of this paragraph (b), a Working Interest Owner's "voting interest" shall be equal to the ratio (expressed in percent) which its aggregate Phase I Unit Participation in all Tracts qualifying under paragraph (a) bears to the total Phase I Unit Participation, as shown on Exhibit B, of all Working Interest Owners in all Tracts qualifying under paragraph (a).

(c) Each Tract as to which Working Interest Owners owning less than 100% of the Working Interest therein have become parties hereto, regardless of the percentage of Royalty Interest therein which is committed hereto and, further, as to which:

(i) The Working Interest Owner operating any such Tract and all of the other Working Interest Owners in such Tract who have become parties hereto have joined in a request for qualification of such Tract and have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners, their successors and assigns, against all claims and demands which may be made by the owners of Working Interests in such Tract who are not parties hereto and which arise out of the qualification of such Tract; and

(ii) 80% of the combined voting interest of Working Interest Owners in all Tracts meeting the requirements of paragraphs (a) and (b) have voted in favor of the qualification of such Tract and acceptance of the indemnity agreement.

For the purpose of this paragraph (c), a Working Interest Owner's "voting interest" shall be equal to the ratio (expressed in percent) which its aggregate Phase I Unit Participation in all Tracts qualifying under paragraphs (a) and (b) bears to the total Phase I Unit Participation, as shown on Exhibit B, of all Working Interest Owners in all Tracts qualifying under paragraphs (a) and (b). Upon the qualification of such a Tract, the Unit Participation which would have been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements, in proportion to their respective Working Interests in the Tract.

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) shall be apportioned among and allocated to the committed Tracts in accordance with the respective Tract Participations effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit B. The amount of Unitized Substances so allocated to each committed 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 such 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 Tracts 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 Tract, or in the proceeds thereof, had this agreement not been entered into, and with the same legal force and effect. It is hereby agreed that production of Unitized Substances from any such committed Tract shall be allocated as provided herein regardless of whether oil or gas is being produced from any particular Tract committed hereto. If the Working Interests or the Royalty Interests in any Tract are divided with respect to separate parcels or portions of such Tract and owned severally by different persons, the Tract Participation of such Tract shall, in the absence of a recordable instrument among all owners fixing the division of ownership, be divided among all owners fixing the division of ownership and be divided among such parcels or portions in proportion to the number of surface acres in each.

16. BALANCING OF PRODUCTION. Unit Operator shall make a proper and timely gauge of all lease and other tanks located on each committed Tract 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 Unitized Substances which are a part of the prior allowable of the well or wells from which the same were produced shall be and remain the property

of the Working Interest Owners entitled thereto as if the Unit had not been formed and such Working Interest Owners shall promptly remove same. Any such Unitized Substances 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 Unitized Substances which are in excess of the prior allowable of the well or wells from which the same were 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 over-produced with respect to the allowable of the well or wells on that Tract and the amount of such over-production 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.

17. ROYALTY SETTLEMENT. The State of New Mexico and all Royalty Owners who, under existing contracts, are entitled to take in kind a share of the Unitized Substances produced from any committed Tract, shall hereafter be entitled 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 Interests 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 preceding 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 royalties due under their leases except that said royalties shall be computed in accordance with the terms of this agreement.

If gas obtained from lands not subject to this agreement is introduced into the Unitized Formation for use in pressure maintenance, stimulation of production, or increasing ultimate recovery, which shall be

in conformity with a plan first approved by the Commissioner and the Commission, a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be pursuant to such conditions and formulae as may be prescribed or approved by the Commissioner; provided further, that such right of withdrawal shall terminate on the termination of this agreement. If liquefied petroleum gases obtained from lands or formations not subject to this agreement be injected into the Unitized Formation for the purpose of increasing ultimate recovery, which shall be in conformance with a plan first approved by the Commissioner, part or all of such liquefied petroleum gases may be withdrawn royalty free pursuant to such conditions and formulae as may be prescribed or approved by the Commissioner.

Royalty due on account of State lands shall be computed and paid on the basis of all Unitized Substances allocated to such lands.

18. RENTAL SETTLEMENT. Rentals on State of New Mexico lands subject to this agreement shall be paid at the rate specified in the respective leases, or may be reduced or suspended under order of the Commissioner pursuant to applicable laws and regulations.

19. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted so as to provide for the most economical and efficient recovery of such substances to prevent waste as defined by State laws or regulations.

20. DRAINAGE. Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from the committed Tracts by wells on land not subject to this agreement or, with consent of the Commissioner and pursuant to applicable regulations, pay a fair and reasonable compensatory royalty as determined by the Commissioner.

21. 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, gas, gaseous

substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons in and under 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 Commissioner as to State leases shall by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and 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 committed to this agreement, regardless of whether there is any development of any particular part of or Tract of unitized land, 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 and producing operations performed hereunder upon any Tract of unitized land will 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 the land therein embraced.

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

(d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons in and under lands, other than those of the United States, in lands committed to this agreement, 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, as to the land committed so long as such lease remains subject hereto.

(e) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be

segregated as to the portion committed and as to the portion not committed and the terms of such lease shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if Unitized Substances are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein, any such lease shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of Unitized Substances, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as Unitized Substances are produced in paying quantities from any portion of said lands.

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

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 calendar month next following the approval by the Commissioner.

There must be an execution or ratification of this agreement and the Unit Operating Agreement by Working Interest Owners owning a combined

Phase II Unit Participation of at least 85 percent, and the execution or ratification of the agreement by Royalty Owners owning a combined interest of at least 65 percent of the Royalty Interest in said Unit Area.

There must be filed at least one counterpart of this agreement for record in the office of the County Clerk of Lea County, New Mexico, by the Unit Operator.

Unit Operator shall, within thirty (30) days after the effective date of this agreement, file for record in the office where a counterpart of this agreement is recorded, a certificate to the effect that this agreement became effective according to its terms and stating further the effective date.

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 so 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 Land Commissioner and the Working Interest Owners owning 88 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 just as if this agreement had never been entered into.

If not otherwise covered by the leases unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of six 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.

24. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for or on behalf of any and all interests affected hereby before the Commission and to appeal from orders issued under the regulations of said Commission or to apply for relief from any of said regulations or in any proceedings relative to operations before the Commission, or other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

25. 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 at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

26. 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 of New Mexico, 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.

27. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or to produce Unitized Substances from any of the lands subject to 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, act of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit

Operator whether similar to matters herein enumerated or not.

28. LOSS OF TITLE. If any Tract of unitized land ceases to have sufficient Working Interest or Royalty Interest committed to this agreement to meet the conditions of Section 14 because of failure of title of any party hereto, such Tract shall be regarded as not committed hereto as of 7:00 a.m. on the first day of the calendar month in which such failure of title is finally determined; provided, however, that no such Tract shall be so regarded if same can be requalified under said Section 14 within ninety (90) days after the date on which such title failure was finally determined. If any such Tract cannot be so requalified, Unit Operator shall recompute the Tract Participation of each Tract of unitized land remaining subject to this agreement so that such Tract Participations shall remain in the same ratio one to another. Thereafter, Unit Operator shall revise Exhibit B conformably with such recomputation. Each such revised exhibit shall be effective at 7:00 a.m. on the first day of the calendar month in which such failure of title is finally determined.

If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of such failure shall be covered by the Unit Operating Agreement. If title to a Royalty Interest fails, but the Tract to which it relates remains committed to this agreement, the Royalty Owner whose title failed shall not be entitled to participate hereunder insofar as its participation is based on such lost Royalty Interest.

In the event of a dispute as to the title to any Working or Royalty Interest, or other interest subject hereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State land or leases, no payments of funds due the State of New Mexico shall be withheld, such funds of the State shall be deposited as directed by the Commissioner, all 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 title hereunder.

29. NONJOINDER AND SUBSEQUENT JOINDER. Any oil or gas interest within the Unit Area not committed hereto prior to the effective date of this agreement may thereafter be committed, upon compliance with the applicable provisions of this Section 29 and of Section 14 (TRACTS QUALIFIED FOR PARTICIPATION) by the owner or owners thereof subscribing or consenting to this agreement and, if such uncommitted interest is a Working Interest, by the owner of such interest also subscribing to the Unit Operating Agreement.

Such right of joinder subsequent to the effective date hereof shall be subject to such requirements or approvals and shall be upon such terms and conditions as may be agreed to by at least 65 percent of the then Voting Interests of the Working Interest Owners, and approval by the Commissioner, with appropriate revisions of Exhibit B, effective as of 7:00 a.m. on the first day of the calendar month next following such agreement by the Working Interest Owners.

After final approval of this agreement, joinder by a non-working interest owner must be consented to in writing by the Working Interest Owners committed hereto and responsible for the payment of any benefits which may accrue hereunder in behalf of such non-working interest.

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

31. TAXES. The Working Interest Owners shall render and pay for their account and the account of the Royalty Owners all valid taxes on or measured by the Unitized Substances in and under or that may be produced, gathered and sold from the land subject to this agreement after the effective date of this agreement, or upon the proceeds or net proceeds derived therefrom.

The Working Interest Owners in each Tract may charge the proper proportion of said taxes to the Royalty Owners having interests in said Tract, and may currently retain and deduct sufficient of the Unitized Substances or derivative products, or net proceeds thereof, from the allocated share of each Royalty Owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

In order to avoid title failures which might incidentally cause the title to a Working Interest or Royalty Interest to fail, the owner of (1) the surface rights to each committed Tract, (2) severed mineral or royalty interest in said Tracts and improvements located on said Tracts not utilized for Unit Operations shall individually be responsible for the rendition and assessment, for ad valorem tax purposes, of all such property, and for the payment of such taxes, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner or Owners. If any ad valorem taxes are not paid by such owner responsible therefor when due, Unit Operator may, at any time prior to tax sale, pay the same, redeem such property and discharge such tax liens as may arise through nonpayment. In the event Unit Operator makes any such payment or redeems any such property from tax sale, Unit Operator shall be reimbursed therefor by the Working Interest Owners in proportion to their respective Unit Participations then in effect, and Unit Operator shall withhold from any proceeds derived from the sale of Unitized Substances otherwise due to said delinquent taxpayer or taxpayers an amount sufficient to defray the costs of such payment or redemption, such withholding to be distributed among the Working Interest Owners in proportion to their respective contributions toward such payment or redemption. Such withholding shall be without prejudice to any other remedy, either at law or in equity, which may be available for exercise by the Unit Operator or by the Working Interest Owners.

32. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the Working Interest Owners or 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, Working Interest Owners, or any of them are hindered, delayed or prevented from complying therewith by reason of the failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of 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, including the Commission, agree that all powers and authority vested in the Commission in and by any provisions of this contract are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject, in any case, to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

33. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, express or implied, or any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

34. BORDER AGREEMENTS. Subject to the approval of the Commissioner, the Unit Operator, with concurrence of 88 percent of the then Voting Interests of the Working Interest Owners, may enter into a border-protection agreement or agreements with the working interest owners of lands adjacent to the committed Tracts with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interest.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as of the date first above written and have set opposite

their respective names the date of execution and the address of each of the respective executing parties.

UNIT OPERATOR AND WORKING INTEREST OWNER

AMERADA PETROLEUM CORPORATION

By

Vice President

| | |
|-------|-----|
| LAND | 0/3 |
| SECCO | 0/1 |
| ESCH | 0/1 |
| OPCO | 0/1 |
| FOOTC | 0/1 |
| CAS | 0/1 |

ATTEST:

J. H. Humphreys
Assistant Secretary

Date of Signature:

August 17, 1966

P. O. Box 2040
Tulsa, Oklahoma 74102

TEXACO INC.

ATTEST:

APPROVED AS TO

Terms

Form

By

J. H. Marley

Date of Signature:

October 21, 1966

(New Mexico — Corporate)

STATE OF OKLAHOMA
COUNTY OF TULSA } SS:

On this 17th day of August, 19 66, before me
appeared JOHN P. HAMMOND, to me personally known,
who, being by me duly sworn, did say that he is the Senior Vice President of
AMERADA PETROLEUM CORPORATION, a Delaware corporation,

and that the seal affixed to said instrument is the corporate seal of said corporation, and that
said instrument was signed and sealed in behalf of said corporation by authority of its Board
of Directors, and said JOHN P. HAMMOND
acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal the day and year first above written.

Lucile F. Carman
Notary Public

My commission expires:

4-30-70

(New Mexico — Corporate)

STATE OF Texas
COUNTY Midland

The foregoing instrument was acknowledged before me this
21st day of October, 1966, by J.H. Markley
Attorney-in-Fact, of TEXACO Inc., a Delaware
Corporation, on behalf of said corporation.

Elwiese Ruhmann
Notary Public

My Commission Expires:

June 1, 1967

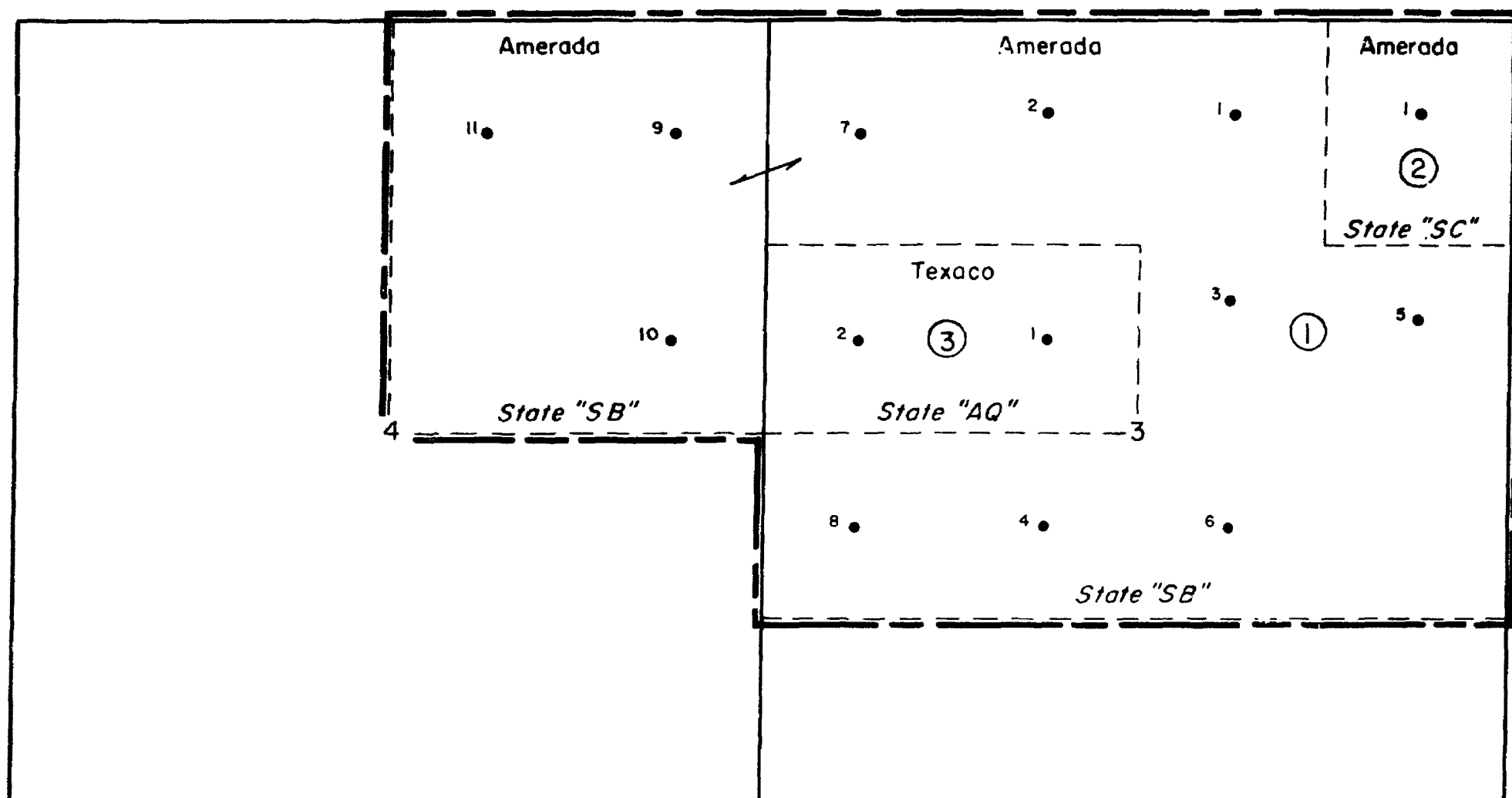


EXHIBIT "A" (Original)
 STATE "SN" UNIT
 SAUNDERS FIELD
 LEA COUNTY, NEW MEXICO
 T 15 S R 33 E

LEGEND
 --- UNIT OUTLINE
 (3) TRACT NUMBER

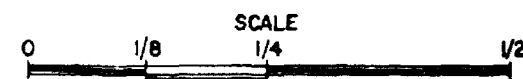


EXHIBIT "B"
SCHEDULE SHOWING TRACT PARTICIPATIONS AND PERCENTAGE AND KIND OF OWNERSHIP
OF ALL LANDS WITHIN THE STATE S "N" UNIT
TOWNSHIP 15 SOUTH, RANGE 33 EAST, LEA COUNTY, NEW MEXICO

| TRACT NO. | DESCRIPTION | NO. OF ACRES | SERIAL NO. & DATE OF LEASE OR APPLICATION | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE | PERCENTAGE TRACT PARTICIPATION | |
|-----------|--------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------|------------------------------|------------------|---------------------------------|-------------------------------|--------------------------------|----------|
| | | | | | | | | PHASE I | PHASE II |
| 1 | T-158-R33E Sec. 3; Lots 2, 3 and 4, S/2 NE/4, W/2 S/2 Sec. 4; Lots 1, 2 and S/2 NE/4 | 563.44 | E-2118 9-10-48 H.B.P. | State of New Mexico 12.50 | Amerada | None | Amerada 100% | 69.98624 | 79.99905 |
| 2 | T-158-R33E Sec. 3; Lot 1 | 48.52 | E-819 4-10-46 H.B.P. | State of New Mexico 12.50 | Amerada | None | Amerada 100% | 10.10729 | 7.07741 |
| 3 | T-158-R33E Sec. 3; S/2 NW/4 | 80.00 | B-9380 11-10-41 H.B.P. | State of New Mexico 12.50 | Texaco Inc. | None | Texaco Inc. 100% | 19.90647 | 12.92354 |

State S "N" Unit Area Total
3 State Tracts 691.96 Acres 100%

BEFORE EXAMINER UTZ
CIVIL & CRIMINAL COURT
JANUARY 1964
CASE NO. 6

EXHIBIT 8
NO. 3487-3489
DATE 11-2-66

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
STATE S "N" UNIT AREA
SAUNDERS FIELD, COUNTY OF LEA,
STATE OF NEW MEXICO

I N D E X

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
STATE S "N" UNIT AREA
SAUNDERS FIELD, COUNTY OF LEA,
STATE OF NEW MEXICO

THIS AGREEMENT entered into as of the first day of July, 1966, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

W I T N E S S E T H:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by law (Volume 2, Chapter 7, Article 11, Section 39, New Mexico Statutes, 1953 Annotated) to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 1, Chapter 162, Laws of 1951; Chapter 7, Article 11, Section 41, New Mexico Statutes, 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field, or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Volume 9, Part 2, Chapter 65, Article 3, New Mexico Statutes, 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

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

WHEREAS, it is the purpose of the parties hereto to enable institution and consummation of secondary recovery operations, to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the Unit Area subject to this agreement under the terms, conditions and limitations herein set forth.

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the "Unit Area" and the "Unitized Formation" lying thereunder (as those terms are defined hereinafter) and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS. 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 of New Mexico are hereby accepted and made a part of this agreement.

2. DEFINITIONS. For the purpose of this agreement, the following terms and expressions as used herein shall mean:

(a) "Commission" means the Oil Conservation Commission of the State of New Mexico.

(b) "Commissioner" means the Commissioner of Public Lands of the State of New Mexico.

(c) "Royalty Interest" or "Royalty" means 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 profits contract, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.

(d) "Royalty Owner" means the owner of a Royalty Interest.

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

(f) "Tract Participation" means the percentage of Unitized Substances allocated to a Tract under this agreement as shown in Exhibit A.

(g) "Unit Area" means the land shown on Exhibit A, and described by Tracts in Exhibit B, containing 691.96 acres.

(h) "Unit Operating Agreement" means any agreement or agreements, whether one or more, entered into either separately or collectively by and between the Unit Operator and the Working Interest Owners, as provided in Section 9, ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT, and shall be styled "Unit Operating Agreement for the Development and Operation of the State S "N" Unit Area, County of Lea, State of New Mexico."

(i) "Unit Participation" of each Working Interest Owner means the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation of such Tract.

(j) "Unitized Formation" means the Permo-Pennsylvanian Formation encountered between the depths of 9,753 feet and 10,065 feet below the derrick floor elevation on the Schlumberger electric log of the Amerada Petroleum Corporation State SD Well No. 5, located 1980 feet from the west line and 810 feet from the south line of Section 3, T 15S, R 33E, Lea County, New Mexico.

(k) "Unitized Substances" means all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.

(l) "Voting Interest" of a Working Interest Owner, unless provided otherwise hereinafter, means such Working Interest Owner's Phase II Unit Participation as same is set out in Exhibit C of the Unit Operating Agreement.

(m) "Working Interest" means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, 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, producing and operating the Unitized Formation.

(n) "Working Interest Owner" means a party hereto who owns a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

(o) "Unit Operations" means all operations conducted by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of the development and operations of the Unitized Formation for the production of Unitized Substances.

3. EXHIBITS. The following Exhibits are incorporated herein and made a part hereof:

(a) Exhibit A attached hereto is a map showing, to the extent known to Unit Operator, the Unit Area and the boundaries and identity of Tracts and leases in said Unit Area.

(b) Exhibit B attached hereto is a schedule describing each Tract included within the Unit Area and showing the Tract Participation of each such Tract. The Phase I Tract Participations shall become effective at 7:00 a.m. on the effective date of this agreement and shall continue in effect until 7:00 a.m. on the first day of the month next following the month in which the total oil produced from the Unitized Formation underlying the Unit Area, as shown on the original Exhibit A, equals 373,200 barrels after

January 1, 1966 (as determined by the Commission's monthly reports, Form C-115). The Phase II Tract Participations shall become effective at the end of the effective time of the Phase I Tract Participations, and shall continue in effect for the remainder of the term of this agreement.

Whenever reference herein or in the Unit Operating Agreement is made to an Exhibit, the reference is to the Exhibit as originally attached or, if revised, to the latest revision.

The description and ownership of the respective Tracts have been established by using the best information available. If it subsequently appears that clerical errors, including errors in Tract Ownership or mechanical miscalculations have been made, Unit Operator shall revise the Exhibits to conform with the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participations. Errors and miscalculations discovered prior to the effective date of this agreement shall be corrected by Unit Operator in the first revision of Exhibits following the effective date and said first revisions shall be effective as of the effective date of this agreement. The correction of any error other than correction of a clerical or mechanical error shall be made by Unit Operator only after first having obtained approval of Working Interest Owners and the Commissioner.

Exhibits A and B shall be revised by Unit Operator whenever changes render such revision necessary. If an Exhibit is revised pursuant to this agreement, Unit Operator shall certify and file two (2) copies of the revised Exhibit with the Commissioner, and one (1) copy for record with the County Clerk, Lea County, New Mexico. Except as specified above, a revised Exhibit shall become effective on such date as may be determined by the Working Interest Owners and set forth on said revised Exhibit.

4. EXPANSION OF UNIT AREA. 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, whenever such expansion is necessary or advisable to conform with the purposes of this agreement. Tract Participations resulting from

such expansion shall be on a negotiated basis and, after agreement between the affected parties has been reached, such expansion shall be effected in the following manner:

(a) Unit Operator, with concurrence of at least 88 percent of the then Voting Interests and after preliminary concurrence, the Commissioner and the Commission, shall prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

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

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

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

In any approved expansion of the Unit Area, the revised Tract Participations of those Tracts which were committed prior to each such expansion shall remain in the same ratio one to another.

5. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid and liquefiable hydrocarbons in the lands committed to this agreement are, as to the Permo-Pennsylvanian Formation, unitized under the terms of this agreement (and are herein called Unitized Substances) and said lands shall constitute lands referred to herein as "unitized land" or "land subject to this agreement."

6. UNIT OPERATOR. Amerada Petroleum Corporation is hereby designated as the Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties of Unit Operator for the 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 interest in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such interest is owned by it.

7. 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 notice of intention to resign has been served by Unit Operator on all Working Interest Owners and the Commissioner and the Commission, and until all wells then drilled hereunder are placed in satisfactory condition for suspension or abandonment, whichever is required by the Commission as to State lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The resignation of Unit Operator shall not release Unit Operator from any liability or default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by affirmative vote of at least seventy-five percent (75%) of the Voting Interests. Such removal shall be effective upon notice thereof to the Commissioner.

In all such instances of resignation or removal, until a successor Unit Operator is selected and approved, as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of Unit Operator and shall, not later than thirty (30) days before such

resignation or removal becomes effective, appoint a common agent 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 interests in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the Unit operations owned by the Working Interest Owners to the new duly qualified successor Unit Operator, or to the owner thereof if no such new Unit Operator is elected, to be used for the purpose of conducting Unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, the Working Interest Owners shall, by affirmative vote of at least seventy-five percent (75%) of the Voting Interests, select a successor Unit Operator; provided, however, that should any Working Interest Owner own a Voting Interest of more than twenty-five percent (25%), the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by eighty percent (80%) or more of the Voting Interests of the remaining Working Interest Owners and, provided further, that the Unit Operator shall not vote to succeed itself and its Voting Interest shall not be counted in a vote concerning its removal as the Unit Operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner may, at his election, declare this Unit Agreement terminated.

9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. All costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be apportioned among, borne and paid by the Working Interest Owners,

all in accordance with this agreement and the Unit Operating Agreement. The 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 they may agree upon. However, the Unit Operating Agreement shall not be deemed either to modify the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement; in case of any inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement, this agreement shall prevail. One true copy of any Unit Operating Agreement shall be filed with the Commissioner.

10. 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 (including surface rights) which are necessary or convenient for the prospecting for, producing, storing, allocating, and distributing the Unitized Substances, are hereby granted and delegated to and shall be exercised by the Unit Operator as herein provided. Upon request therefor, 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, lease, Royalty Interest, operating agreement or communitization 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.

11. EQUIPMENT AND FACILITIES NOT FIXTURES ATTACHED TO REALTY. Each Working Interest Owner has heretofore placed and used on its Tract or Tracts committed to this agreement, various well and lease equipment and other property, equipment and facilities. It is also recognized that additional equipment and facilities may hereafter be placed and used upon the Unit Area

as now or hereafter constituted. Therefore, for all purposes of this agreement any and all such equipment shall be considered to be personal property and not fixtures attached to realty. Accordingly, said well and lease equipment and personal property is hereby severed from the mineral estates affected by this agreement, and it is agreed that any and all such equipment and personal property shall be and remain personal property for all purposes.

12. PLAN OF FURTHER DEVELOPMENT AND OPERATION. It is recognized and agreed by the parties hereto that the object and purpose of this agreement is to formulate and to put into effect a secondary recovery project in order to effect the optimum 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, the Commissioner and the Commission, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, or any other substance or a combination of any of said substances, whether produced from the Unitized Formation 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. This agreement is and shall be subject to the conservation laws of the State of New Mexico, to the valid rules, regulations and orders of the Commissioner and the Commission and to all other applicable federal, state and municipal laws, rules, regulations and orders. The parties hereto, subject to prior rights, if any, grant to Unit Operator the use of brine or water or both from any formation in and under the Unit Area for injection into the Unitized Formation. After commencement of secondary operations, Unit Operator shall furnish the Commissioner monthly injection and production reports for each well in the Unit Area. The Working Interest Owners and the Commissioner shall be furnished periodic reports on the progress of the plan of operation and any revisions or changes thereto necessary to meet changed conditions or to protect the interests of all parties to this agreement; 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, the Commissioner and the Commission.

13. PARTICIPATION. Exhibit B shows the percentages of participation to which each Tract shall be entitled if all Tracts within the Unit Area are committed as of the effective date of this agreement (the qualifications necessary for inclusion of a Tract being set forth in Section 14 hereof). If less than all Tracts within the Unit Area are committed as of the effective date of this agreement, Unit Operator, with approval of the Working Interest Owners, as soon as practicable after the effective date of this agreement, shall file with the Commissioner and the Commission schedules of committed Tracts as of said effective date, which said schedules shall be designated "Revised Exhibit B" and considered for all purposes as a part of this agreement. Such Revised Exhibit B shall set forth opposite each such committed Tract the revised Tract Participation therefor (which shall be calculated by using the same Tract factors and formula which were used to arrive at the Tract Participation of each Tract as set out in Exhibit B attached hereto, but applying the same only to the committed Tracts). Such Revised Exhibit B, unless disapproved by the Commissioner and the Commission within 30 days after filing, shall supersede, effective as of the effective date hereof, the Tract Participations set forth in Exhibit B attached hereto until a further revision or revisions thereof is approved by the Commissioner and the Commission. The Tract Participations shown on Exhibit B attached hereto or as may be shown on the Revised Exhibit B, as above provided, shall govern the allocation of Unitized Substances on and after the effective date of this Unit Agreement as set forth in Section 3 hereof, and until the allocation schedule is revised pursuant to this agreement and the revised Tract Participations are approved by the Commissioner and the Commission.

14. TRACTS QUALIFIED FOR PARTICIPATION. From the effective date hereof, the Tracts which shall be entitled to participation shall be those Tracts which are described in Exhibit B and which, at any time, are qualified as follows:

- (a) Each Tract as to which Working Interest Owners owning 100% of the Working Interest therein have become parties hereto

and as to which Royalty Owners owning 75% or more of the Royalty Interest therein have become parties hereto.

(b) Each Tract as to which Working Interest Owners owning 100% of the Working Interest therein have become parties hereto and as to which Royalty Owners owning less than 75% of the Royalty Interest therein have become parties hereto and, further, as to which:

(i) All Working Interest Owners in any such Tract have joined in a request for the qualification of such Tract; and

(ii) 80% of the combined voting interests of Working Interest Owners in all Tracts meeting the requirements of paragraph (a) hereof have voted in favor of qualifying such Tract.

For the purpose of this paragraph (b), a Working Interest Owner's "voting interest" shall be equal to the ratio (expressed in percent) which its aggregate Phase I Unit Participation in all Tracts qualifying under paragraph (a) bears to the total Phase I Unit Participation, as shown on Exhibit B, of all Working Interest Owners in all Tracts qualifying under paragraph (a).

(c) Each Tract as to which Working Interest Owners owning less than 100% of the Working Interest therein have become parties hereto, regardless of the percentage of Royalty Interest therein which is committed hereto and, further, as to which:

(i) The Working Interest Owner operating any such Tract and all of the other Working Interest Owners in such Tract who have become parties hereto have joined in a request for qualification of such Tract and have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners, their successors and assigns, against all claims and demands which may be made by the owners of Working Interests in such Tract who are not parties hereto and which arise out of the qualification of such Tract; and

(ii) 80% of the combined voting interest of Working Interest Owners in all Tracts meeting the requirements of paragraphs (a) and (b) have voted in favor of the qualification of such Tract and acceptance of the indemnity agreement.

For the purpose of this paragraph (c), a Working Interest Owner's "voting interest" shall be equal to the ratio (expressed in percent) which its aggregate Phase I Unit Participation in all Tracts qualifying under paragraphs (a) and (b) bears to the total Phase I Unit Participation, as shown on Exhibit B, of all Working Interest Owners in all Tracts qualifying under paragraphs (a) and (b). Upon the qualification of such a Tract, the Unit Participation which would have been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements, in proportion to their respective Working Interests in the Tract.

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) shall be apportioned among and allocated to the committed Tracts in accordance with the respective Tract Participations effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit B. The amount of Unitized Substances so allocated to each committed 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 such 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 Tracts 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 Tract, or in the proceeds thereof, had this agreement not been entered into, and with the same legal force and effect. It is hereby agreed that production of Unitized Substances from any such committed Tract shall be allocated as provided herein regardless of whether oil or gas is being produced from any particular Tract committed hereto. If the Working Interests or the Royalty Interests in any Tract are divided with respect to separate parcels or portions of such Tract and owned severally by different persons, the Tract Participation of such Tract shall, in the absence of a recordable instrument among all owners fixing the division of ownership, be divided among all owners fixing the division of ownership and be divided among such parcels or portions in proportion to the number of surface acres in each.

16. BALANCING OF PRODUCTION. Unit Operator shall make a proper and timely gauge of all lease and other tanks located on each committed Tract 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 Unitized Substances which are a part of the prior allowable of the well or wells from which the same were produced shall be and remain the property

of the Working Interest Owners entitled thereto as if the Unit had not been formed and such Working Interest Owners shall promptly remove same. Any such Unitized Substances 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 Unitized Substances which are in excess of the prior allowable of the well or wells from which the same were 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 over-produced with respect to the allowable of the well or wells on that Tract and the amount of such over-production 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.

17. ROYALTY SETTLEMENT. The State of New Mexico and all Royalty Owners who, under existing contracts, are entitled to take in kind a share of the Unitized Substances produced from any committed Tract, shall hereafter be entitled 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 Interests 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 preceding 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 royalties due under their leases except that said royalties shall be computed in accordance with the terms of this agreement.

If gas obtained from lands not subject to this agreement is introduced into the Unitized Formation for use in pressure maintenance, stimulation of production, or increasing ultimate recovery, which shall be

in conformity with a plan first approved by the Commissioner and the Commission, a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be pursuant to such conditions and formulae as may be prescribed or approved by the Commissioner; provided further, that such right of withdrawal shall terminate on the termination of this agreement. If liquefied petroleum gases obtained from lands or formations not subject to this agreement be injected into the Unitized Formation for the purpose of increasing ultimate recovery, which shall be in conformance with a plan first approved by the Commissioner, part or all of such liquefied petroleum gases may be withdrawn royalty free pursuant to such conditions and formulae as may be prescribed or approved by the Commissioner.

Royalty due on account of State lands shall be computed and paid on the basis of all Unitized Substances allocated to such lands.

18. RENTAL SETTLEMENT. Rentals on State of New Mexico lands subject to this agreement shall be paid at the rate specified in the respective leases, or may be reduced or suspended under order of the Commissioner pursuant to applicable laws and regulations.

19. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted so as to provide for the most economical and efficient recovery of such substances to prevent waste as defined by State laws or regulations.

20. DRAINAGE. Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from the committed Tracts by wells on land not subject to this agreement or, with consent of the Commissioner and pursuant to applicable regulations, pay a fair and reasonable compensatory royalty as determined by the Commissioner.

21. 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, gas, gaseous

substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons in and under 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 Commissioner as to State leases shall by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and 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 committed to this agreement, regardless of whether there is any development of any particular part of or Tract of unitized land, 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 and producing operations performed hereunder upon any Tract of unitized land will 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 the land therein embraced.

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

(d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons in and under lands, other than those of the United States, in lands committed to this agreement, 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, as to the land committed so long as such lease remains subject hereto.

(e) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be

segregated as to the portion committed and as to the portion not committed and the terms of such lease shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if Unitized Substances are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein, any such lease shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of Unitized Substances, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as Unitized Substances are produced in paying quantities from any portion of said lands.

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

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 calendar month next following the approval by the Commissioner.

There must be an execution or ratification of this agreement and the Unit Operating Agreement by Working Interest Owners owning a combined

Phase II Unit Participation of at least 85 percent, and the execution or ratification of the agreement by Royalty Owners owning a combined interest of at least 65 percent of the Royalty Interest in said Unit Area.

There must be filed at least one counterpart of this agreement for record in the office of the County Clerk of Lea County, New Mexico, by the Unit Operator.

Unit Operator shall, within thirty (30) days after the effective date of this agreement, file for record in the office where a counterpart of this agreement is recorded, a certificate to the effect that this agreement became effective according to its terms and stating further the effective date.

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 so 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 Land Commissioner and the Working Interest Owners owning 88 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 just as if this agreement had never been entered into.

If not otherwise covered by the leases unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of six 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.

24. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for or on behalf of any and all interests affected hereby before the Commission and to appeal from orders issued under the regulations of said Commission or to apply for relief from any of said regulations or in any proceedings relative to operations before the Commission, or other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

25. 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 at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

26. 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 of New Mexico, 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.

27. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or to produce Unitized Substances from any of the lands subject to 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, act of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit

Operator whether similar to matters herein enumerated or not.

28. LOSS OF TITLE. If any Tract of unitized land ceases to have sufficient Working Interest or Royalty Interest committed to this agreement to meet the conditions of Section 14 because of failure of title of any party hereto, such Tract shall be regarded as not committed hereto as of 7:00 a.m. on the first day of the calendar month in which such failure of title is finally determined; provided, however, that no such Tract shall be so regarded if same can be requalified under said Section 14 within ninety (90) days after the date on which such title failure was finally determined. If any such Tract cannot be so requalified, Unit Operator shall recompute the Tract Participation of each Tract of unitized land remaining subject to this agreement so that such Tract Participations shall remain in the same ratio one to another. Thereafter, Unit Operator shall revise Exhibit B conformably with such recomputation. Each such revised exhibit shall be effective at 7:00 a.m. on the first day of the calendar month in which such failure of title is finally determined.

If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of such failure shall be covered by the Unit Operating Agreement. If title to a Royalty Interest fails, but the Tract to which it relates remains committed to this agreement, the Royalty Owner whose title failed shall not be entitled to participate hereunder insofar as its participation is based on such lost Royalty Interest.

In the event of a dispute as to the title to any Working or Royalty Interest, or other interest subject hereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State land or leases, no payments of funds due the State of New Mexico shall be withheld, such funds of the State shall be deposited as directed by the Commissioner, all 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 title hereunder.

29. NONJOINDER AND SUBSEQUENT JOINDER. Any oil or gas interest within the Unit Area not committed hereto prior to the effective date of this agreement may thereafter be committed, upon compliance with the applicable provisions of this Section 29 and of Section 14 (TRACTS QUALIFIED FOR PARTICIPATION) by the owner or owners thereof subscribing or consenting to this agreement and, if such uncommitted interest is a Working Interest, by the owner of such interest also subscribing to the Unit Operating Agreement.

Such right of joinder subsequent to the effective date hereof shall be subject to such requirements or approvals and shall be upon such terms and conditions as may be agreed to by at least 65 percent of the then Voting Interests of the Working Interest Owners, and approval by the Commissioner, with appropriate revisions of Exhibit B, effective as of 7:00 a.m. on the first day of the calendar month next following such agreement by the Working Interest Owners.

After final approval of this agreement, joinder by a non-working interest owner must be consented to in writing by the Working Interest Owners committed hereto and responsible for the payment of any benefits which may accrue hereunder in behalf of such non-working interest.

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

31. TAXES. The Working Interest Owners shall render and pay for their account and the account of the Royalty Owners all valid taxes on or measured by the Unitized Substances in and under or that may be produced, gathered and sold from the land subject to this agreement after the effective date of this agreement, or upon the proceeds or net proceeds derived therefrom.

The Working Interest Owners in each Tract may charge the proper proportion of said taxes to the Royalty Owners having interests in said Tract, and may currently retain and deduct sufficient of the Unitized Substances or derivative products, or net proceeds thereof, from the allocated share of each Royalty Owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

In order to avoid title failures which might incidentally cause the title to a Working Interest or Royalty Interest to fail, the owner of (1) the surface rights to each committed Tract, (2) severed mineral or royalty interest in said Tracts and improvements located on said Tracts not utilized for Unit Operations shall individually be responsible for the rendition and assessment, for ad valorem tax purposes, of all such property, and for the payment of such taxes, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner or Owners. If any ad valorem taxes are not paid by such owner responsible therefor when due, Unit Operator may, at any time prior to tax sale, pay the same, redeem such property and discharge such tax liens as may arise through nonpayment. In the event Unit Operator makes any such payment or redeems any such property from tax sale, Unit Operator shall be reimbursed therefor by the Working Interest Owners in proportion to their respective Unit Participations then in effect, and Unit Operator shall withhold from any proceeds derived from the sale of Unitized Substances otherwise due to said delinquent taxpayer or taxpayers an amount sufficient to defray the costs of such payment or redemption, such withholding to be distributed among the Working Interest Owners in proportion to their respective contributions toward such payment or redemption. Such withholding shall be without prejudice to any other remedy, either at law or in equity, which may be available for exercise by the Unit Operator or by the Working Interest Owners.

32. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the Working Interest Owners or 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, Working Interest Owners, or any of them are hindered, delayed or prevented from complying therewith by reason of the failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of 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, including the Commission, agree that all powers and authority vested in the Commission in and by any provisions of this contract are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject, in any case, to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

33. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, express or implied, or any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

34. BORDER AGREEMENTS. Subject to the approval of the Commissioner, the Unit Operator, with concurrence of 88 percent of the then Voting Interests of the Working Interest Owners, may enter into a border-protection agreement or agreements with the working interest owners of lands adjacent to the committed Tracts with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interest.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as of the date first above written and have set opposite

their respective names the date of execution and the address of each of
the respective executing parties.

UNIT OPERATOR AND WORKING INTEREST OWNER

AMERADA PETROLEUM CORPORATION

ATTEST:

By _____ Vice President

Assistant Secretary

Date of Signature:

P. O. Box 2040
Tulsa, Oklahoma 74102

TEXACO INC.

ATTEST:

By _____

Date of Signature:

(New Mexico — Corporate)

STATE OF OKLAHOMA }
COUNTY OF TULSA } SS:

On this _____ day of _____, 19 66, before me
appeared _____, to me personally known,
who, being by me duly sworn, did say that he is the _____ Vice President of
AMERADA PETROLEUM CORPORATION, a Delaware corporation

and that the seal affixed to said instrument is the corporate seal of said corporation, and that
said instrument was signed and sealed in behalf of said corporation by authority of its Board
of Directors, and said _____
acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal the day and year first above written.

Notary Public

My commission expires:

(New Mexico — Corporate)

STATE OF _____ }
COUNTY OF _____ } SS:

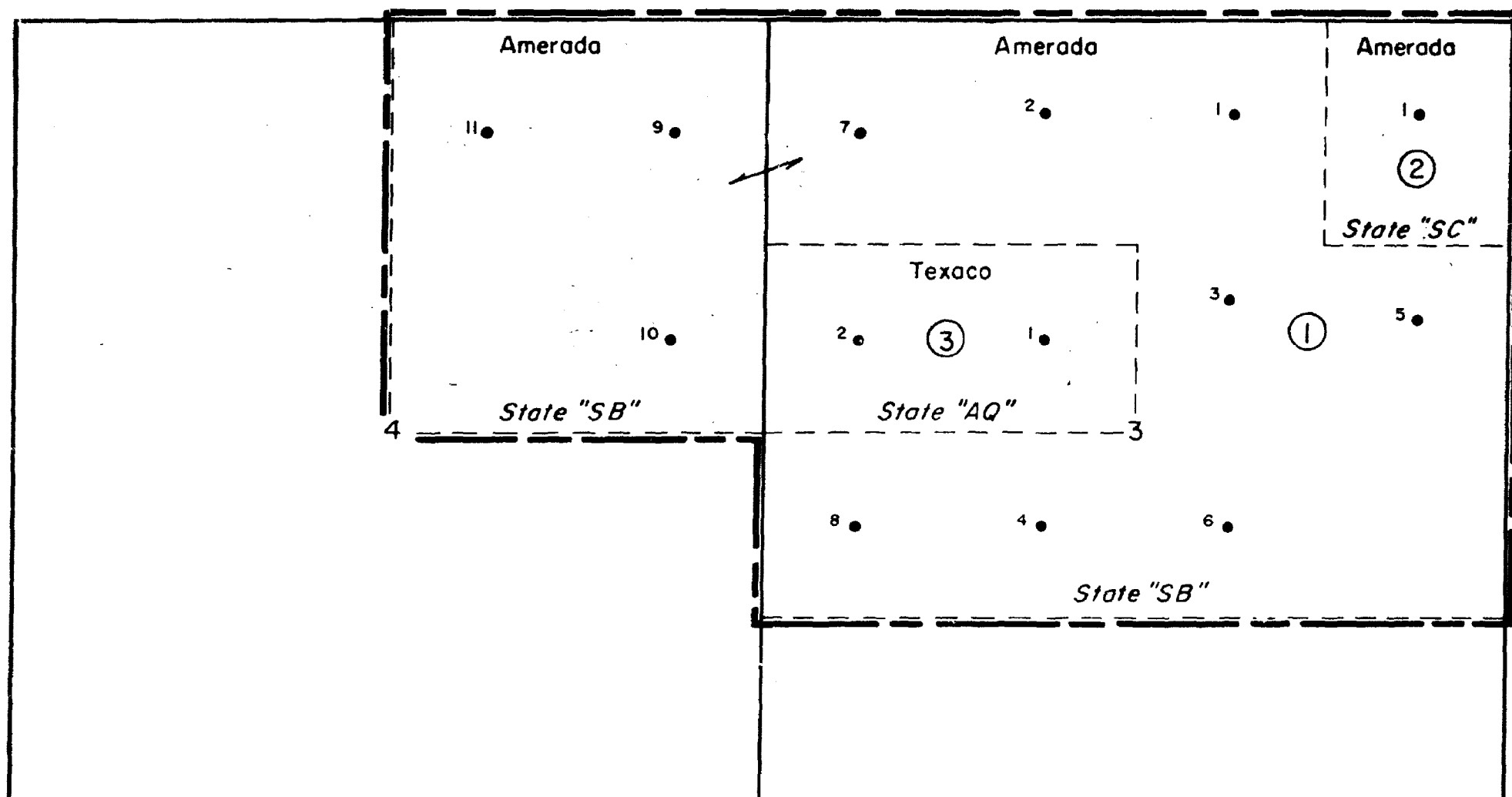
On this _____ day of _____, 19 66, before me
appeared _____, to me personally known,
who, being by me duly sworn, did say that he is the _____ President of
TEXACO INC.

and that the seal affixed to said instrument is the corporate seal of said corporation, and that
said instrument was signed and sealed in behalf of said corporation by authority of its Board
of Directors, and said _____
acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal the day and year first above written.

Notary Public

My commission expires:



LEGEND

- UNIT OUTLINE
- TRACT NUMBER

EXHIBIT "A" (Original)
 STATE "SN" UNIT
 SAUNDERS FIELD
 LEA COUNTY, NEW MEXICO
 T 15 S R 33 E

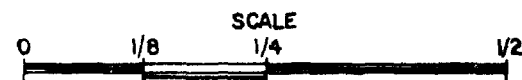


EXHIBIT "B"
SCHEDULE SHOWING TRACT PARTICIPATIONS AND PERCENTAGE AND KIND OF OWNERSHIP
OF ALL LANDS WITHIN THE STATE S "M" UNIT
TOWNSHIP 15 SOUTH, RANGE 33 EAST, LEA COUNTY, NEW MEXICO

| TRACT NO. | DESCRIPTION | NO. OF ACRES | SERIAL NO. & DATE OF LEASE OR APPLICATION | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE | PERCENTAGE TRACT PARTICIPATION | |
|-----------|-------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------|------------------------------|------------------|---------------------------------|-------------------------------|--------------------------------|----------|
| | | | | | | | | PHASE I | PHASE II |
| 1 | T158-R33E Sec. 3; Lots 2, 3 and 4, S/2 NE/4, N/2 S/2 Sec. 4; Lots 1, 2 and S/2 NE/4 | 563.44 | E-2118 9-10-48 H.B.P. | State of New Mexico 12.50 | Amerada | None | Amerada 100% | 69.98624 | 79.99905 |
| 2 | T-158-R33E Sec. 3; Lot 1 | 48.52 | E-819 4-10-46 H.B.P. | State of New Mexico 12.50 | Amerada | None | Amerada 100% | 10.10729 | 7.07741 |
| 3 | T-158-R33E Sec. 3; S/2 NW/4 | 80.00 | B-9380 11-10-41 H.B.P. | State of New Mexico 12.50 | Texaco Inc. | None | Texaco Inc. 100% | 19.90647 | 12.92354 |

691.96

State S "M" Unit Area Total
3 State Tracts 691.96 Acres 100%

Case 3487

Heard 11-266

Rec. 11-466

1 Grant Amenda approval of
their state 'S N' Unit ~~unit~~
agreement.

155-33E.

sec. 3, N/2 + N/2 S/2.

sec. 4. NE/4

Thos. R.

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

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

P. O. BOX 2088
SANTA FE

November 9, 1966

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: Case No. 3487
Order No. R-3143
Applicant:

Amerada Petroleum Corp.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.
A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC

OTHER Mrs. Rhea

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. 3487
Order No. R-3143

APPLICATION OF AMERADA PETROLEUM
CORPORATION FOR APPROVAL OF THE
STATE "SN" UNIT AGREEMENT, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 2, 1966,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 9th day of November, 1966, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, 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, Amerada Petroleum Corporation,
seeks approval of the State "SN" Unit Agreement covering 691.96
acres, more or less, of State land described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 15 SOUTH, RANGE 33 EAST, NMPM
Section 3: N/2 and N/2 S/2
Section 4: NE/4

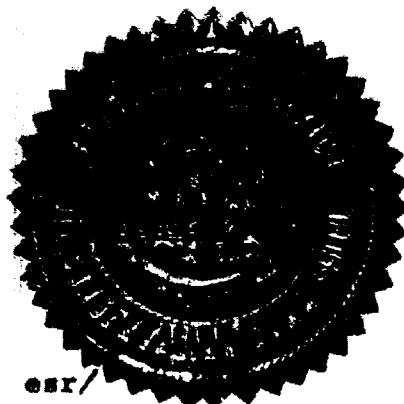
(3) That approval of the proposed unit agreement should
promote the prevention of waste and the protection of correlative
rights within the unit area.

CASE No. 3487
Order No. R-3143

IT IS THEREFORE ORDERED:

- (1) That the State "SN" Unit Agreement is hereby approved.
- (2) That the plan contained in said unit agreement for the development and operation of the unit area 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 Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.
- (3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that 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.
- (4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.
- (5) 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 hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Jack M. Campbell
JACK M. CAMPBELL, Chairman

Guyton B. Hays
GUYTON B. HAYS, Member

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

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO



BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 2, 1966

EXAMINER HEARING

IN THE MATTER OF: Application of Amerada)
Petroleum Corporation for a unit agreement,))
Lea County, New Mexico)
and)
Application of Amerada Petroleum Corporation)
for a waterflood expansion, Lea County,)
New Mexico.)

Cases No 3487
and 3488

BEFORE: ELVIS A. UTZ, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 3487.

MR. HATCH: Case 3487. Application for Amerada Petroleum Corporation for a unit agreement, Lea County, New Mexico.

MR. KELLAHIN: If the Examiner please, Jason Kellahin, Kellahin and Fox, Santa Fe, appearing on behalf of the Applicant in association with Mr. Thomas W. Lynch, a member of the Oklahoma Bar, who will present the case.

MR. HATCH: Are there other appearances in this case?

MR. LYNCH: Mr. Examiner, we have two cases, Cases Number 3487 and 3488. We would like to consolidate these two cases since they cover essentially the same subject matter. Case Number 3488 is an application to expand a lease waterflood already approved by the Commission. Case 3487 is an application to approve a unit agreement, which will cover the expanded lease waterflood. Last June, when the lease waterflood, which we call the State SB Waterflood, was approved by this Commission, we were in the process of negotiating with Texaco for the expansion of the waterflood and unitization of one of their leases with two of ours. Both are State leases; that unitization has now been accomplished.

We will have one witness, Mr. D. G. Griffin.

MR. UTZ: Case 3487 is just a unit agreement and it actually will contain the original waterflood and its

expansion?

MR. LYNCH: Yes, sir.

MR. UTZ: Cases 3487 and 3488 will be consolidated for the purposes of testimony and separate orders will be written on each case.

MR. LYNCH: Mr. Griffin, will you stand and be sworn?

(Witness sworn)

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

DIRECT EXAMINATION

BY MR. LYNCH:

Q Mr. Griffin, will you state your name and your occupation and by whom you are employed, for the record?

A My name is David G. Griffin and I am employed by Amerada Petroleum Corporation as a petroleum engineer in our Tulsa office.

Q Have you testified previously before this Commission or one of its Examiners?

A Yes, sir.

Q Are you familiar with the area which is the subject of Amerada's two applications in this consolidated Hearing?

A Yes, I am.

MR. LYNCH: Are the witness' qualifications

acceptable?

MR. UTZ: Yes, sir.

Q (By Mr. Lynch) Mr. Griffin, would you turn first to what has been marked as Exhibit 1 and briefly tell us what that exhibit shows?

(Whereupon, Exhibit 1 marked for identification.)

A Exhibit Number 1 is a structural contour map on the top of a correlatable interval within the Permo-Pennsylvanian Section. It illustrates a gentle anacinal nature of the structure and as you can see, the anacline does plunge southward.

Also shown on the exhibit is an outline of the proposed State SN Unit, the three injection wells colored in red that are now -- or were approved in the State SB Lease Waterflood, and the fourth injection well colored in blue.

The discovery well is also indicated in red just to the north of the unit, and it is Gulf-Saunders Number 1 which was completed in January of 1950.

Q (By Mr. Lynch) All right, sir, can you tell us briefly the character of the reservoir rock and the nature of the traffic mechanism?

A This Permo-Penn is a medium limestone, crystalline limestone with regular porosity which averages about eight per cent. It has a gross section of about 200 feet and the

average depth of the Permo-Penn is 9865 and it has an average permeability of 40 millidarcies.

Q There are no field rules, are there, for this field?

A No, the field has been developed on State-wide 40-acre spacing.

Q What type of reservoir drive do you think exists?

A It is producing under the influence of solution gas, fluid expansion.

Q You pointed out on Exhibit 1 the discovery well; when was the pool discovered?

A In January, 1950.

Q How many wells are there presently producing from the Permo-Penn Pool?

A There are now 106 wells producing in the pool that produce either by gas lift or by pump, and average approximately 15 barrels of oil per day per well, and 19 barrels of water per day per well, currently.

(Whereupon, Exhibits 2 and 3 marked for identification.)

Q (By Mr. Lynch) Would you now turn, Mr. Griffin, to what has now been marked as Exhibits 2 and 3, a graph and a table? Would you briefly tell us what those exhibits show?

A Exhibit 2 is a performance graph of the Saunders-Permo-Penn Pool. It shows the monthly oil rate and the total fluid production by month in addition to the number of active

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PAGE 6

wells in the field, which now total 106.

We have produced approximately 90 per cent of the primary reserves from this reservoir, which leads us to conclude that the pool is in an advanced stage of depletion.

Q You would also call this a stripper stage?

A Or a stripper stage, yes.

(Whereupon, Exhibit 4 marked for identification.)

Q (By Mr. Lynch) Would you now turn to Exhibit 4?

A Pardon me. I skipped Exhibit 3; it is simply supporting data for the curve but it shows the oil-water accumulative oil production by years. The pool has produced to September 1st, 1966, approximately twenty-five million barrels of oil.

Q With respect to the first three exhibits, at least, these were the same exhibits that were introduced in connection with this lease waterflood, except they have been updated?

A That's correct.

Q What does Exhibit 4 show?

A Exhibit 4 is a plat which shows the outline of our proposed State SN Unit. The three injection wells that are colored in red are the wells that were authorized in the State SB Lease Waterflood, which was set up June 15, 1966 by Order R-3078 and the well, the injection well colored blue

is the Texaco AQ Number 2, which is the well which will complete our five-spot flood pattern in the unitized area.

The original lease waterflood excluded the Texaco AQ lease in the center of the unit and also Amerada's SC lease in the extreme northeast corner.

The working interest in this unit is composed of Amerada and Texaco only. The royalty owner is the State of New Mexico with a single beneficiary, the common schools.

Q All right, sir, and have you prepared a data sheet describing the proposed standard projection program?

A Yes, I have. This is Exhibit 5. This exhibit outlines the general data for the Permo-Penn Pool, pressure data, fluid and reservoir rock properties, and supply water data. Injection well data has been updated from the previous Hearing and now will include four injection wells. Our expected rate of injected volume is 2,000 barrels per day per well and our maximum expected injection pressure is 1500 psi at the wellhead.

(Whereupon, Exhibit 5 marked for identification.)

Q (By Mr. Lynch) All right, sir; and initially the injected water will be from the Ogallala for which permits have been granted from the State Engineer's office?

A That's correct.

Q Do you expect in the future to use the Ogallala

only for make-up water and to produce water as well?

A That is our plan, yes. We will supplement produced water from the Permo-Penn with fresh water from the Ogallala.

Q And this, as you testified in the June Hearing, will be a closed system?

A Yes, sir, it will be completely closed and we will install a pressure gauge on the annulus of the injection well in order to protect any leakage that might occur.

(Whereupon, Exhibit 6 marked for identification.)

Q (By Mr. Lynch) All right, sir. Would you turn now to what has been marked as Exhibit 6 and tell us what that is?

A Exhibit 6 is a portion of a gamma-ray neutron log on Texaco's State AQ Number 2 Well, which is our proposed injection well, and shows the perforated interval in the well.

Q A similar log has been previously submitted in connection with the lease waterflood for the three other injection wells, is that correct?

A That's correct, yes.

Q Would you examine Exhibit 7 and tell us what that shows?

(Whereupon, Exhibit 7 marked for identification.)

A Exhibit 7 is a schematic diagram of the Texaco

State AQ Number 2 Well, and shows the various setting depths of the casing strings in the well, cement tops, the approximate packer setting and tubing setting depths, the perforated interval and the TD of the well. This well is not now equipped with a packer and that is the reason for the approximation of the setting depths.

Q (By Mr. Lynch) Mr. Griffin, back in the June Hearing-- Let me digress a minute. In the June Hearing, similar schematics were prepared and submitted in evidence for the other three injection wells already approved, is that correct?

A Yes, sir.

Q And at that time, I believe when questioned, you stated that Amerada intended to use lined tubing?

A Yes, sir, that's correct.

Q Has Amerada made any study since that time to indicate that lined tubing is not necessary?

A Yes, we have. Since the previous Hearing we conducted some compatibility tests on the Ogallala and the produced water, and these indicate that the two waters are not compatible and will therefore necessitate treatment at the surface, commingling treatment, and since we will have to treat the water we propose to inhibit, for not only scale but also corrosion, and we feel that this would eliminate the need for internally lined tubing.

Q What other precautions does Amerada plan to take insofar as possible corrosion is concerned?

A We will monitor corrosion tendencies by both water analyses and corrosion coupons.

Q Mr. Griffin, will the proposed expanded injection program, in your opinion, substantially increase the ultimate recovery of oil and gas from the Saunders-Permo-Penn Pool?

A Yes, it will.

Q Will the proposed completion of not only the Texaco injection well, but the other three injection wells prevent the migrations of fluid in the zones other than the injection zone and will it protect the source of the fresh water and sources of oil and gas?

A Yes, they will.

Q Mr. Griffin, from the standpoint of efficiency of operations, is unitization of leaseholds here necessary for the purposes of this water product?

A Yes, sir, it definitely is.

Q Mr. Griffin, did you prepare Exhibits 1 through 7 or were they prepared under your supervision or direction?

A Yes, they were.

MR. LYNCH: We would like to offer in evidence Exhibits 1 through 7.

MR. UTZ: Without objections, Exhibits 1 through 7

will be entered into the record of this case.

(Whereupon, Exhibits 1 through 7 offered and admitted in evidence.)

MR. LYNCH: We would like to offer in evidence Exhibit 8 which is the unit agreement for the State SN Unit area. The unit agreement is the standard form prescribed by the Land Office. As already testified by Mr. Griffin, it covers three separate leases, two Amerada's and one Texaco lease. Amerada is made the unit operator and tract participation is divided into two phases, which can be explained by Mr. Griffin if you wish it explained. Otherwise, it is a standard agreement.

(Whereupon, Exhibit 8 marked for identification, offered into evidence.)

Q (By Mr. Lynch) Mr. Griffin, what recommendations do you have in this Hearing?

A We recommend approval of the unit agreement and also the expansion of the existing lease waterflood to include the additional area of the Texaco AQ lease, and the Amerada SC lease and the addition of a fourth injection well.

Q Have you calculated the effect that this approval would have on the total allowable from the unit area?

A Yes, I have, according to Rule 701 there are thirteen wells which qualify as either injection wells, direct, or by

diagonal off-sets and using a proportional depth factor of 3.77 and a 50 barrel basic allowable, this calculates 2451 barrels per day. Adding to that, the allowable of the Amerada SB Number 11, which is the furthestmost west well, which is the only well that does not qualify, the total unit allowable is estimated to be 2459 barrels per day.

MR. LYNCH: Mr. Examiner, we would like to call attention to a letter which should be in your file from the State Engineer's Office by Frank Irby to Mr. A. L. Porter, which states that the State Engineer has no objection to the granting of the application providing the well is completed in the manner shown in the diagramatic sketch which accompanied the application.

Q (By Mr. Lynch) Mr. Griffin, is the diagramatic sketch which accompanied the application the same diagramatic sketch which was offered here as Exhibit 7?

A Yes, it is.

MR. LYNCH: That's all we have.

MR. UTZ: Yes, we have a copy of the letter from Mr. Irby in the file.

Mr. Griffin, did I understand that the three injection wells which have already been approved have not been tubed yet?

A No, sir, they were old producing wells with tubing

and packers installed and we felt that it would, in all probability, be necessary to perform a workover to remove the packer and install lined tubing, but since that time, we have made our studies which indicate otherwise.

MR. UTZ: Well, what you intend to do with those three wells is to use the production string tubing that is already in the well?

A Yes, sir, that would be our hope.

MR. UTZ: What do you intend to do about the annulus?

A The annulus already contains a non-corrosive inert fluid and we feel that this will suffice.

MR. UTZ: And it is your intention to complete the four injection well in the same manner?

A Yes, sir, it is.

MR. UTZ: Does your application give me the exact location of the fourth injection well?

MR. LYNCH: Yes, sir, I believe it does.

MR. UTZ: It gives the 40-acre tract.

MR. LYNCH: Yes, it is not in terms of lettered units, though.

MR. UTZ: We can figure that one out. Are there any other questions of the witness? He may be excused.

(Witness excused.)



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MR. UTZ: The case will be taken under advisement.

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I N D E X

| WITNESS | PAGE |
|---------------------------------|------|
| D. G. GRIFFIN | |
| Direct Examination by Mr. Lynch | 3 |

E X H I B I T S

| EXHIBIT | MARKED FOR IDENTIFICATION | OFFERED | ADMITTED |
|---------|------------------------------|---------|----------|
| 1 | 4 | 11 | 11 |
| 2 & 3 | 5 | 11 | 11 |
| 4 | 6 | 11 | 11 |
| 5 | 7 | 11 | 11 |
| 6 | 8 | 11 | 11 |
| 7 | 8 | 11 | 11 |
| 8 | 11 | 11 | 11 |

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STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

I, W. DON MCINTYRE, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission Examiner at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 3rd day of December, 1966.

W. Don McIntyre
Notary Public - Court Reporter

My Commission Expires:

July 17, 1970

I do hereby certify that the foregoing is a complete record of the proceedings in the Bernalillo hearing of Case No. 7487-88 heard by at or Nov. 2, 1966.

Theresa J. [Signature] Secretary
New Mexico Oil Conservation Commission

Docket No. 27-66

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 2, 1966

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

- - - -

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

CASE 3479: Application of Gulf Oil Corporation for an exception to Rule 8 of Order No. R-1638 and to Rule 301, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 8 of Order No. R-1638 and to Rule 301 of the Commission rules and regulations to permit discontinuance of individual gas-oil ratio tests in its West Bisti-Lower Gallup Sand Unit, Bisti-Lower Gallup Pool, San Juan County, New Mexico. Applicant proposes to report gas production and ratios on a unit-wide basis rather than individual well GOR data.

CASE 3480: Application of Tidewater Oil Company for a capacity allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3097 which permitted its GO State "J" Well No. 1 located in Unit H of Section 7, Township 17 South, Range 33 East, Lea County, New Mexico, which directly offsets the Malmar Unit Waterflood Project, to be produced at capacity for a period not to exceed 90 days from date of said order. Applicant seeks additional time in which to produce said well at capacity and the establishment of an administrative procedure for further extensions.

CASE 3336 (Reopened)

In the matter of Case No. 3336 being reopened pursuant to the provisions of Order No. R-3005, which order established 80-acre spacing units for the East Hightower-Upper Pennsylvanian Pool, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 3481: Application of Sinclair Oil & Gas Company for a non-standard gas proration unit and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the NW/4 of Section 7, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be dedicated to its State 157 "B" Well No. 1 located at an unorthodox location for said pool 330 feet from the North line and 2310 feet from the West line of said Section 7.

- CASE 3482: Application of Sinclair Oil & Gas Company for a special gas well test, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to produce and flare up to three million cubic feet of gas per day, for a maximum of 30 days, from its Hackberry Hills Unit Well No. 4 located in Unit F of Section 22, Township 22 South, Range 26 East, Eddy County, New Mexico, as a reservoir limit test to determine the economic feasibility of a pipeline connection to said well.
- CASE 3483: Application of H. S. Moss for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water in the Wolfcamp formation in the interval from 9751 to 9850 feet in its D. P. Peck Well No. 1 located in Unit C of Section 26, Township 12 South, Range 37 East, Gladiola Field, Lea County, New Mexico.
- CASE 3484: Application of Phillips Petroleum Company for a pilot waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pilot waterflood project by the injection of water into the Grayburg-San Andres formation through its Santa Fe Well No. 14 located in Unit P of Section 20, Township 17 South, Range 35 East, Vacuum Field, Lea County, New Mexico.
- CASE 3485: Application of Phillips Petroleum Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg-San Andres formation through three injection wells located in Sections 8, and 9, Township 17 South, Range 33 East, Vacuum Field, Lea County, New Mexico.
- CASE 3486: Application of Shenandoah Oil Corporation for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg-San Andres formation through four injection wells located in Sections 7, 8 and 16, Township 17 South, Range 33 East, Vacuum Field, Lea County, New Mexico.
- CASE 3487: Application of Amerada Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of its State "SN" Unit Area comprising 692 acres, more or less, of State land in Sections 3 and 4, Township 15 South, Range 33 East, Lea County, New Mexico.

- CASE 3488: Application of Amerada Petroleum Corporation for a waterflood expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Saunders SB Waterflood Project by the injection of water into the Permo-Pennsylvanian zone through its Texaco-State "AQ" Well No. 2 located in Unit E of Section 3, Township 15 South, Range 33 East, Saunders Permo-Pennsylvanian Pool, Lea County, New Mexico.
- CASE 3489: Application of William A. and Edward R. Hudson for a waterflood expansion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand their Puckett A Waterflood Project by the injection of water into the Grayburg-San Andres formation through their Puckett A Well No. 30 to be drilled at an unorthodox location 1345 feet from the North line and 25 feet from the West line of Section 24, Township 17 South, Range 31 East, Maljamar Pool, Eddy County, New Mexico.
- CASE 3490: Application of Sunray DX Oil Company for pool redelineation, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks the redelineation of the Todd-San Andres Pool, Roosevelt County, New Mexico, into two separate pools: The Todd Upper-San Andres Gas Pool comprising that portion of the San Andres formation above the anhydrite bed found at 4200 feet in the Franklin, Aston and Fair Mark Federal Well No. 1 located in Unit M of Section 26, Township 7 South, Range 35 East, and the Todd Lower-San Andres Pool comprising that portion of the San Andres formation below said anhydrite bed. said Todd Lower-San Andres Pool to be governed by the existing rules for the present Todd-San Andres Pool. Also to be considered at said hearing will be such matters as the effective date of the aforesaid redelineation, the period of time in which to effect dual completion of the affected wells, the distribution of the affected wells' accumulated status in the present pool (overproduction and underproduction) to each of the new pools, and such other pertinent matters as may relate to the aforesaid pool redelineation. Also to be considered will be special pool rules for the proposed Todd Upper-San Andres Gas Pool, including 320-acre spacing for wells located therein.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

APPLICATION OF AMERADA PETROLEUM CORPORATION)
FOR APPROVAL OF THE UNIT AGREEMENT FOR THE)
STATE "SN" UNIT, SAUNDERS PERMO-PENNSYLVANIAN)
POOL, LEA COUNTY, NEW MEXICO.)

CASE NO. 3487

APPLICATION

Applicant Amerada Petroleum Corporation states that:

1. By Order No. R-3078, dated June 15, 1966, this Commission authorized Applicant to institute a pilot waterflood project in the Saunders Permo-Pennsylvanian Pool by the injection of water into the Permo-Pennsylvanian zone through three wells in Section 3-15S-33E, Lea County, New Mexico.

2. By a separate application filed simultaneously with this application, Applicant is requesting authority to expand the approved waterflood project.

3. To accommodate the proposed waterflood expansion the State "SN" Unit has been formed, consisting of the following land in Township 15 South, Range 33 East, NMPM, Lea County, New Mexico:

Section 3: N/2 and N/2 S/2;
Section 4: NE/4.

4. In order to conserve oil and gas and to prevent waste, this Commission should approve the Unit Agreement (attached as "Exhibit A" hereto) for the State "SN" Unit.

Applicant therefore requests that this matter be set for hearing before an examiner, that notice of hearing be given as required by law, and that upon such hearing an order be entered approving the Unit Agreement for the State "SN" Unit.

AMERADA PETROLEUM CORPORATION

By Thomas W. Lynch
Thomas W. Lynch, Attorney
P. O. Box 2040
Tulsa, Oklahoma 74102

Resident Counsel:

Jason W. Kellahin
Kellahin and Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

DOCKET MAILED

Date 6-21-66

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

APPLICATION OF AMERADA PETROLEUM CORPORATION)
FOR APPROVAL OF THE UNIT AGREEMENT FOR THE)
STATE "SW" UNIT, SAUNDERS PERMO-PENNSYLVANIAN)
POOL, LEA COUNTY, NEW MEXICO.)

CASE NO. 3477

APPLICATION

Applicant Amerada Petroleum Corporation states that:

1. By Order No. E-3078, dated June 15, 1966, this Commission authorized Applicant to institute a pilot waterflood project in the Saunders Permo-Pennsylvanian Pool by the injection of water into the Permo-Pennsylvanian zone through three wells in Section 3-138-33E, Lea County, New Mexico.

2. By a separate application filed simultaneously with this application, Applicant is requesting authority to expand the approved waterflood project.

3. To accommodate the proposed waterflood expansion the State "SW" Unit has been formed, consisting of the following land in Township 15 South, Range 33 East, N14E, Lea County, New Mexico:

Section 3: N/2 and N/2 S/2;

Section 4: NE/4.

4. In order to conserve oil and gas and to prevent waste, this Commission should approve the Unit Agreement (attached as "Exhibit A" hereto) for the State "SW" Unit.

Applicant therefore requests that this matter be set for hearing before an examiner, that notice of hearing be given as required by law, and that upon such hearing an order be entered approving the Unit Agreement for the State "SW" Unit.

AMERADA PETROLEUM CORPORATION

By _____

Thomas W. Lynch, Attorney
P. O. Box 2040
Tulsa, Oklahoma 74102

Resident Counsel:

Jason W. Kellahin
Kellahin and Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

APPLICATION OF AMERADA PETROLEUM CORPORATION)
FOR APPROVAL OF THE UNIT AGREEMENT FOR THE)
STATE "SN" UNIT, SAUNDERS PERMO-PENNSYLVANIAN)
POOL, LEA COUNTY, NEW MEXICO.)

CASE NO. 3487

APPLICATION

Applicant Amerada Petroleum Corporation states that:

1. By Order No. E-3078, dated June 15, 1966, this Commission authorized Applicant to institute a pilot waterflood project in the Saunders Permo-Pennsylvanian Pool by the injection of water into the Permo-Pennsylvanian zone through three wells in Section 3-158-33E, Lea County, New Mexico.

2. By a separate application filed simultaneously with this application, Applicant is requesting authority to expand the approved waterflood project.

3. To accommodate the proposed waterflood expansion the State "SN" Unit has been formed, consisting of the following land in Township 15 South, Range 33 East, NEPM, Lea County, New Mexico:

Section 3: N/2 and N/2 S/2;
Section 4: NE/4.

4. In order to conserve oil and gas and to prevent waste, this Commission should approve the Unit Agreement (attached as "Exhibit A" hereto) for the State "SN" Unit.

Applicant therefore requests that this matter be set for hearing before an examiner, that notice of hearing be given as required by law, and that upon such hearing an order be entered approving the Unit Agreement for the State "SN" Unit.

AMERADA PETROLEUM CORPORATION

By _____

Thomas W. Lynch, Attorney
P. O. Box 2040
Tulsa, Oklahoma 74102

Resident Counsel:

Jason W. Kellahin
Kellahin and Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

DRAFT
GMH/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. 3487

Order No. R- 3143

GMH
AK
APPLICATION OF AMERADA PETROLEUM CORPORATION
FOR APPROVAL OF THE STATE "SN"
UNIT AGREEMENT, LEA, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 ~~o'clock~~ a.m. on
November 2, 1966, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this _____ day of November, 1966, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, 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, Amerada Petroleum Corporation,
seeks approval of the State "SN" Unit Agreement
covering 691.96 acres, more or less, of State lands
692 ~~Federal~~ and ~~Fee~~
described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 15 SOUTH, RANGE 33 EAST, NMPM

Section 3: N/2 and N/2 S/2
Section 4: NE/4

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the State "SN" Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area 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 Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that 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.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; ~~and the Director of the United States Geological Survey~~; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) 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 hereinabove designated.