

CASE NO.

7055

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

OCD

Unit Name EAVES-LEA UNIT (EXPLORATORY)
Operator UNION OIL COMPANY OF CALIFORNIA
County LEA

DATE APPROVED	OCC CASE NO. 7055 OCC ORDER NO R-6530	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
Commissioner February 9, 1981	Commission December 11, 1980	2-19-80	2,209.17	1,569.17	640.00	-0-	Mod. Seg.	Syrs.

UNIT AREA

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 25: All

TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM
Section 19: S/2
Section 29: W/2
Section 30: ALL
Section 31: N/2

TERMINATED
APP: 8-19-82
EFF: 8-10-82

WILL NOT DRILL THEIR
2ND WELL. 1st WELL P&A

*Corrected copy
to reflect Effective
date*

Unit Name EAVES -LEA UNIT (EXPLORATORY)
 Operator UNION OIL COMPANY OF CALIFORNIA
 County LEA

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
3	L-6678 ✓	C.S.	19	21S	33E	Lots 3, 4, E/2SW/4, SE/4	10-6-80	312.20		Union Oil Co. of Calif
4	LG-0048 ✓	C.S.	30	21S	33E	Lots 1, 2, 3, 4, E/2, E/2W/2	10-6-80	624.56		Union Oil Co. of Calif
5	LG-0049 ✓	C.S.	31	21S	33E	Lot 1, NE/4NW/4	10-6-80	76.17		Union Oil Co. of Ca
6	LG-8302 ✓	C.S.	29	21S	33E	W/2	10-6-80	320.00		Union Oil Co. of Calif
7	LG-8303-1	C.S.	31	21S	33E	Lot 2, SE/4NW/4, NE/4	NOT COMMITTED		236.24	Pogo Producing Co. and The Superior Oil Co.

TERMINATED

APP: 8-19-82

EFF: 8-10-82

1st well P & A. Will
 Not Drill A 2nd well

State of New Mexico



ALEX J. ARMIJO
COMMISSIONER



Commissioner of Public Lands

February 9, 1981

7655
P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Union Oil Company of California
500 North Marienfeld
P. O. Box 671
Midland, Texas 79702

Re: Eaves Lea Unit
Lea County, New Mexico

ATTENTION: Mr. Robert V. Lockhart

Gentlemen:

The Commissioner of Public Lands has this date approved your Eaves Lea Unit, Lea County, New Mexico. Our approval is subject to like approval by the United States Geological Survey.

Please remit the filing fee in the amount of Fifty (\$50.00) Dollars at your earliest convenience.

Enclosed are Five (5) Certificates of Approval.

Please notify this office when the USGS gives their approval so that we may finish processing same.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY:
FLOYD O. PRANDO, Assistant Director
Oil and Gas Division
AC 505-827-2748

AJA/FOP/s
encls.
cc:

OCD-Santa Fe, New Mexico
USGS-Roswell, New Mexico
USGS-Albuquerque, New Mexico

Unit Name EAVES-LEA UNIT (EXPLORATORY)
 Operator UNION OIL COMPANY OF CALIFORNIA
 County LEA

DATE	OCC CASE NO. 7055	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO R-6530							
Commissioner February 9, 1981	Commission December 11, 1980		2,209.17	1,569.17	640.00	-0-	Mod. Seg.	5yrs.

UNIT AREA

TOWNSHIP 21 SOUTH, RANGE 32 EAST, N/2
 Section 25: All

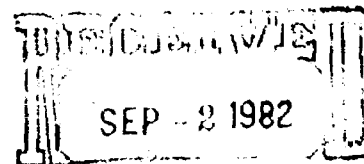
TOWNSHIP 21 SOUTH, RANGE 33 EAST, N/2
 Section 19: S/2
 Section 29: W/2
 Section 30: All
 Section 31: N/2

Unit Name EAVES -LEA UNIT (EXPLORATORY)
 Operator UNION OIL COMPANY OF CALIFORNIA
 County LEA

STATE TRACT NO.	LEASE NO.	INST-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
3	L-6678	C.S.	19	21S	33E	Lots 3, 4, E/2SW/4, SE/4	10-6-80	312.20		Union Oil Co. of Calif.
4	LC-0048	C.S.	30	21S	33E	Lots 1, 2, 3, 4, E/2, E/2W/2	10-6-80	624.56		Union Oil Co. of Calif.
5	LC-0049	C.S.	31	21S	33E	Lot 1, NE/4NW/4	10-6-80	76.17		Union Oil Co. of Calif.
6	LC-8302	C.S.	29	21S	33E	W/2	10-6-80	320.00		Union Oil Co. of Calif.
7	LC-8303-1	C.S.	31	21S	33E	Lot 2, SE/4NW/4, NE/4	NOT COMMITTED		236.24	Pogo Producing Co. and The Superior Oil Co.

Union Oil and Gas Division: Central Region

Union Oil Company of California
500 North Marienfeld, Midland, Texas 79701
P O. Box 671, Midland, Texas 79702
Telephone (915) 682-9731



Robert V. Lockhart
District Land Manager
Midland District

August 31, 1982

OIL
SANTA FE

Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Attn: Mr. Joe Ramey, Director

Gentlemen:

Eaves-Lea Unit
Case No. 7055
Order No. R-6530

Please be advised that the above referenced unit has terminated.
Please find attached copies of letters from the Commissioner and
Minerals Management Service referring to said termination.

Sincerely,

UNION OIL COMPANY OF CALIFORNIA

A handwritten signature in cursive script, appearing to read "Linda H. Hicks".

Linda H. Hicks
Landman

LHH:dh

Attachment

State of New Mexico

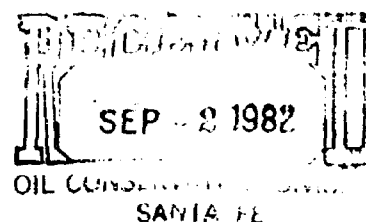


ALEX J. ARMIJO
COMMISSIONER



Commissioner of Public Lands

August 19, 1982



P. O. BOX 1148
SANTA FE, NEW MEXICO 87504
87504-1148

Union Oil Company of California
P. O. Box 671
Midland, Texas 79702

Re: Eaves-Lea Unit
Lea County, New Mexico
Termination

*Eaves-Lea Unit
Eaves Lea (7740,
Lea Co, NM*

ATTENTION: Ms. Linda H. Hicks

Gentlemen:

The Eaves-Lea Unit Agreement, Lea County, New Mexico, was approved effective as of February 19, 1981. The term of such agreement is contingent upon the unit operator drilling one well at a time, allowing not more than six months time between the completion of one well and the beginning of the next, until a well capable of producing unitized substances in paying quantities is completed.

Our records show that the Eaves-Lea Unit Well No. 1 was plugged and abandoned on May 15, 1982. Your letter dated August 6, 1982 notifying this office that Union Oil Company has no plans to spud another well has been received. Inasmuch as you will not be drilling a second well within the required six month period pursuant to section 9 of the unit agreement, the Eaves-Lea Unit Agreement has this date been terminated subject to like approval by the United States Minerals Management Service.

Please advise all other interested parties of this action.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*
RAY D. GRAHAM, Director
Oil and Gas Division
AC 505/827-2748

AJA/RDG/pm
encls.
cc:

OCD-Santa Fe, New Mexico
USMMS-Albuquerque, New Mexico
Administration

XC: *John Hansen 8-30-82*



IN REPLY
REFER TO:

United States Department of the Interior

MINERALS MANAGEMENT SERVICE
SOUTH CENTRAL REGION
505 MARQUETTE AVENUE, N.W., SUITE 815
ALBUQUERQUE, NEW MEXICO 87102

RECEIVED

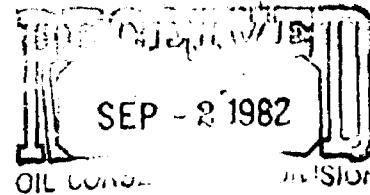
AUG 30 1982

MIDLAND DISTRICT LAND

Eaves (7740)

AUG 27 1982

Union Oil Company of California
Attention: Linda H. Hicks
500 North Manenfield
Midland, Texas 79701



Gentlemen:

The Eaves-Lea Unit Agreement, No. 1408-0001-18445, Lea County, New Mexico, was approved February 19, 1981 effective as of the date of approval. The term of such agreement is contingent upon the unit operator drilling one well at a time, allowing not more than six months between the completion of one well and the beginning of the next, until a well capable of producing unitized substances in paying quantities is completed.

Our records show that the initial test well was completed as a dry hole on February 10, 1982 making the second unit test well due to be commenced by August 10, 1982. Inasmuch as the second unit test well was not commenced, the Eaves-Lea Unit Agreement is considered to have automatically terminated as of August 10, 1982, pursuant to Section 9 of the unit agreement. The appropriate Federal offices will be notified of this termination.

Sincerely yours,

Joe G. Lara
for Gene F. Daniel

Deputy Minerals Manager
Oil and Gas

8/30/82
copy: *John Hansen*

State of New Mexico



Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

August 19, 1982

P. O. BOX 1148
SANTA FE, NEW MEXICO 87504
87504-1148

Union Oil Company of California
P. O. Box 671
Midland, Texas 79702

Re: Eaves-Lea Unit
Lea County, New Mexico
Termination

7055

ATTENTION: Ms. Linda H. Hicks

Gentlemen:

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Please advise all other interested parties of this action.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY:
RAY D. GRAHAM, Director
Oil and Gas Division
AC 505/827-2748

AJA/RDG/pm
encls.

cc: OCD-Santa Fe, New Mexico
USMMS-Albuquerque, New Mexico
Administration

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date

NOVEMBER 25, 1980

Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
William L. Fall	Frankford and Black, T.A.	Santa Fe
Robert L. Thornton	Robert L. Thornton Co.	Ft Worth TX
George H. Hunker, Jr.	Hunker, Fredic P.A.	Roswell, NM.
R. L. Keednick	El Paso Natural Gas	El Paso, TX
Joe D. Jones	Jennings & Copley	Roswell NM
John H. Hoff	Union Oil Co. of Calif.	Midland TX
Gregory W. Jeffers	Mesa Petroleum Co.	Midland TX
John Jay Keesey	Sipes, Williams & Assoc, Inc.	MIDLAND, TX
ROY C. WILLIAMS, JR.	SIPES, WILLIAMS & ASSOC, INC.	MIDLAND, TX,
Robert V. Lockhart	Union Oil Company of California	Midland, TX.
DON LAVON	LAVON ENTERPRISES, INC.	LOCKPORT, TX
LEE " "	" "	" "
AUDRA B. CARY	MADDOX ENERGY	MIDLAND, TX
Darrell Avery	Northern Natural Gas	Midland TX
H. C. L. L. L.	Northern Natural Gas	Midland TX
Don Balmer	El Paso Natural Gas	El Paso, TX

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
25 November 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Union Oil Company of
California for a unit agreement, Lea
County, New Mexico.

CASE
7055

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

James T. Jennings
JENNINGS & CHRISTY
P. O. Box 1180
Roswell, New Mexico 88201

*Hearing in
Register in
this transcript*

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I N D E X

ROBERT LOCKHART

Direct Examination by Mr. Jennings	3
Cross Examination by Mr. Nutter	7
Cross Examination by Mr. Padilla	8

JOHN MOFFATT

Direct Examination by Mr. Jennings	9
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E X H I B I T S

Applicant Exhibit One, Unit Agreement	4
Applicant Exhibit Two, Letter	6
Applicant Exhibit Three, Letter	6
Applicant Exhibit Four, Letter	7
Applicant Exhibit Five, Structure Map	10
Applicant Exhibit Six, Cross Section	14

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MR. NUTTER: The hearing will come to
order.

We'll call first this morning Case Number
7055.

MR. PADILLA: Application of Union Oil
Company of California for a unit agreement, Lea County, New
Mexico.

MR. JENNINGS: I'm Jim Jennings, Jennings
and Christy, Roswell, appearing on behalf of Union Oil Company
of California, and I think you'll find a set of exhibits, one
for each of you.

I have two witnesses, Mr. Lockhart and
Mr. Moffatt.

(Witnesses sworn.)

ROBERT LOCKHART
being called as a witness and having been duly sworn upon his
oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. JENNINGS:

Q State your name, place of residence, and
occupation, please.

A I'm Robert Lockhart from Midland, Texas.

1
2 I'm employed by Union Oil Company of California as the District
3 Land Manager for the Midland, Texas, district.

4 Q Mr. Lockhart, how long have you been so
5 employed?

6 A 19 years.

7
8 Q Are you familiar with the application
9 that was filed herein? Case Number 7055?

10 A Yes, sir, I am. We are attempting to
11 seek approval for our Federal and State Eaves-Lea Unit Area,
12 comprising 2209.17 acres, located in Lea County, New Mexico,
13 in Township 21 South, Ranges 32 and 33 East.

14 The unit is being put together to drill
15 a 14,850 foot Morrow test, located 1320 feet from the north
16 line, and 1980 feet from the west line of Section 30 in Town-
17 ship 21 South, Range 33 East.

18
19 Q Mr. Lockhart, what is your -- well, I
20 hand you what -- let me withdraw that question.

21 I hand you what has been marked as
22 Union Exhibit One. Would you identify that please, sir?

23 A Yes, sir, this is our unit agreement
24 form, standard form.

25
26 Q Is it a standard state and Federal
27 form?

28 A Yes.

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Q Is there an exhibit attached thereto as Exhibit A, reflecting the acreage invested in the unit?

A Yes, sir, there is.

Q What -- what acreage is actually placed in this proposed unit?

A We have 2209.17 acres of land in our total unit area. Of this total 1569.17 acres are State of New Mexico lands and 640 acres are Federal lands. The Federal lands are essentially located in Section 25 of Township 21 South, Range 32 East.

The Federal lands compose 28.97016 percent of the unit area; State lands embrace 1569.17 acres, which represents 71.02984 percent of the unit area.

Q Mr. Lockhart, would you refer also to Exhibit B attached to the unit and discuss that?

A Yes, sir, this is our land exhibit attached to the unit area describing the various lands committed to the unit area.

Q What percentage of the lands are actually owned or controlled by the Union Oil Company of California?

A Union Oil Company controls 89.30640 percent of the unit area. The remaining 10.69360 percent of the unit area is owned by Pogo Producing Company and the Superior Oil Company.

Q Mr. Lockhart, have you requested the

1
2 approval of the United States Department of Interior, Geological
3 Survey of the unit and also of the Commissioner of Public
4 Lands?

5 A. Yes, sir, we have, and we have received
6 letters back from the Survey giving us their initial approval,
7 a letter dated September 16th, 1980, and I tink the --

8 Q. I'll -- I'll hand you Exhibit Number
9 Two and ask you to identify that.

10 A. Yes, this is the supervisor's letter
11 from the Survey giving us our initial approval.

12 Q. And I'll hand you what has been marked
13 Exhibit Three and ask you to identify that and tell us what
14 it is.

15 A. Yes, sir. This is the Commissioner of
16 Public Lands initial approval for our unit area application.

17 Q. You referred to some other acreage owners
18 and I believe they have 240 acres out of the unit?

19 A. Yes, sir.

20 Q. That is -- that is the north half north-
21 east and the south half north half of Section 31.

22 A. Yes, sir.

23 Q. And --

24 A. Tract 7.

25 Q. Tract 7, is it, by whom is that owned?

1
2 A. It's owned 50 percent by Pogo Producing
3 Company and 50 percent by The Superior Oil Company.

4 Q. Have you requested these companies to
5 join in the unit?
6

7 A. Yes, sir, we have, and they have declined.

8 Q. I hand you what has been marked as Ex-
9 hibit Four, two letters. Would you identify those?

10 A. Yes, sir, the October 2nd letter is from
11 the Superior Oil Company declining support for our unit area.
12 They do not wish to participate.

13 The October 9th, 1980, letter is from
14 Pogo Producing Company, stating that they wish to decline part-
15 icipation in our unit area.
16

17 Q. Mr. Lockhart, do you feel that the unit
18 agreement will promote the prevention of waste and protection
19 of correlative rights within the unit area?

20 A. Yes, I do.

21 Q. Do you have anything further that you --
22 MR. JENNINGS: I have nothing further
23 of this witness.
24

25
26 CROSS EXAMINATION

27 BY MR. NUTTER:

28 Q. Now -- so actually what you will have

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committed to the unit as far as working interest is the 89 percent that Union owns.

A. That is correct.

Q. And all royalty interest with the exception of the interest under The Superior tract?

A. Yes, sir.

Q. Okay.

MR. NUTTER: Are there any further questions of the witness?

MR. PADILLA: I have one.

CROSS EXAMINATION

BY MR. PADILLA:

Q. Mr. Lockhart, I notice Mr. Graham of the Land Office indicated that he wanted the unit name changed.

A. Yes, sir. It initially was named the Eaves Unit and we changed it to Eaves-Lea Unit.

Q. Did that satisfy Mr. Graham?

A. Yes, sir.

MR. PADILLA: I have nothing further.

MR. JENNINGS: Mr. Lockhart, were Exhibits Two, Three, and Four, are they -- are Exhibits Two, Three, and Four copies of correspondence which you received in the regular course of business?

1
2 A Yes.

3 MR. JENNINGS: That's all.

4 MR. NUTTER: If there is nothing further
5 for this witness, he may be excused.

6 MR. JENNINGS: Mr. Moffatt.

7
8
9 JOHN MOFFATT

10 being called as a witness and being duly sworn upon his oath,
11 testified as follows, to-wit:

12
13 DIRECT EXAMINATION

14 BY MR. JENNINGS:

15 Q Would you state your name and occupation,
16 please, sir?

17 A Yes. I'm John Moffatt. I'm employed
18 as Exploration Manager for Union Oil Company of California
19 in the Midland, Texas, District Office.

20 Q Mr. Moffatt, have you appeared before
21 this Commission on previous occasions and had your qualifica-
22 tions accepted?

23 A Yes, I have.

24 MR. JENNINGS: Is that satisfactory, Mr.
25 Examiner?

26 MR. NUTTER: Yes, he is.
27
28

Q Mr. Moffatt, you are actually a geologist, aren't you?

A. Yes.

Q I hand you what -- please refer to what has been marked as Exhibit Number Five and tell us what that is and explain that exhibit, please.

A. Exhibit Number Five is a structure contour map contoured on top of the Lower Morrow zone, and it was constructed by C. E. Singletary, geologist under my supervision, using the seismic data that we have there in the area and the well control in the vicinity of the proposed unit in Township 21 South, Range 32 and 33 East.

This structure map shows a structural nose plunging to the southeast as a continuation of the South Salt Lake-Hat Mesa-Morrow Fields. We have acquired acreage on this structural nose and propose to drill in the northwest quarter of Section 30.

The trap is envisioned as a porosity pinchout on the nose. We have a series of Morrow sands. They are present down dip in the Brunson and McKnight No. 1 Leggett Well in Section 33 of 21 South, 33 East. That is on a cross section. It extends up through the Phillips No. 1 Eaves dry hole in Section 18 of the same township and into the Brunson and McKnight No. 1 Hat Mesa producing well in the

1 field. It produces from the Upper and Middle Morrow Sands.

2
3 The line shown on the northwest part of
4 the unit there is an Upper Morrow Sand porosity pinchout. It
5 is not fully defined by the well control but it is a postu-
6 lated trap based on the correlation of the sands, as will be
7 shown on the next exhibit, the cross section.

8
9 The water, gas/water contact is also
10 shown there in the unit, is also not well defined by the well
11 control. They have only the two wells to define the trap and
12 the Brunson and McKnight No. 1 Leggett Well produced gas with
13 considerable water from a test of one zone and produced water
14 from a series of other sands.

15
16 So we are postulating, then, the trap
17 is an up dip porosity pinchout and it will have a gas/water
18 contact to the southeast.

19 Q. Mr. Moffatt, in your opinion if this
20 well is successful, do you think it's quite possible that the
21 entire unit area could be productive?

22 A. Yes, I do.

23 MR. NUTTER: Mr. Moffatt, I think Mr.
24 Lockhart mentioned the location of the well. Would you repeat
25 that location, please?

26 A. Yes. That location is in the -- is 1320
27 from the north line and 1980 from the west line of Section 30,
28

21 South, 33 East, and will be a 14,850-foot Morrow test.

MR. NUTTER: 1320 north and 1980 --

A. From the west.

MR. NUTTER: That location would not be permitted by the Division, Mr. Moffatt, because that would fall right on the quarter quarter section line, and it would have to be moved some distance from that.

Now to be a standard location it would have to be 330 -- a minimum of 330 feet from a quarter quarter section line.

A. Would a location of 1980 from the north and 1980 from the west be a satisfactory location?

MR. NUTTER: That would be a satisfactory location, yes, sir, and that would enable you to dedicate -- that would be standard for a dedication of either the west half or the north half.

A. All right.

MR. NUTTER: To the well, the 1980/1980 location.

A. All right, we will change the location to 1980.

MR. NUTTER: That looks like that would fall right on that -- probably a seismic shot point --

A. It is.

1

2

MR. NUTTER: -- 100.

3

4

A Yes, it would be very near a seismic shot point 100, as shown on the map.

5

6

MR. JENNINGS: Mr. Commissioner, would we be allowed to amend our application to the new location?

7

8

MR. NUTTER: The location was not specified in the notice so you could -- yeah, your location is free as far as any restriction at this time is concerned.

10

11

12

MR. JENNINGS: Do you have further questions at this time?

13

14

MR. NUTTER: No, I was just interrupting on that location.

15

16

17

Q And as I understand it will be 1980 from the north and 1980 from the west line of Section 30.

18

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A Yes.

Q Mr. Moffatt, do you feel that the unit agreement will prevent waste and protect the correlative rights of all parties concerned within the unit area?

22

23

24

A Yes, I do.

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MR. JENNINGS: I have no further questions at this time.

MR. NUTTER: Were you going to go into the cross section?

28

MR. JENNINGS: Oh, yeah, the cross sec-

1
2 tion. I was getting ahead of myself.

3 Q Mr. Moffatt, refer to what has been
4 marked as Exhibit Six, the cross section, and please identify
5 that, and tell us what it shows?
6

7 A This is a northwest/southeast cross
8 section in the vicinity of the unit. It utilizes the only
9 well control that we have.

10 The well on the northwest is the Brunson
11 and McKnight, and that's on the lefthand side of the cross
12 section, and it is productive from the Upper and Middle Morrow
13 Sands. The perforated intervals are shown in red and they
14 were not individually tested but the entire interval was per-
15 forated from 13,838 to 14,127 in selected intervals and was
16 completed for a calculated open flow of 3401 Mcf.

17
18 The next well in the center of the cross
19 section is the Phillips No. 1 Eaves Unit in Section 18, 21
20 South, 33 East. It has some Upper Morrow Sands that are in
21 the same general interval as the Brunson and McKnight but the
22 lower portion of those sands in that Upper Morrow are currently
23 do not correlate with the producing interval in the Brunson
24 and McKnight.
25

26 A DST of the interval from 13,957 to
27 14,233 had water blanket to surface and flowed water at the
28 rate of 20 barrels per hour on the DST. They had no gas show

on that.

We -- this well is structurally lower on these sands than our location in Section 30, and we do not feel that these sands are continuous with the producing sands in the Hat Mesa Field. So that is one of the objective zones.

The other zones are the Middle Morrow Sands that are present in the Phillips Well but were not tested.

The last well on the cross section is the Brunson and McKnight in Section 30 of 21 South, 33 East, and it is also structurally low to our unit. The sands were tested in the Middle Morrow and were perforated from 14,542 to 741, and swabbed water from those zones with an estimated 10 Mcf, so they did have some gas shows.

Another zone was perforated in the Upper Morrow from 14,330 to 354; had water and gas too small to measure; and in the Upper Morrow Sand, the uppermost Morrow Sand was perforated and actually had a calculated open flow of 5600 Mcf but rapidly went to water and the well was abandoned.

And I have no production actually reported from the well, so it was immediately watered out after completion. And these sands will be present on the structural nose to the north and should be structurally higher, and we

1
2 anticipate, then, that we'll have a stratigraphic trap that
3 will be productive from the Morrow.

4 MR. NUTTER: And you would be above the
5 water/oil -- the gas/water contact?

6 A. We'd be above the gas/water contact, yes,
7 sir.

8 Q. Mr. Moffatt, were Exhibits Five and Six
9 prepared by you or under your direction and supervision?

10 A. Under my supervision, yes.

11 MR. JENNINGS: We have nothing further
12 at this time.

13 MR. NUTTER: Are there any questions of
14 the witness? He may be excused.

15 DO you wish to offer your exhibits, Mr.
16 Jennings?

17 MR. JENNINGS: We offer the exhibits,
18 yes.

19 MR. NUTTER: Union Exhibits One through
20 Seven will be admitted in evidence.

21 Do you have anything further?

22 MR. JENNINGS: No, we have nothing
23 further.

24 MR. NUTTER: Does anyone have anything
25 they wish to offer in Case Number 7055? We'll take the case
26 under advisement.
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd C.S.R.

I do hereby certify that the foregoing is
a true and correct copy of the transcript
of the hearing held on 11/25/80.
7055.
80.
[Signature], Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7055
Order No. R-6530

APPLICATION OF UNION OIL COMPANY
OF CALIFORNIA FOR APPROVAL OF THE
EAVES-LEA UNIT AGREEMENT, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 25, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 11th day of December, 1980, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Union Oil Company of California, seeks approval of the Eaves-Lea Unit Agreement covering 2209.17 acres, more or less, of State and Federal lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPH
Section 25: All

TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPH
Section 19: S/2
Section 29: W/2
Section 30: All
Section 31: N/2

(3) That all plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

(4) 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 Eaves-Lea 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 Division 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 Division 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 Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

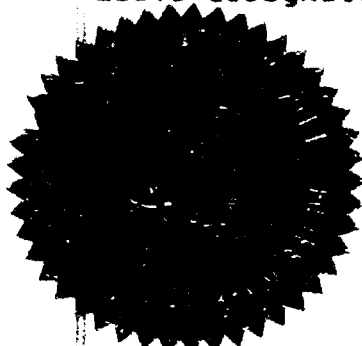
(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that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

-3-

Case No. 7055
Order No. R-6530

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

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RANEY
Director

rd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
25 November 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Union Oil Company of
California for a unit agreement, Lea
County, New Mexico.

CASE
7055

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

James T. Jennings
JENNINGS & CHRISTY
P. O. Box 1180
Roswell, New Mexico 88201

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ROBERT LOCKHART

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JOHN MOFFATT

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Applicant Exhibit Four, Letter	7
Applicant Exhibit Five, Structure Map	10
Applicant Exhibit Six, Cross Section	14

1
2 MR. MUTTER: The hearing will come to
3 order.

4 We'll call first this morning Case Number
5 7055.

6 MR. PADILLA: Application of Union Oil
7 Company of California for a unit agreement, Lea County, New
8 Mexico.
9

10 MR. JENNINGS: I'm Jim Jennings, Jennings
11 and Christy, Roswell, appearing on behalf of Union Oil Company
12 of California, and I think you'll find a set of exhibits, one
13 for each of you.

14 I have two witnesses, Mr. Lockhart and
15 Mr. Moffatt.
16

17
18 (Witnesses sworn.)
19

20 ROBERT LOCKHART
21 being called as a witness and having been duly sworn upon his
22 oath, testified as follows, to-wit:
23

24 DIRECT EXAMINATION

25 BY MR. JENNINGS:

26 Q State your name, place of residence, and
27 occupation, please.
28

A I'm Robert Lockhart from Midland, Texas.

1
2 I'm employed by Union Oil Company of California as the District
3 Land Manager for the Midland, Texas, district.

4 Q Mr. Lockhart, how long have you been so
5 employed?
6

7 A 19 years.

8 Q Are you familiar with the application
9 that was filed herein? Case Number 79552

10 A Yes, sir, I am. We are attempting to
11 seek approval for our Federal and State Navas-Lea Unit Area,
12 comprising 2209.17 acres, located in Lea County, New Mexico,
13 in Township 21 South, Ranges 32 and 33 East.

14 The unit is being put together to drill
15 a 14,850 foot Morrow test, located 1320 feet from the north
16 line, and 1980 feet from the west line of Section 30 in Town-
17 ship 21 South, Range 33 East.

18 Q Mr. Lockhart, what is your -- well, I
19 hand you what -- let me withdraw that question.

20 I hand you what has been marked as
21 Union Exhibit One. Would you identify that please, sir?
22

23 A Yes, sir, this is our unit agreement
24 form, standard form.

25 Q Is it a standard state and Federal
26 form?
27

28 A Yes.

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Q Is there an exhibit attached thereto as Exhibit A, reflecting the acreage invested in the unit?

A Yes, sir, there is.

Q What -- what acreage is actually placed in this proposed unit?

A We have 2209.17 acres of land in our total unit area. Of this total 1569.17 acres are State of New Mexico lands and 640 acres are Federal lands. The Federal lands are essentially located in Section 25 of Township 21 South, Range 32 East.

The Federal lands compose 28.97016 percent of the unit area; State lands embrace 1569.17 acres, which represents 71.02984 percent of the unit area.

Q Mr. Lockhart, would you refer also to Exhibit B attached to the unit and discuss that?

A Yes, sir, this is our land exhibit attached to the unit area describing the various lands committed to the unit area.

Q What percentage of the lands are actually owned or controlled by the Union Oil Company of California?

A Union Oil Company controls 89.30640 percent of the unit area. The remaining 10.69360 percent of the unit area is owned by Pogo Producing Company and the Superior Oil Company.

Q Mr. Lockhart, have you requested the

1
2 approval of the United States Department of Interior, Geological
3 Survey of the unit and also of the Commissioner of Public
4 Lands?
5

6 A Yes, sir, we have, and we have received
7 letters back from the Survey giving us their initial approval,
8 a letter dated September 16th, 1930, and I tink the --

9 Q I'll -- I'll hand you Exhibit Number
10 Two and ask you to identify that.

11 A Yes, this is the supervisor's letter
12 from the Survey giving us our initial approval.

13 Q And I'll hand you what has been marked
14 Exhibit Three and ask you to identify that and tell us what
15 it is.
16

17 A Yes, sir. This is the Commissioner of
18 Public Lands initial approval for our unit area application.

19 Q You referred to some other acreage owners
20 and I believe they have 240 acres out of the unit?
21

22 A Yes, sir.

23 Q That is -- that is the north half north-
24 east and the south half north half of Section 31.

25 A Yes, sir.

26 Q And --

27 A Tract 7.

28 Q Tract 7, is it, by whom is that owned?

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A. It's owned 50 percent by Pogo Producing Company and 50 percent by The Superior Oil Company.

Q. Have you requested these companies to join in the unit?

A. Yes, sir, we have, and they have declined.

Q. I hand you what has been marked as Exhibit Four, two letters. Would you identify those?

A. Yes, sir, the October 2nd letter is from the Superior Oil Company declining support for our unit area. They do not wish to participate.

The October 9th, 1980, letter is from Pogo Producing Company, stating that they wish to decline participation in our unit area.

Q. Mr. Lockhart, do you feel that the unit agreement will promote the prevention of waste and protection of correlative rights within the unit area?

A. Yes, I do.

Q. Do you have anything further that you --
MR. JENNINGS: I have nothing further of this witness.

CROSS EXAMINATION

BY MR. NUTTER:

Q. Now -- so actually what you will have

1
2 admitted to the unit as far as working interest in the 22
3 interest that Pylon owned.

4 Q Did he ever work with the unit?
5 A Yes, sir.
6 Q Did all of the interest with the ac-
7 ception of the interest under the Superior tract?

8 A Yes, sir.

9 Q Okay.

10 MR. MURPHY: Are there any further
11 questions of the witness?

12 MR. PADILLA: I have one.

13
14 CROSS EXAMINATION

15 BY MR. PADILLA:

16 Q Mr. Lockhart, I notice Mr. Graham of
17 the Land Office indicated that he wanted the unit name changed.

18 A Yes, sir. It initially was named the
19 Faves Unit and we changed it to Faves-Lea Unit.

20 Q Did that satisfy Mr. Graham?

21 A Yes, sir.

22 MR. PADILLA: I have nothing further.

23 MR. JENNINGS: Mr. Lockhart, were Ex-
24 hibits Two, Three, and Four, are they -- are Exhibits Two,
25 Three, and Four copies of correspondence which you received
26 in the regular course of business?
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A. Yes.

MR. JENNINGS: That's all.

MR. NUTTER: If there is nothing further
for this witness, he may be excused.

MR. JENNINGS: Mr. Moffatt.

JOHN MOFFATT

being called as a witness and being duly sworn upon his oath,
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. JENNINGS:

Q Would you state your name and occupation,
please, sir?

A. Yes. I'm John Moffatt. I'm employed
as Exploration Manager for Union Oil Company of California
in the Midland, Texas, District Office.

Q Mr. Moffatt, have you appeared before
this Commission on previous occasions and had your qualifica-
tions accepted?

A. Yes, I have.

MR. JENNINGS: Is that satisfactory, Mr.
Examiner?

MR. NUTTER: Yes, he is.

Q Mr. Moffatt, you are actually a geologist, aren't you?

A Yes.

Q I hand you what - please refer to what has been marked as Exhibit Number Five and tell us what that is and explain that exhibit, please.

A Exhibit Number Five is a structure contour map contoured on top of the lower Morrow zone, and it was constructed by C. E. Singletary, geologist under my supervision, using the seismic data that we have there in the area and the well control in the vicinity of the proposed unit in Township 21 South, Range 32 and 33 East.

This structure map shows a structural nose plunging to the southeast as a continuation of the South Salt Lake-Hat Mesa-Morrow Fields. We have acquired acreage on this structural nose and propose to drill in the northwest quarter of Section 30.

The trap is envisioned as a porosity pinchout on the nose. We have a series of Morrow sands. They are present down dip in the Brunson and McKnight No. 1 Leggett Well in Section 33 of 21 South, 33 East. That is on a cross section. It extends up through the Phillips No. 1 Eaves dry hole in Section 18 of the same township and into the Brunson and McKnight No. 1 Hat Mesa producing well in the

1
2 field. It produces from the Upper and Middle Morrow Sands.

3 The line shown on the northwest part of
4 the unit there is an Upper Morrow Sand porosity pinchout. It
5 is not fully defined by the well control but it is a postu-
6 lated trap based on the correlation of the sands, as will be
7 shown on the next exhibit, the cross section.

8
9 The water, gas/water contact is also
10 shown there in the unit, is also not well defined by the well
11 control. They have only the two wells to define the trap and
12 the Brunson and McKnight No. 1 Leggett Well produced gas with
13 considerable water from a test of one zone and produced water
14 from a series of other sands.

15
16 So we are postulating, then, the trap
17 is an up dip porosity pinchout and it will have a gas/water
18 contact to the southeast.

19 Q Mr. Moffatt, in your opinion if this
20 well is successful, do you think it's quite possible that the
21 entire unit area could be productive?

22 A Yes, I do.

23
24 MR. NUTTER: Mr. Moffatt, I think Mr.
25 Lockhart mentioned the location of the well. Would you repeat
26 that location, please?

27 A Yes. That location is in the -- is 1320
28 from the north line and 1980 from the west line of Section 30,

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21 South, 33 East, and will be a 14,850-foot Morrow test.

MR. NUTTER: 1320 north and 1930 --

From the west.

MR. NUTTER: That location would not be permitted by the Division, Mr. Moffatt, because that would fall right on the quarter quarter section line, and it would have to be moved some distance from that.

Now to be a standard location it would have to be 330 -- a minimum of 330 feet from a quarter quarter section line.

A. Would a location of 1980 from the north and 1930 from the west be a satisfactory location?

MR. NUTTER: That would be a satisfactory location, yes, sir, and that would enable you to dedicate -- that would be standard for a dedication of either the west half or the north half.

A. All right.

MR. NUTTER: To the well, the 1980/1980 location.

A. All right, we will change the location to 1980.

MR. NUTTER: That looks like that would fall right on that -- probably a seismic shot point --

A. It is.

1

2

MR. NUTTER: -- 100.

3

4

A. Yes, it would be very near a seismic shot point 100, as shown on the map.

5

6

MR. JENNINGS: Mr. Commissioner, would we be allowed to amend our application to the new location?

7

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9

10

MR. NUTTER: The location was not specified in the notice so you could -- yeah, your location is free as far as any restriction at this time is concerned.

11

12

MR. JENNINGS: Do you have further questions at this time?

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MR. NUTTER: No, I was just interrupting on that location.

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Q And as I understand it will be 1980 from the north and 1980 from the west line of Section 30.

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A. Yes.

Q Mr. Moffatt, do you feel that the unit agreement will prevent waste and protect the correlative rights of all parties concerned within the unit area?

A. Yes, I do.

MR. JENNINGS: I have no further questions at this time.

MR. NUTTER: Were you going to go into the cross section?

MR. JENNINGS: Oh, yeah, the cross sec-

1
2 tion. I was getting ahead of myself.

3 Q Mr. Moffatt, refer to what has been
4 marked as Exhibit Six, the cross section, and please identify
5 that, and tell us what it shows?
6

7 A This is a northwest/southeast cross
8 section in the vicinity of the unit. It utilizes the only
9 well control that we have.

10 The well on the northwest is the Brunson
11 and McKnight, and that's on the lefthand side of the cross
12 section, and it is productive from the Upper and Middle Morrow
13 Sands. The perforated intervals are shown in red and they
14 were not individually tested but the entire interval was per-
15 forated from 13,838 to 14,127 in selected intervals and was
16 completed for a calculated open flow of 3401 Mcf.
17

18 The next well in the center of the cross
19 section is the Phillips No. 1 Eaves Unit in Section 18, 21
20 South, 33 East. It has some Upper Morrow Sands that are in
21 the same general interval as the Brunson and McKnight but the
22 lower portion of those sands in that Upper Morrow are currently
23 do not correlate with the producing interval in the Brunson
24 and McKnight.
25

26 A DST of the interval from 13,957 to
27 14,233 had water blanket to surface and flowed water at the
28 rate of 20 barrels per hour on the DST. They had no gas show

on that.

We -- this well is structurally lower on these sands than our location in Section 30, and we do not feel that these sands are continuous with the producing sands in the Hat Mesa Field. So that is one of the objective zones.

The other zones are the Middle Morrow Sands that are present in the Phillips Well but were not tested.

The last well on the cross section is the Brunson and McKnight in Section 30 of 21 South, 33 East, and it is also structurally low to our unit. The sands were tested in the Middle Morrow and were perforated from 14,542 to 741, and swabbed water from those zones with an estimated 10 Mcf, so they did have some gas shows.

Another zone was perforated in the Upper Morrow from 14,330 to 354; had water and gas too small to measure; and in the Upper Morrow Sand, the uppermost Morrow Sand was perforated and actually had a calculated open flow of 5600 Mcf but rapidly went to water and the well was abandoned.

And I have no production actually reported from the well, so it was immediately watered out after completion. And these sands will be present on the structural nose to the north and should be structurally higher, and we

1
2 anticipate, then, that we'll have a stratigraphic trap that
3 will be productive from the Morrow.

4 MR. NUTTER: And you would be above the
5 water/oil --- the gas/water contact?

6 A We'd be above the gas/water contact, yes,
7 sir.

8
9 Q Mr. Moffatt, were Exhibits Five and Six
10 prepared by you or under your direction and supervision?

11 A Under my supervision, yes.

12 MR. JENNINGS: We have nothing further
13 at this time.

14 MR. NUTTER: Are there any questions of
15 the witness? He may be excused.

16 DO you wish to offer your exhibits, Mr.
17 Jennings?

18 MR. JENNINGS: We offer the exhibits,
19 yes.

20
21 MR. NUTTER: Union Exhibits One through
22 Seven will be admitted in evidence.

23 Do you have anything further?

24 MR. JENNINGS: No, we have nothing
25 further.

26
27 MR. NUTTER: Does anyone have anything
28 they wish to offer in Case Number 7055? We'll take the case
under advisement.

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd C.S.R.

I do hereby certify that the foregoing is
a true and correct copy of the transcript
for
11/25 7055.
80
Oil Conservation Division



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

December 15, 1980

Re: CASE NO. 7055
ORDER NO. R 6530

Mr. James Jennings
Jennings, Christy & Copple
Attorneys at Law
Post Office Box 1180
Roswell, New Mexico 88201

Applicant:

Union Oil Company of California

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD _____ x
Artesia OCD _____ x
Aztec OCD _____ x

Other

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey (33 F.R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the EAVES-LEA Unit Area, State of NEW MEXICO.

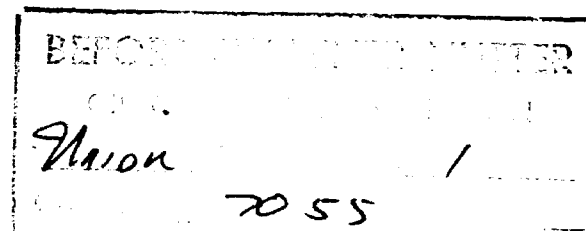
B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

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

Dated _____.

Oil and Gas Supervisor, United States Geological Survey

Contract Number _____



UNIT AGREEMENT
EAVES-LEA UNIT AREA
LEA COUNTY, NEW MEXICO

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
EAVES-LEA UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT entered into as of the 6th day of October, 1980, 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 Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181 et seq., authorized Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operations of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico is authorized by an Act of the Legislature (Article 3, Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this agreement and the conservation provisions hereof; and

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

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

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

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

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing 2,209.17 acres, more or less.

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

hereinafter referred to as "Commissioner", and not less than five copies of the revised exhibits shall be filed with the Supervisor, and two copies thereof shall be filed with the Commissioner, and one copy with the New Mexico Oil Conservation Division, hereinafter referred to as "Commission".

The above-described unit area shall when practicable be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", or on demand of the Commissioner, after preliminary concurrence by the Director and the Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, 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 Supervisor, the Commissioner and the Commission evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

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

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular

surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto so long as such drilling operations are continued diligently with not more than 90 days time elapsing between the completion of one well and the commencement of the next well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid 5-year period shall become participating in the same manner as during said 5-year period. However, when such diligent drilling operations cease, all nonparticipating lands shall be automatically eliminated effective as of the 91st day thereafter. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Commissioner, and promptly notify all parties in interest.

If conditions warrant extension of the five and ten-year periods specified in this subsection 2(e), an extension of such periods may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating acreage basis, respectively, with approval of the Director and Commissioner not later than 60 days prior to the expiration of said five-year or ten-year periods.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas in and produced from the hereinabove specified lands committed to this agreement are herein called "unitized substances".

4. UNIT OPERATOR. Union Oil Company of California is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of 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 an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, 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 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Supervisor, the Commissioner and the Commission, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and by the Commissioner as to State and privately owned 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.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time a participating area established hereunder is in existence, but, in all instances of resignation

or removal, until a successor Unit Operator is selected and approved as herein-
after provided, the working interest owners shall be jointly responsible for
performance of the duties of Unit Operator, and shall, not later than 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 of Unit Operator shall not release Unit Operator from any
liability for any 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 the same percentage
vote of the owners of working interests as herein provided for the selection
of a new Unit Operator. Such removal shall be effective upon notice thereof
to the Supervisor and the Commissioner.

The resignation or removal of Unit Operator under this agreement shall
not terminate its right, title or interest as the owner of a working interest
or other interest in unitized substances, but upon the resignation or removal
of Unit Operator becoming effective, such Unit Operator shall deliver posses-
sion of all wells, equipment, materials and appurtenances used in conducting
the unit operations to the new duly qualified successor Unit Operator or to
the common agent, 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.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender
his or its resignation as Unit Operator or shall be removed as hereinabove
provided, or a change of Unit Operator is negotiated by working interest
owners, the owners of the working interests in the participating area or
areas according to their respective acreage interests in such participating
area or areas, or, until a participating area shall have been established,
the owners of the working interests according to their respective acreage
interests in all unitized land, shall by majority vote select a successor
Unit Operator: Provided, That, if a majority but less than 75 percent of
the working interests qualified to vote are owned by one party to this

agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until:

(a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) the selection shall have been approved by the Supervisor and the Commissioner.

If no successor Unit Operator is selected and qualified as herein provided, the Director and Commissioner at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interest, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and two true copies with the Commissioner and one true copy with the Commission, prior to approval of this unit agreement.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Commissioner if on State land, or by the Commission if on fee land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Morrow formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if located on Federal lands, or the Commissioner if located on State lands, or the Commission if located on fee lands, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 14,850 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if on Federal land, or the Commissioner if

on State land, or the Commission if on fee land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Supervisor and Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted. Upon failure to commence any well provided for in this section within the time allowed, including any extension of time granted by the Supervisor and the Commissioner, this agreement will automatically terminate; upon failure to continue drilling diligently any well commenced hereunder, the Supervisor and Commissioner may, after 15 days notice to the Unit Operator, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Commissioner, and the Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor, the Commissioner, and the Commission may determine to be necessary for the timely development and proper conservation of the oil and gas resources of the unitized area and shall:

- (a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and

- (b) to the extent practicable, specify the operating practices regarded as necessary and advisable for proper conservation of natural resources.

Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the Commissioner and the Commission.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Supervisor and the Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor and Commissioner, the Unit Operator shall submit for approval by the Supervisor, the Commissioner, and the Commission, a schedule, based on subdivisions of the public land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor, the Commissioner, and the Commission, to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating

area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor, the Commissioner, and the Commission. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Supervisor, the Commissioner, and the Commission. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first day of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor, the Commissioner, and the Commission. No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

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

of working interests and the Supervisor, the Commissioner, and the Commission. Royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal land and the Commissioner for State land and the amount thereof shall be deposited, as directed by the Supervisor and Commissioner respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor as to wells drilled on Federal land and of the Commissioner as to wells drilled on State land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for all purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, the Commissioner, and the Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the

unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was last defined at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS.

Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, the Commissioner as to State land and the Commission as to privately owned land, at such party's sole risk, cost and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled as aforesaid by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled as aforesaid by a working interest owner obtains production in quantities insufficient to justify the inclusion of the land upon which such well is situated in a participating area, such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and the Unit Operator, or the working interest owner in case of the operation of a well by a working interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations, or by the Unit Operator, 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.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of operations approved by the Supervisor, the Commissioner, and Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation in which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of operations or as may otherwise be consented to by the Supervisor, the Commissioner and Commission as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this unit agreement.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rate specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulation; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating

regulations as though each participating area were a single consolidated lease.

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended or reduced by law or by approval of the Secretary or his duly authorized representative.

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provisions of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby or until some portion of such land is included within a participating area.

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

17. DRAINAGE. The Unit Operator shall take such measures as the Supervisor and Commissioner deem appropriate and adequate to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operations for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to

make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal and 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 separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of the unit area.

(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 Secretary and Commissioner or their duly authorized representatives shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States or State of New Mexico 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.

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

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof, subject to the provisions of subsection (e) of Section 2 and subsection (i) of this Section 18.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provisions in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such

lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities".

(i) 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 the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, 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 oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

(j) Any lease, other than a Federal lease, having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event any such lease provides for a lump sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties

hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any working interest, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and Commissioner, or their duly authorized representatives and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Director and Commissioner, or

(b) It is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Supervisor and the Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as unitized substances so discovered can be produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement. This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the working interest owners signatory hereto, with the approval of the Supervisor and Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any statewide voluntary conservation or allocation program, which is established, recognized and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico

in and about any matters or 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 agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

24. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or of the United States, 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.

26. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be

suspended while the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or 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. No unit obligation which is suspended under this section shall become due less than thirty (30) days after it has been determined that the suspension is no longer applicable. Determination of creditable "Unavoidable Delay" time shall be made by the Unit Operator subject to approval of the Supervisor and Commissioner.

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by reference in this agreement.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title to any royalty, working interest or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw

said tract from this agreement by written notice delivered to the Supervisor and the Commissioner and the Unit Operator prior to the approval of this agreement by the Supervisor and Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A non-working interest may not be committed to this unit agreement unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Supervisor, provided, however, that as to State lands all subsequent joinders must be approved by the Commissioner.

30. PROTECTION OF POTASH DEPOSITS. No wells will be drilled for oil or gas at a location on Federal lands which in the opinion of the Supervisor or at a location on State lands which in the opinion of the Commissioner would result in undue waste of potash deposits or constitute a hazard to or unduly interfere with mining operations being conducted for the extraction of potash deposits.

The drilling or abandonment of any well on unitized land shall be done in accordance with applicable oil and gas operating regulations, including such requirements as to Federal lands as may be prescribed by the Supervisor and as

to State lands by the Commissioner, as necessary to prevent the infiltration of oil, gas or water into formations containing potash deposits or into mines or workings being utilized in the extraction of such deposits.

Well records and survey plats that an oil and gas lessee of Federal lands must file pursuant to applicable operating regulations (30 CFR Part 221) shall be available for inspection at the Office of the Supervisor to any party holding a potash permit or lease on the Federal land on which the well is situated insofar as such records are pertinent to the mining and protection of potash deposits.

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

32. SURRENDER. Nothing in this agreement shall prohibit the exercise by any working interest owner of the right to surrender vested in such party by any lease, sublease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

If as a result of any such surrender the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party may forfeit such rights and further benefits from operation hereunder as to said land to the party next in the chain of title who shall be and become the owner of such working interest.

If as the result of any such surrender or forfeiture working interest rights become vested in the fee owner of the unitized substances, such owner may:

(1) Accept those working interest rights subject to this agreement and the unit operating agreement; or

(2) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement.

(3) Provide for the independent operation of any part of such lands that are not then included within a participating area established hereunder.

If the fee owner of the unitized substances does not accept the working interest rights subject to this agreement and the unit operating agreement or lease such lands as above provided within six (6) months after the surrendered or forfeited working interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interest subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within thirty (30) days. In the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

33. 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 contract after the effective date of this agreement, or upon the proceeds or net proceeds derived therefrom. The working interest owners on each tract shall and 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 United States or the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

34. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

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

UNIT OPERATOR AND WORKING INTEREST OWNER

UNION OIL COMPANY OF CALIFORNIA

Date: _____

By _____ ^{CJA}
Attorney-in-Fact

Address: P. O. Box 3100
Midland, Texas 79702

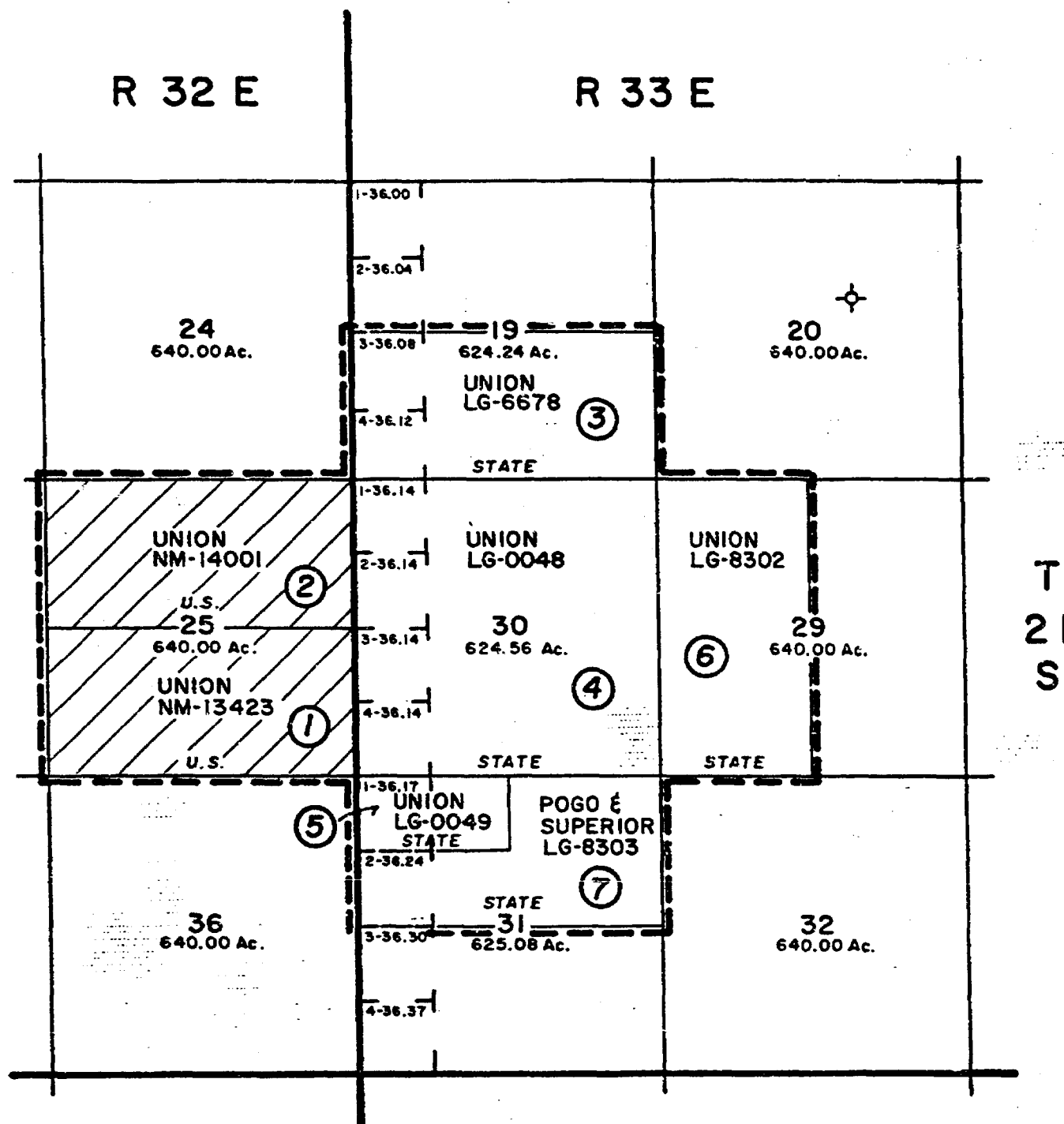
STATE OF TEXAS, X
 X ss.
COUNTY OF MIDLAND. X

The foregoing instrument was acknowledged before me this _____ day of _____, 198____, by _____, Attorney-in-Fact of UNION OIL COMPANY OF CALIFORNIA, a California corporation, on behalf of said corporation.

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

My Commission Expires: _____

Notary Public





	FEDERAL	640.00 Ac.	28.97016%
	STATE	1569.17 Ac.	71.02984%
		2209.17 Ac.	100.00000%

EXHIBIT "A"
EAVES-LEA UNIT
LEA COUNTY, NEW MEXICO



① TRACT NUMBER - EXHIBIT "B"

EXHIBIT B -- EAVES - LEA UNIT, LEA COUNTY, NEW MEXICO, T-21-S, R-32 & 33-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
<u>Federal Land</u>							
1	T21S, R32E Sec. 25: S/2	320.00	NM-13423 4-30-81	U.S.A. (12.50%)	Union Oil Company of California	Mildred F. Dachner, a widow, dealing in her sole & separate property 4% of 8/8	Union Oil Company of California 100%
2	Sec. 25: N/2	320.00	NM-14001-A 11-30-81	U.S.A. (12.50%)	Union Oil Company of California	A. Minis, Jr., a widower, dealing in his sole & separate property 4% of 8/8	Union Oil Company of California 100%
2 Federal Tracts 640.00 Acres or 28.97016% of Unit Area							
<u>New Mexico State Lands</u>							
3	T21S, R33E Sec. 19: Lot 3 (36.08 Ac.) Lot 4 (36.12 Ac.) E/2 SW/4, SE/4	312.20	L-6678 10-1-81	State of New Mexico (12.50%)	Union Oil Company of California	None	Union Oil Company of California 100%
4	Sec. 30: Lot 1 (36.14 Ac.) Lot 2 (36.14 Ac.) Lot 3 (36.14 Ac.) Lot 4 (36.14 Ac.) E/2, E/2 W/2	624.56	LG-0048 4-1-82	State of New Mexico (12.50%)	Union Oil Company of California	None	Union Oil Company of California 100%
5	Sec. 31: Lot 1 (36.17 Ac.) NE/4 NW/4	76.17	LG-0049 4-1-82	State of New Mexico (12.50%)	Union Oil Company of California	None	Union Oil Company of California 100%
6	Sec. 29: W/2	320.00	LG-8302 5-1-90	State of New Mexico (12.50%)	Union Oil Company of California	None	Union Oil Company of California 100%

EXHIBIT B -- EAVES - LEA UNIT, LEA COUNTY, NEW MEXICO, T-21-S, R-32 & 33-E

Tract No.	Description Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
7	Sec. 31: Lot 2 (36.24 Ac.) SE/4 NW/4, NE/4	236.24	LG-8303 5-1-90	State of New Mexico (12.50%)	Pogo Producing Company & The Superior Oil Company	None	Pogo Producing Company 50% The Superior Oil Company 50%

5 State Tracts 1569.17 Acres or 71.02984% of Unit Area

TOTAL: 7 Tracts 3209.17 Acres in Entire Unit Area



United States Department of the Interior

GEOLOGICAL SURVEY
South Central Region
P. O. Box 26124
Albuquerque, New Mexico 87125
16 SEP 1980

RECEIVED

SEP 19 1980

MIDLAND DISTRICT LAND

Early (7740)

Union Oil Company of California
Attention: Robert Lockhart
P. O. Box 671
Midland, Texas 79702

Gentlemen:

Your application of August 12, 1980, filed with the Deputy Conservation Manager, Oil and Gas, Albuquerque, New Mexico, requests the designation of the Eaves-Lea unit area, embracing 2,209.17 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

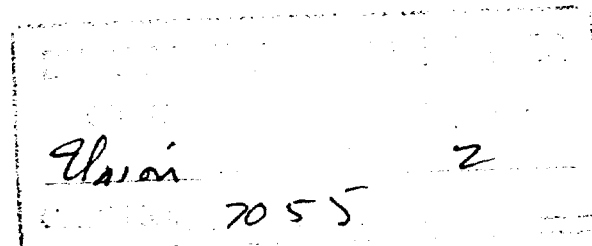
Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A' Eaves-Lea Unit, Lea County, New Mexico" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test the Morrow Formation, or to a depth of 14,850 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Deputy Conservation Manager, Oil and Gas for preliminary approval.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the Deputy Conservation Manager, Oil and Gas, Albuquerque, New Mexico for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

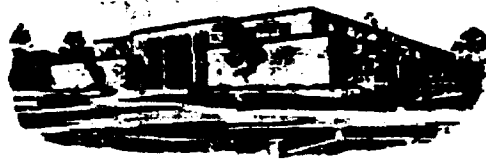


Inasmuch as this unit agreement involves State land, we are sending a copy of the letter to the Commissioner of Public Lands. Please contact the State of New Mexico before soliciting joinders, regardless of prior contacts or clearances from the State.

Sincerely yours,

Gene & Daniel
For James W. Sutherland
Conservation Manager for the Director

State of New Mexico



Commissioner of Public Lands

September 9, 1980

RECEIVED

SEP 11 1980

MIDLAND DISTRICT LAND

ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO

Union Oil Company of California
P. O. Box 3100
Midland, Texas 79702

Re: The Eaves Unit
Lea County, New Mexico

ATTENTION: Mr. Robert V. Lockhart

Gentlemen:

We have received your application requesting the designation of the Eaves Unit Area embracing 2,209.17 acres, more or less, Lea County, New Mexico.

The Commissioner of Public Lands has no objection to the forming of the unit and the depth and location of the initial test well, provided the USGS designates it as a logical unit area, also the unit agreement to be used must contain all of the provisions of the Commissioner of Public Lands.

It would be greatly appreciated if the unit name was changed, since we already have a unit by that name, even tho, it has been terminated we still refer to it by that name.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY:

Ray D. Graham

RAY D. GRAHAM, Director
Oil and Gas Division
AC 505-827-2748

AJA/RDG/s

SEARCHED	INDEXED
SERIALIZED	FILED
SEP 11 1980	
FBI - MIDLAND	
Union	3
7055	

SUPERIOR OIL

October 2, 1980

Eaves Prospect (7740)
Eaves - Lea Unit

RECEIVED

OCT - 3 1980

MIDLAND DISTRICT LAND

Union Oil Company of California
P. O. Box 671
Midland, Texas 79702

ATTENTION: Ms. Linda H. Hicks
Landman

Re: T-21-S, R-32-E
T-21-S, R-33-E
N. W. San Simon #971
Lea County, New Mexico
Your: Proposed Eaves-Lea Federal-
State Unit

Dear Linda:

Reference is made to your letter dated September 26, 1980 requesting Superior and Pogo support Union's 14,850' Morrow test in Section 30, T-21-S, R-33-E, Lea County, New Mexico, by contributing dry hole money.

Superior does not desire to support this well at this time; however, we appreciate the opportunity in reviewing your proposal and welcome any other deals you may have to present to Superior in the future.

Very truly yours,

THE SUPERIOR OIL COMPANY

C. R. Prince
C. R. Prince

CRP:cj

xc: Jerry A. Cooper
Pogo Producing Company
P. O. Box 10340
Midland, Texas 79702

DATE	10/3/80
FILED	10/3/80
SIGNATURE	<i>Sham</i>
CASE NO.	7055

The Superior Oil Company

Midland Exploration Division
P.O. Box 1900, Midland, TX 79702, (915) 683-5251



Pogo Producing Company

Blanks Building • Suite 615
Post Office Box 10340 • Midland, Texas 79702 • 915/682-6822

Linda
RECEIVED

OCT 10 1980

MIDLAND DISTRICT LAND

October 9, 1980

Eaves (7740)

Union Oil Company of California
P. O. Box 671
Midland, Texas 79702

Attention: Ms. Linda H. Hicks

Re: Eaves Federal-State Unit
T-21-S, R-32-E and T-21-S, R-33-E
Lea County, New Mexico
Pogo NM-3501 - State of New Mexico LG-8303

Gentlemen:

Reference is made to your letter of September 26, 1980 requesting that Pogo and Superior make a dry hole contribution as support for the 14,850 Morrow test which you plan to drill in Section 30 of T-21-S, R-33-E, Lea County, New Mexico.

We have now completed our review of your proposal and have decided to decline your request due to the distance of your proposed well location from Pogo's leasehold. Thank you for giving us the opportunity to consider your proposal.

Yours very truly,

POGO PRODUCING COMPANY

Jerry Cooper
J. A. Cooper

Western Division Landman

JAC:bt

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey (33 F.R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the EAVES-LEA Unit Area, State of NEW MEXICO.

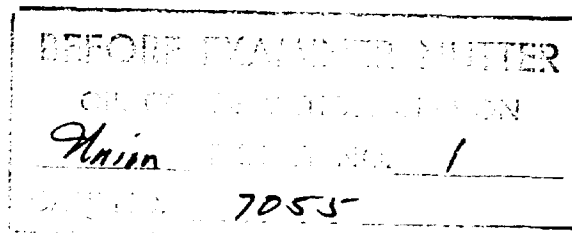
B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

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

Dated _____.

Oil and Gas Supervisor, United States Geological Survey

Contract Number _____



UNIT AGREEMENT
EAVES-LEA UNIT AREA
LEA COUNTY, NEW MEXICO

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
EAVES-LEA UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT entered into as of the 6th day of October, 1980, 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 Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181 et seq., authorized Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operations of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico is authorized by an Act of the Legislature (Article 3, Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this agreement and the conservation provisions hereof; and

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

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

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

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

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing 2,209.17 acres, more or less.

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

hereinafter referred to as "Commissioner", and not less than five copies of the revised exhibits shall be filed with the Supervisor, and two copies thereof shall be filed with the Commissioner, and one copy with the New Mexico Oil Conservation Division, hereinafter referred to as "Commission".

The above-described unit area shall when practicable be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", or on demand of the Commissioner, after preliminary concurrence by the Director and the Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, 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 Supervisor, the Commissioner and the Commission evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

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

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular

surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto so long as such drilling operations are continued diligently with not more than 90 days time elapsing between the completion of one well and the commencement of the next well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid 5-year period shall become participating in the same manner as during said 5-year period. However, when such diligent drilling operations cease, all nonparticipating lands shall be automatically eliminated effective as of the 91st day thereafter. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Commissioner, and promptly notify all parties in interest.

If conditions warrant extension of the five and ten-year periods specified in this subsection 2(e), an extension of such periods may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating acreage basis, respectively, with approval of the Director and Commissioner not later than 60 days prior to the expiration of said five-year or ten-year periods.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas in and produced from the hereinabove specified lands committed to this agreement are herein called "unitized substances".

4. UNIT OPERATOR. Union Oil Company of California is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of 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 an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, 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 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Supervisor, the Commissioner and the Commission, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and by the Commissioner as to State and privately owned 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.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time a participating area established hereunder is in existence, but, in all instances of resignation

or removal, until a successor Unit Operator is selected and approved as herein-
after provided, the working interest owners shall be jointly responsible for
performance of the duties of Unit Operator, and shall, not later than 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 of Unit Operator shall not release Unit Operator from any
liability for any 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 the same percentage
vote of the owners of working interests as herein provided for the selection
of a new Unit Operator. Such removal shall be effective upon notice thereof
to the Supervisor and the Commissioner.

The resignation or removal of Unit Operator under this agreement shall
not terminate its right, title or interest as the owner of a working interest
or other interest in unitized substances, but upon the resignation or removal
of Unit Operator becoming effective, such Unit Operator shall deliver posses-
sion of all wells, equipment, materials and appurtenances used in conducting
the unit operations to the new duly qualified successor Unit Operator or to
the common agent, 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.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender
his or its resignation as Unit Operator or shall be removed as hereinabove
provided, or a change of Unit Operator is negotiated by working interest
owners, the owners of the working interests in the participating area or
areas according to their respective acreage interests in such participating
area or areas, or, until a participating area shall have been established,
the owners of the working interests according to their respective acreage
interests in all unitized land, shall by majority vote select a successor
Unit Operator: Provided, That, if a majority but less than 75 percent of
the working interests qualified to vote are owned by one party to this

agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until:

(a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) the selection shall have been approved by the Supervisor and the Commissioner.

If no successor Unit Operator is selected and qualified as herein provided, the Director and Commissioner at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interest, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and two true copies with the Commissioner and one true copy with the Commission, prior to approval of this unit agreement.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Commissioner if on State land, or by the Commission if on fee land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Morrow formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if located on Federal lands, or the Commissioner if located on State lands, or the Commission if located on fee lands, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 14,850 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if on Federal land, or the Commissioner if

on State land, or the Commission if on fee land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Supervisor and Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted. Upon failure to commence any well provided for in this section within the time allowed, including any extension of time granted by the Supervisor and the Commissioner, this agreement will automatically terminate; upon failure to continue drilling diligently any well commenced hereunder, the Supervisor and Commissioner may, after 15 days notice to the Unit Operator, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Commissioner, and the Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor, the Commissioner, and the Commission may determine to be necessary for the timely development and proper conservation of the oil and gas resources of the unitized area and shall:

- (a) specify the number and locations of any wells to be drilled
- and the proposed order and time for such drilling; and

- (b) to the extent practicable, specify the operating practices regarded as necessary and advisable for proper conservation of natural resources.

Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the Commissioner and the Commission.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Supervisor and the Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor and Commissioner, the Unit Operator shall submit for approval by the Supervisor, the Commissioner, and the Commission, a schedule, based on subdivisions of the public land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor, the Commissioner, and the Commission, to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating

area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor, the Commissioner, and the Commission. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Supervisor, the Commissioner, and the Commission. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first day of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor, the Commissioner, and the Commission. No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

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

of working interests and the Supervisor, the Commissioner, and the Commission. Royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal land and the Commissioner for State land and the amount thereof shall be deposited, as directed by the Supervisor and Commissioner respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor as to wells drilled on Federal land and of the Commissioner as to wells drilled on State land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for all purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, the Commissioner, and the Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the

unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was last defined at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS.

Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, the Commissioner as to State land and the Commission as to privately owned land, at such party's sole risk, cost and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled as aforesaid by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled as aforesaid by a working interest owner obtains production in quantities insufficient to justify the inclusion of the land upon which such well is situated in a participating area, such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and the Unit Operator, or the working interest owner in case of the operation of a well by a working interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations, or by the Unit Operator, 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.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of operations approved by the Supervisor, the Commissioner, and Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation in which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of operations or as may otherwise be consented to by the Supervisor, the Commissioner and Commission as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this unit agreement.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rate specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulation; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating

regulations as though each participating area were a single consolidated lease.

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended or reduced by law or by approval of the Secretary or his duly authorized representative.

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provisions of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby or until some portion of such land is included within a participating area.

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

17. DRAINAGE. The Unit Operator shall take such measures as the Supervisor and Commissioner deem appropriate and adequate to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operations for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to

make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal and 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 separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of the unit area.

(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 Secretary and Commissioner or their duly authorized representatives shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States or State of New Mexico 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.

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

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof, subject to the provisions of subsection (e) of Section 2 and subsection (i) of this Section 18.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provisions in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such

lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities".

(i) 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 the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, 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 oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

(j) Any lease, other than a Federal lease, having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event any such lease provides for a lump sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties

hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any working interest, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and Commissioner, or their duly authorized representatives and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Director and Commissioner, or

(b) It is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Supervisor and the Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as unitized substances so discovered can be produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement. This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the working interest owners signatory hereto, with the approval of the Supervisor and Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any statewide voluntary conservation or allocation program, which is established, recognized and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico

in and about any matters or 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 agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

24. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or of the United States, 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.

26. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be

suspended while the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or 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. No unit obligation which is suspended under this section shall become due less than thirty (30) days after it has been determined that the suspension is no longer applicable. Determination of creditable "Unavoidable Delay" time shall be made by the Unit Operator subject to approval of the Supervisor and Commissioner.

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by reference in this agreement.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title to any royalty, working interest or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw

said tract from this agreement by written notice delivered to the Supervisor and the Commissioner and the Unit Operator prior to the approval of this agreement by the Supervisor and Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A non-working interest may not be committed to this unit agreement unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Supervisor, provided, however, that as to State lands all subsequent joinders must be approved by the Commissioner.

30. PROTECTION OF POTASH DEPOSITS. No wells will be drilled for oil or gas at a location on Federal lands which in the opinion of the Supervisor or at a location on State lands which in the opinion of the Commissioner would result in undue waste of potash deposits or constitute a hazard to or unduly interfere with mining operations being conducted for the extraction of potash deposits.

The drilling or abandonment of any well on unitized land shall be done in accordance with applicable oil and gas operating regulations, including such requirements as to Federal lands as may be prescribed by the Supervisor and as

to State lands by the Commissioner, as necessary to prevent the infiltration of oil, gas or water into formations containing potash deposits or into mines or workings being utilized in the extraction of such deposits.

Well records and survey plats that an oil and gas lessee of Federal lands must file pursuant to applicable operating regulations (30 CFR Part 221) shall be available for inspection at the Office of the Supervisor to any party holding a potash permit or lease on the Federal land on which the well is situated insofar as such records are pertinent to the mining and protection of potash deposits.

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

32. SURRENDER. Nothing in this agreement shall prohibit the exercise by any working interest owner of the right to surrender vested in such party by any lease, sublease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

If as a result of any such surrender the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party may forfeit such rights and further benefits from operation hereunder as to said land to the party next in the chain of title who shall be and become the owner of such working interest.

If as the result of any such surrender or forfeiture working interest rights become vested in the fee owner of the unitized substances, such owner may:

(1) Accept those working interest rights subject to this agreement and the unit operating agreement; or

(2) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement.

(3) Provide for the independent operation of any part of such lands that are not then included within a participating area established hereunder.

If the fee owner of the unitized substances does not accept the working interest rights subject to this agreement and the unit operating agreement or lease such lands as above provided within six (6) months after the surrendered or forfeited working interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interest subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within thirty (30) days. In the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

33. 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 contract after the effective date of this agreement, or upon the proceeds or net proceeds derived therefrom. The working interest owners on each tract shall and 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 United States or the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

34. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

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

UNIT OPERATOR AND WORKING INTEREST OWNER

UNION OIL COMPANY OF CALIFORNIA

Date: _____

By _____
Attorney-in-Fact

Address: P. O. Box 3100

Midland, Texas 79702

STATE OF TEXAS, X
 I ss.
COUNTY OF MIDLAND. I

The foregoing instrument was acknowledged before me this _____ day of _____, 198____, by _____, Attorney-in-Fact of UNION OIL COMPANY OF CALIFORNIA, a California corporation, on behalf of said corporation.

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

My Commission Expires: _____

Notary Public

EXHIBIT B -- EAVES - LEA UNIT, LEA COUNTY, NEW MEXICO, T-21-S, R-32 & 33-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
<u>Federal Land</u>							
1	T21S, R32E Sec. 25: S/2	320.00	NM-13423 4-30-81	U.S.A. (12.50%)	Union Oil Company of California	Mildred F. Dachner, a widow, dealing in her sole & separate property 4% of 8/8	Union Oil Company of California 100%
2	Sec. 25: N/2	320.00	NM-14001-A 11-30-81	U.S.A. (12.50%)	Union Oil Company of California	A. Minis, Jr., a widower, dealing in his sole & separate property 4% of 8/8	Union Oil Company of California 100%
2 Federal Tracts 640.00 Acres or 28.97016% of Unit Area							
<u>New Mexico State Lands</u>							
3	T21S, R33E Sec. 19: Lot 3 (36.08 Ac.) Lot 4 (36.12 Ac.) E/2 SW/4, SE/4	312.20	L-6678 10-1-81	State of New Mexico (12.50%)	Union Oil Company of California	None	Union Oil Company of California 100%
4	Sec. 30: Lot 1 (36.14 Ac.) Lot 2 (36.14 Ac.) Lot 3 (36.14 Ac.) Lot 4 (36.14 Ac.) E/2, E/2 W/2	624.56	LG-0048 4-1-82	State of New Mexico (12.50%)	Union Oil Company of California	None	Union Oil Company of California 100%
5	Sec. 31: Lot 1 (36.17 Ac.) NE/4 NW/4	76.17	LG-0049 4-1-82	State of New Mexico (12.50%)	Union Oil Company of California	None	Union Oil Company of California 100%
6	Sec. 29: W/2	320.00	LG-8302 5-1-90	State of New Mexico (12.50%)	Union Oil Company of California	None	Union Oil Company of California 100%

EXHIBIT B -- EAVES - LEA UNIT, LEA COUNTY, NEW MEXICO, T-21-S, R-32 & 33-E

Tract No.	Description Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
7	Sec. 31: Lot 2 (36.24 Ac.) SE/4 NW/4, NE/4	236.24	LG-8303 5-1-90	State of New Mexico (12.50%)	Pogo Producing Company & The Superior Oil Company	None	Pogo Producing Company The Superior Oil Company 50%

5 State Tracts 1569.17 Acres or 71.02984% of Unit Area

TOTAL: 7 Tracts 2209.17 Acres in Entire Unit Area



United States Department of the Interior

GEOLOGICAL SURVEY
South Central Region
P. O. Box 26124
Albuquerque, New Mexico 87125
16 SEP 1980

RECEIVED

SEP 19 1980

MIDLAND DISTRICT LAND

Case (7740)

Union Oil Company of California
Attention: Robert Lockhart
P. O. Box 671
Midland, Texas 79702

Gentlemen:

Your application of August 12, 1980, filed with the Deputy Conservation Manager, Oil and Gas, Albuquerque, New Mexico, requests the designation of the Eaves-Lea unit area, embracing 2,209.17 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A' Eaves-Lea Unit, Lea County, New Mexico" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test the Morrow Formation, or to a depth of 14,850 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Deputy Conservation Manager, Oil and Gas for preliminary approval.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the Deputy Conservation Manager, Oil and Gas, Albuquerque, New Mexico for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

BEFORE EXAMINER NUTTER	
CLERK OF THE DISTRICT	
<i>Haven</i>	EXHIBIT NO. <u>2</u>
CASE NO.	<u>7055</u>

Inasmuch as this unit agreement involves State land, we are sending a copy of the letter to the Commissioner of Public Lands. Please contact the State of New Mexico before soliciting joinders, regardless of prior contacts or clearances from the State.

Sincerely yours,

Gene & Daniel
for James W. Sutherland
Conservation Manager for the Director

State of New Mexico



Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

September 9, 1980

RECEIVED
SEP 11 1980
MIDLAND DISTRICT LAND

P. O. BOX 1148
SANTA FE, NEW MEXICO

Union Oil Company of California
P. O. Box 3100
Midland, Texas 79702

Re: The Eaves Unit
Lea County, New Mexico

ATTENTION: Mr. Robert V. Lockhart

Gentlemen:

We have received your application requesting the designation of the Eaves Unit Area embracing 2,209.17 acres, more or less, Lea County, New Mexico.

The Commissioner of Public Lands has no objection to the forming of the unit and the depth and location of the initial test well, provided the USGS designates it as a logical unit area, also the unit agreement to be used must contain all of the provisions of the Commissioner of Public Lands.

It would be greatly appreciated if the unit name was changed, since we already have a unit by that name, even tho, it has been terminated we still refer to it by that name.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY:

Ray D. Graham

RAY D. GRAHAM, Director
Oil and Gas Division
AC 505-827-2748

AJA/RDG/s

RECORD EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
Union	EXHIBIT NO. 3
CASE NO.	7055

State of New Mexico



Commissioner of Public Lands

September 15, 1980

ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO

Union Oil Company of California
P. O. Box 3100
Midland, Texas 79702

Re: Eaves Unit
NAME CHANGE

RECEIVED

SEP 18 1980

ATTENTION: Ms. Linda H. Hicks

MIDLAND DISTRICT LAND

Gentlemen:

We are in receipt of your letter dated September 10, 1980, whereby, you advise us of the name change from EAVES UNIT to EAVES-LEA UNIT, as per our request.

It will not be necessary to resubmit your application, however, all final instruments must reflect the new name.

Thank you for your help in this matter.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY:

A handwritten signature in cursive script that reads "Ray D. Graham".

RAY D. GRAHAM, Director
Oil and Gas Division
AC 505-827-2748

AJA/RDG/s



United States Department of the Interior

GEOLOGICAL SURVEY
South Central Region
P. O. Box 26124
Albuquerque, New Mexico 87125
16 SEP 1980

RECEIVED

SEP 19 1980

MIDLAND DISTRICT LAND

Ex-1740

Union Oil Company of California
Attention: Robert Lockhart
P. O. Box 671
Midland, Texas 79702

Gentlemen:

Your application of August 12, 1980, filed with the Deputy Conservation Manager, Oil and Gas, Albuquerque, New Mexico, requests the designation of the Eaves-Lea unit area, embracing 2,209.17 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A' Eaves-Lea Unit, Lea County, New Mexico" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test the Morrow Formation, or to a depth of 14,850 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Deputy Conservation Manager, Oil and Gas for preliminary approval.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the Deputy Conservation Manager, Oil and Gas, Albuquerque, New Mexico for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

RECEIVED	UNITER
Union	2
7055	

Inasmuch as this unit agreement involves State land, we are sending a copy of the letter to the Commissioner of Public Lands. Please contact the State of New Mexico before soliciting joinders, regardless of prior contacts or clearances from the State.

Sincerely yours,

Gene & Daniel

James W. Sutherland
Conservation Manager for the Director

Dockets Nos. 40-80 and 41-80 are tentatively set for December 10 and 30, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - NOVEMBER 18, 1980

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 7088: Application of Southern Union Exploration Co. for reconsideration of Division Order No. R-6175, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks (a) that Order No. R-6175 be set aside, or (b) to except the E/2 of Section 32, Township 25 South, Range 24 East, Eddy County, New Mexico, from the terms of said order, or (c) clarify said order with respect to the E/2 of Section 32, Township 25 South, Range 24 East.

DOCKET: COMMISSION HEARING - MONDAY - NOVEMBER 24, 1980

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 7075: (Continued and Readvertised)

Application of Benson-Montin-Greer Drilling Corporation for the amendment of pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool as promulgated by Order No. R-2565-E and amended by Order No. R-6469, to require that wells completed or recompleted on standard units in said pool be located in the west half of the section at least 1650 feet from the outer boundary of the spacing and proration unit, and that the drilling of wells be controlled so as to allow no more than a 330-foot horizontal deviation from the surface location. Further, that the location of wells on certain specified non-standard proration units approved by Order No. R-6469 should be no closer than 660 feet to the outer boundary of the non-standard unit nor closer than 330 feet to a quarter section line or 10 feet to a quarter-quarter section line. Said specified non-standard units are the two 640-acre units in Township 24 North, Range 1 West; the two 480-acre units in Township 24 North, Range 1 East; the four 640-acre units in Township 26 North, Range 1 West; the 640-acre unit in Township 26 North, Range 1 East; and the two 640-acre units, the three 600-acre units, and the 400-acre unit, all in Township 27 North, Range 1 West. Applicant further seeks an administrative procedure whereby unorthodox locations could be approved upon receipt of written waivers from all offsetting operators being "crowded" by the unorthodox location.

DOCKET: EXAMINER HEARING - TUESDAY - NOVEMBER 25, 1980

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

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 7055: (Continued from October 29, 1980, Examiner Hearing)

Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Eaves-Lea Unit Area, comprising 2209 acres, more or less, of State and Federal lands in Township 21 South, Ranges 32 and 33 East.

CASE 7077: (Continued from November 12, 1980, Examiner Hearing)

Application of Threshold Development Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Conoco "10" State Com Well No. 1 located in Unit I of Section 10, Township 19 South, Range 29 East, Turkey Track Field, to produce oil from the Wolfcamp formation and gas from the Atoka formation through parallel strings of tubing.

- CASE 7089:** Application of Summit Energy, Inc. 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 Blinbry formation through its Gulf Bunin Well No. 2 located in Unit C of Section 13, Township 21 South, Range 37 East.
- CASE 7090:** Application of Dorchester Exploration, Inc. for directional drilling and an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter the old Union Hill Well No. 1, the surface location of which is 2310 feet from the North and West lines of Section 27, Township 12 South, Range 28 East, and to directionally drill in an indeterminate direction from a kick-off point at 7300 feet, bottoming said well at an approximate depth of 9100 feet in the Mississippian formation less than 330 feet away from the surface location. The W/2 of said Section 27 would be dedicated to the well.
- CASE 7091:** Application of Layton Enterprises, Inc. for a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an 80-acre non-standard oil proration unit comprising the N/2 NW/4 of Section 14, Township 9 South, Range 34 East, Vada-Pennsylvanian Pool, to be dedicated to an old well to be re-entered 660 feet from the North line and 1830 feet from the West line of said Section 14.
- CASE 7051:** (Continued from October 15, 1980, Examiner Hearing)
Application of Petro Lewis Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinbry and Drinkard production in the wellbore of its L. G. Warlick "B" Well No. 2 located in Unit G of Section 19, Township 21 South, Range 37 East.
- CASE 6940:** (Continued from October 1, 1980, Examiner Hearing)
Application of Adobe Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Wolfcamp formation underlying the NW/4 SE/4 for oil and the SE/4 for gas, Section 23, Township 20 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 6996:** (Continued from October 1, 1980, Examiner Hearing) (To be continued to December 10, 1980, Examiner Hearing)
Application of John E. Schalk for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Blanco Mesaverde Pool underlying the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 6668:** (Continued and Readvertised)
In the matter of Case 6668 being reopened pursuant to the provisions of Order No. R-6139 which order promulgated temporary special rules and regulations for the South Culebra Bluff-Bone Spring Pool in Eddy County, New Mexico, including a provision for 80-acre spacing units. Operators in said pool may appear and show cause why the pool should not be developed on 40-acre spacing units.
- CASE 7092:** Application of Delta Drilling Company for pool extension, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the South Culebra Bluff-Bone Spring Pool to include all of Sections 2, 11, 13, 14, 23, and 24, Township 23 South, Range 28 East.
- CASE 7093:** Application of Mesa Petroleum Company and Yates Petroleum Corporation for designation of a tight formation, Torrance, Guadalupe, DeBaca, Lincoln, and Chaves Counties, New Mexico. Pursuant to Section 107 of the Natural Gas Policy Act of 1978 and 18 CFR Section 271.701-705, applicants, in the above-styled cause, seek the designation as a tight formation of the Abo formation underlying the following described lands in the above-named counties:
all of Townships 1 North thru 4 North, Ranges 14 East thru 27 East; all of Townships 5 North thru 7 North, Ranges 14 East thru 26 East; all of Townships 1 South thru 5 South, Ranges 14 East thru 27 East; all of Township 6 South, Ranges 14 thru 28 East; N/2 only of Township 7 South, Ranges 14 East thru 17 East; all of Townships 7 South and 8 South, Ranges 18 East thru 28 East; all of Townships 9 South and 10 South, Ranges 18 East thru 27 East; all of Township 11 South, Ranges 18 East thru 25 East; all of Township 12 South, Ranges 18 East thru 24 East; all of Township 13 South, Ranges 18 East thru 23 East; and all of Township 14 South, Ranges 18 East thru 22 East; also all of Township 9 1/2 South, Range 24 East.

CASE 7094: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, assigning a discovery allowable, contracting, and extending certain pools in Chaves, Eddy, and Lea Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Yates production and designated as the Northeast Lusk-Yates Pool. Further, to assign approximately 14,790 barrels of discovery allowable to the discovery well, Sun Oil Company Jennings B Federal Well No. 1 located in Unit K of Section 15, Township 19 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 15: SW/4

(b) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Yates production and designated as the North Querecho Plains-Yates Gas Pool. The discovery well is Lewis B. Burleson, Inc. Berry Federal Well No. 1 located in Unit E of Section 35, Township 18 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 35: NW/4

(c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the Triple X-Atoka Gas Pool. The discovery well is Getty Oil Company HNG 4F State Well No. 1 located in Unit F of Section 4, Township 24 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 33 EAST, NMPM
Section 4: W/2

(d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production and designated as the Tulk-Devonian Pool. The discovery well is Santa Fe Energy Company State NM3 Well No. 1 located in Unit P of Section 3, Township 15 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM
Section 3: SE/4

(e) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Vaca Draw-Morrow Gas Pool. The discovery well is HNG Oil Company Bell Lake 11 Federal Well No. 1 located in Unit B of Section 11, Township 25 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 33 EAST, NMPM
Section 11: N/2

(f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the North Young-Bone Spring Pool. The discovery well is Harvey E. Yates Company Young Deep Unit Well No. 1 located in Unit D of Section 10, Township 18 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 10: NW/4

(g) CONTRACT the Anderson Ranch-Wolfcamp Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 16 SOUTH, RANGE 32 EAST, NMPM
Section 3: Lots 9, 10, 15, and 16

(h) CONTRACT the Querecho Plains-Yates Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 35: NW/4

(i) CONTRACT the South Red Lake-Seven Rivers Pool in Eddy County, New Mexico, by the deletion of the following described area:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 15: W/2 SW/4
Section 22: NW/4

- (j) EXTEND the Airstrip-Lower Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 23: SE/4

- (k) EXTEND the North Anderson Ranch-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 32 EAST, NMPM
Section 2: Lots 11, 12, 13, and 14
Section 3: Lots 9, 10, 15, and 16

- (l) EXTEND the Antelope Ridge-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 24: SW/4
Section 25: NW/4

- (m) EXTEND the West Arkansas Junction-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM
Section 20: SW/4
Section 29: NW/4

- (n) EXTEND the Bass-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 28 EAST, NMPM
Section 21: E/2
Section 28: All

- (o) EXTEND the Bell Lake-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 29: N/2
Section 30: E/2
Section 31: NE/4

- (p) EXTEND the Blinebry Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 22: SE/4

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 8: NW/4

- (q) EXTEND the Bull's Eye-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 29 EAST, NMPM
Section 6: E/2 SW/4
Section 7: E/2 NW/4

- (r) EXTEND the Denton-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 37 EAST, NMPM
Section 22: SE/4

- (s) EXTEND the Diamond Mound-Morrow Gas Pool in Chaves and Eddy Counties, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM
Section 35: S/2

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM
Section 31: E/2

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 3: Lots 1, 2, 3, 4, 5, 6, 7,
8, 9, 10, 11, 12, 13, 14,
15, and 16
Section 4: Lots 1, 2, 7, 8, 9, 10,
15, and 16

- (t) EXTEND the Dublin Ranch-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 28: All
Section 29: N/2

- (u) EXTEND the Eagle Creek Permo-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 24 EAST, NMPM
Section 36: E/2

- (v) EXTEND the South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
Section 18: All

- (w) EXTEND the East Empire Yates-Seven Rivers Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 22: NW/4

- (x) EXTEND the East Grama Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM
Section 2: SE/4

- (y) EXTEND the Hardy-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 1: S/2

- (z) EXTEND the Hardy-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 1: S/2

- (aa) EXTEND the Leamex-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 21: S/2 NW/4

- (bb) EXTEND the Loco Hills Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
Section 2: SW/4 SW/4
Section 3: All
Section 4: E/2
Section 11: NW/4 NW/4

- (cc) EXTEND the South Loco Hills Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 31: NE/4 NE/4

- (dd) EXTEND the Northeast Lovington-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 29: NW/4

- (ee) EXTEND the Penasco Draw Permo-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 24 EAST, NMPM
Section 25: S/2
Section 36: All

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 1: N/2

(ff) EXTEND the Saunders Permo-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 33 EAST, NMPM
Section 28: NW/4

(gg) EXTEND the Scharb-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM
Section 4: SW/4
Section 5: SE/4

(hh) EXTEND the Tom-Tom San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM
Section 29: SE/4

(ii) EXTEND the Twin Lakes-San Andres Associated Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 29 EAST, NMPM
Section 19: W/2 NE/4 and NW/4 SE/4
Section 31: E/2

(jj) EXTEND the Vacuum-Abo Reef Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 9: SW/4

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
29 October 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Union Oil Company of
California for a unit agreement, Lea
County, New Mexico.

CASE
7055

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.

Rt. 1 Box 191-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

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

3 The first case this morning will be Case
4 Number 7055.

5 MR. PEARCE: Application of Union Oil
6 Company of California for a unit agreement, Lea County, New
7 Mexico.

8 Okay, we have a letter on this matter
9 requesting that it be set over to the November 25th docket.

10 MR. NUTTER: Case Number 7055 will be
11 continued to the Examiner Hearing scheduled to be held at
12 this same place at 9:00 o'clock a. m. November 25, 1980.

13
14 (Hearing concluded.)
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SALLY W. BOYD, C.S.R.

Rt. 1 Box 191-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a true and correct copy of the transcript in
file No. 7055
dated 10/29 1980.
[Signature], Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
29 October 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Union Oil Company of
California for a unit agreement, Lea
County, New Mexico.

)
)
)
) CASE
) 7055
)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

1
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9

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15

16 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 435-7409

I do hereby certify that the foregoing transcript is
a correct and true record of the hearing held by me
on 10/29 1980
[Signature], Examiner
Oil Conservation Division

RECEIVED
OCT 14 1980
OIL CONSERVATION DIVISION
JENNINGS & CHRISTY
LAW OFFICES OF
1012 SECURITY NATIONAL BANK BUILDING
P. O. BOX 1180
ROSSELL, NEW MEXICO 88201
JAMES T. JENNINGS
SIM B. CHRISTY IV
DEAN G. CONSTANTINE
SANTA FE

TELEPHONE 622-8432
AREA CODE 505

October 10, 1980

Ms. Florine Davidson
Administrative Secretary
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

Re: Union Oil Company of California
Application to Approve
Eaves-Lea Unit

Dear Florine: *Case 7055*

When I was in Santa Fe last week we discussed the application which I filed on behalf of Union and which was to be on the October 29 docket. I have now learned that the Union principal witness will be out of the country on that date and we would like to have the matter put over to the November 25 docket. I hope that this will not cause you any inconvenience, and if it is not satisfactory, let me know.

Yours very truly,

JENNINGS & CHRISTY


James T. Jennings

JTJ/jb

cc: Union Oil Co. of California

Dockets Nos. 36-80 and 37-80 are tentatively set for November 12 and 25, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 29, 1980

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

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 7055: (This case will be continued to the November 25 hearing.)

Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Eaves-Lea Unit Area, comprising 2209 acres, more or less, of State and Federal lands in Township 21 South, Ranges 32 and 33 East.

CASE 7056: Application of Getty Oil Company for the extension of vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to a depth of 3540 feet, subsurface, under the NW/4 SW/4 of Section 3, Township 24 South, Range 36 East.

CASE 7057: Application of Doyle Hartman for the extension of vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to the following depths underlying the following 40-acre tracts in Township 24 South, Range 37 East: SE/4 SE/4 of Section 30: 3364 feet; NE/4 SE/4 of Section 30: 3389 feet; and SE/4 SW/4 of Section 20: 3390 feet.

CASE 7058: Application of Tahoe Oil & Cattle Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Jalmat and Langlie Mattix production in the wellbores of its Harrison Wells Nos. 1 and 2 located in Units A and H, respectively, and its Judy Well No. 1 located in Unit C, all in Section 7, Township 25 South, Range 37 East.

CASE 7059: Application of Gulf Oil Corporation for the extension of vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to a depth of 3406 feet under the W/2 SW/4 of Section 30, Township 24 South, Range 37 East.

CASE 7060: Application of Mobil Producing Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Jalmat and Langlie Mattix production in the wellbores of its Humphrey Queen Unit Wells Nos. 13 in Unit I of Section 4 and 16 in Unit K of Section 3 and its Langlie Mattix Queen Unit Well No. 10 in Unit C of Section 15, all in Township 25 South, Range 37 East.

CASE 7061: Application of Bettis, Boyle & Stovall for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Jalmat and Langlie Mattix production in the wellbore of its Justis B Well No. 8 located in Unit C of Section 20, Township 25 South, Range 37 East.

CASE 7062: Application of El Paso Natural Gas Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Jalmat and Langlie Mattix production in the wellbore of its Carlson Federal Well No. 2 located in Unit N of Section 23, Township 25 South, Range 37 East.

CASE 7063: Application of Lewis Burleson for the extension of vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to a depth of 3150 feet under the SE/4 NW/4 of Section 22, Township 25 South, Range 37 East.

CASE 7041: (Continued from October 8, 1980, Commission Hearing)

Application of John Yuronka for the extension of vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to a depth of 3,408 feet, subsurface, under the NW/4 SW/4 of Section 17, Township 24 South, Range 37 East.

CASE 7064: Application of El Paso Natural Gas Company for an unorthodox location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a previously approved 440-acre proration unit comprising the S/2, S/2 NW/4, and NW/4 NW/4 of Section 33, Township 25 South, Range 37 East, Jalmat Gas Pool, to its Gregory Fed. Well No. 1 located in Unit J and its Gregory Fed. A Well No. 2, at an unorthodox location in the center of Unit L of said Section 33.

- CASE 7065:** Application of El Paso Natural Gas Company for twelve non-standard proration units, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the establishment of eight non-standard proration units for Pictured Cliffs wells to be drilled in the W/2 of partial Sections 6, 7, 18, 19, 30 and 31 of Township 30 North, Range 4 West, and four non-standard proration units for Pictured Cliffs wells in partial Sections 7, 8, and 9 of Township 28 North, Range 4 West.
- CASE 7066:** Application of Conoco Inc. for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Britt "B" Well No. 27 located in Unit G of Section 15, Township 20 South, Range 37 East, to produce oil from the Weir-Drinkard or an undesignated Blinebry pool and an undesignated Abo pool.
- CASE 7067:** Application of Conoco Inc. for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Dagger Draw Com. Well No. 4 located in Unit J of Section 25, Township 19 South, Range 24 East, to produce oil from the North Dagger Draw-Upper Penn Pool and gas from an undesignated Morrow pool.
- CASE 7068:** Application of Conoco Inc. for a dual completion and an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Penny Federal Com. Well No. 2 at an unorthodox location 1650 feet from the North line and 1980 feet from the East line of Section 23, Township 20 South, Range 24 East, to produce oil from the South Dagger Draw-Upper Penn Pool and gas from an undesignated Morrow pool.
- CASE 7069:** Application of Anadarko Production Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 660 feet from the South and East lines of Section 4, Township 19 South, Range 25 East, the S/2 of said Section 4 to be dedicated to the well.
- CASE 7070:** Application of Tesoro Petroleum Corporation for a pilot caustic flood project, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a one-acre pilot caustic flood project in the Hospah Field by the injection of caustic fluid into the Seven Lakes Sand of the Upper Hospah Field at an approximate depth of 300-500 feet through four injection wells in Unit K of Section 1, Township 17 North, Range 9 West.
- CASE 7071:** Application of Jake L. Hamon for an unorthodox well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a 640-acre proration unit comprising all of Section 17, Township 20 South, Range 36 East, North Osado-Morrow Pool, to its Amerada Federal Well No. 2 located in Unit F and its Amerada Federal Well No. 3, to be drilled at an unorthodox location 1650 feet from the South line and 660 feet from the East line of said Section 17.
- CASE 6668:** (Reopened and Readvertised)
- In the matter of Case 6668 being reopened pursuant to the provisions of Order No. R-6139 which order promulgated temporary special rules and regulations for the South Culebra Bluff-Bone Spring Pool in Eddy County, New Mexico, including a provision for 80-acre spacing units. Operators in said pool may appear and show cause why the pool should not be developed on 40-acre spacing units.
- CASE 7005:** (Continued from September 17, 1980, Examiner Hearing)
- Application of Sol West III for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for his Turkey Track-Morrow Sand Well No. 1 in Unit I of Section 26, Township 18 South, Range 28 East.
- CASE 7072:** Application of Enserch Exploration, Inc. for pool creation and special pool rules, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Pennsylvanian oil pool for its Enserch Amoco State Well No. 1 located in Unit L of Section 16, Township 4 South, Range 33 East, and the promulgation of special pool rules therefor, including a provision for 80-acre spacing.
- CASE 7073:** Application of Enserch Exploration, Inc. for pool creation, temporary special pool rules, and assignment of a discovery allowable, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Fusselman oil pool for its J. G. O'Brien Well No. 1 located 1980 feet from the North line and 660 feet from the West line of Section 31, Township 7 South, Range 29 East, with special rules therefor, including provisions for 80-acre spacing, a limiting gas-oil ratio of 3000 to one and special well location requirements providing for the drilling of wells within 150 feet of the center of a quarter-quarter section. Applicant further seeks approval of a 74.24-acre proration and spacing unit and a discovery allowable for said J. G. O'Brien Well No. 1.

CASE 7074: Application of Enserch Exploration, Inc. for pool creation, an unorthodox gas well location, and non-standard proration unit, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Fusselman gas pool for its J. G. O'Brien Well No. 2 located at an unorthodox location 660 feet from the South and West lines of Section 30, Township 7 South, Range 29 East, to be dedicated to a 308.96-acre non-standard unit comprising the W/2 of said Section 30.

CASE 6822: (Continued from October 1, 1980, Examiner Hearing)

In the matter of Case 6822 being reopened pursuant to the provisions of Order No. R-6293 which order created the West Double X-Wolfcamp Gas Pool as a retrograde gas condensate pool and set special production limitations therein. Operator(s) may appear and present evidence to establish the true nature of the reservoir and proper rates of withdrawal therefrom.

CASE 6648: (Continued from October 1, 1980, Examiner Hearing)

In the matter of Case 6648 being reopened pursuant to the provisions of Order No. R-6124 which order promulgated temporary special rules and regulations for the North Caprock-Mississippian Pool in Lea County, New Mexico, including a provision for 160-acre spacing and a 4000 to one gas-oil ratio limitation. Operators in said pool may appear and show cause why the pool should not be developed on 40-acre spacing with a 2000 to one GOR.

CASE 7045: (Continued from October 15, 1980, Examiner Hearing)

Application of Texas Oil & Gas Corp. for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Atoka and Upper Morrow production in the wellbore of its Superior Federal Com. Well No. 1 located in Unit C of Section 8, Township 20 South, Range 29 East.

CASE 7024: (Continued from October 15, 1980, Examiner Hearing)

Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 35, Township 18 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7038: (Continued from October 15, 1980, Examiner Hearing)

Application of Natura Energy Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NE/4 of Section 6, Township 19 South, Range 39 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

Docket No. 35-80

DOCKET: COMMISSION HEARING - FRIDAY - OCTOBER 31, 1980

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 7075: Application of Benson-Montin-Greer Drilling Corporation for the amendment of pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the Special Rules and Regulations for the West Puerto Chiquito-Mancos Oil Pool as promulgated by Order No. R-2565-B and amended by Order No. R-6469, to require that the locations of wells in said pool be at least 1650 feet from the outer boundary of the spacing and proration unit, and that the drilling of wells be controlled so as to allow no more than a 330-foot horizontal deviation from the surface location. Further, that the location of wells on certain specified non-standard proration units approved by Order No. R-6469 should be no closer than 660 feet to the outer boundary of the non-standard unit nor closer than 330 feet to a quarter section line or 10 feet to a quarter-quarter section line. Said specified non-standard units are the two 640-acre units in Township 24 North, Range 1 West; the two 480-acre units in Township 24 North, Range 1 East; the four 640-acre units in Township 26 North, Range 1 West; the 640-acre unit in Township 26 North, Range 1 East; and the two 640-acre units, the three 600-acre units, and the 400-acre unit, all in Township 27 North, Range 1 West. Applicant further seeks an administrative procedure whereby unorthodox locations could be approved upon receipt of written waivers from all offsetting operators being "crowded" by the unorthodox location.

RECEIVED
SEP 29 1980
OIL CONSERVATION DIVISION
JAMES T. JENNINGS
SIM B. CHRISTY
DEAN G. CONSTANTINE

LAW OFFICES OF
JENNINGS & CHRISTY
1012 SECURITY NATIONAL BANK BUILDING
P. O. BOX 1180
ROSWELL, NEW MEXICO 88201

TELEPHONE 622-8432
AREA CODE 505

September 26, 1980

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

ATTENTION: Mr. Ernest Padilla, General Counsel

Re: Union Oil Company of California
Eaves-Lea Unit Agreement

Case 7055

Dear Ernie:


Enclosed herewith you will find Union Oil Company's Application for approval of its Eaves-Lea Unit. It is my understanding that an application for the designation of the unit has been filed with both the USGS and the Commissioner of Public Lands and tentative approval has been given.

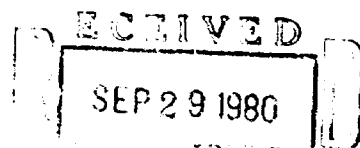
We assume that this will be set down for hearing before an examiner before the hearing scheduled on October 29, 1980.

We appreciate your taking care of this matter for us and if you have any questions, please call me.

Yours very truly,

JENNINGS & CHRISTY


James T. Jennings
JTJ/jb
Encl.
cc: Union Oil Co. of California



CLERK OF THE DISTRICT DIVISION
BEFORE THE OIL CONSERVATION DIVISION
OIL & ENERGY MINERALS DEPARTMENT
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF UNION OIL COMPANY OF CALIFORNIA
FOR APPROVAL OF THE EAVES-LEA UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.

APPLICATION

Case 7055

COMES NOW Applicant, Union Oil Company of California, by its attorneys, Jennings & Christy, and requests approval of the Eaves-Lea Unit Agreement covering 2209.17 acres of Federal and State lands, Lea County, New Mexico, and in support of its Application states:

1. Applicant desires to obtain Division's approval of the Eaves-Lea Unit Agreement covering 2209.17 acres of Federal and State lands described as follows:

LEA COUNTY, NEW MEXICO

TOWNSHIP 21 SOUTH, RANGE 32 EAST, N.M.P.M.

Section 25: All

TOWNSHIP 21 SOUTH, RANGE 33 EAST, N.M.P.M.

Section 19: Lots 3 & 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ & SE $\frac{1}{4}$ (S $\frac{1}{2}$)

Section 29: W $\frac{1}{2}$

Section 30: Lots 1, 2, 3 & 4, E $\frac{1}{2}$ W $\frac{1}{2}$ & E $\frac{1}{2}$ (All)

Section 31: Lots 1 & 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ & NE $\frac{1}{4}$ (N $\frac{1}{2}$)

2. Applicant proposes to drill a Morrow test well to be located 1320' FNL and 1980' FWL of Section 30, Township 21 South, Range 33 East, to a depth sufficient to test the Morrow formation or 14,850 feet, whichever is lesser, and feels that the Unit Agreement will promote the prevention of waste and the protection of correlative rights within the Unit Area.

3. Applicant will be the operator of the Unit Area.


4. A copy of the Unit Agreement will be furnished at the time of the hearing and a copy of the proposed Unit Area showing the Federal acreage which is 640 acres or 28.97016%, and the State acreage which is 1569.17 acres or 71.029864% is attached hereto and marked Exhibit "A".

WHEREFORE, the Applicant requests the Division to set this matter down for hearing before an examiner at an early date, publish notice as required by law, and after hearing issue its order approving the Eaves-Lea Unit Agreement.

Respectfully submitted,

UNION OIL COMPANY OF CALIFORNIA

By


For Jennings & Christy
Attorneys for Applicant
P. O. Box 1180
Roswell, New Mexico 88201

SEP 29 1980

BEFORE THE OIL CONSERVATION DIVISION
OIL & ENERGY MINERALS DEPARTMENT
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF UNION OIL COMPANY OF CALIFORNIA
FOR APPROVAL OF THE EAVES-LEA UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.

Case 7055

APPLICATION

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TOWNSHIP 21 SOUTH, RANGE 32 EAST, N.M.P.M.

Section 25: All

TOWNSHIP 21 SOUTH, RANGE 33 EAST, N.M.P.M.

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Section 29: W $\frac{1}{2}$
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Section 31: Lots 1 & 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ & NE $\frac{1}{4}$ (N $\frac{1}{2}$)

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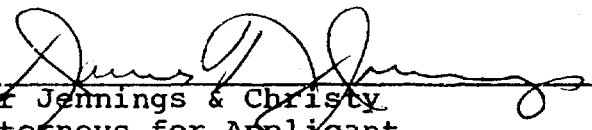
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WHEREFORE, the Applicant requests the Division to set this matter down for hearing before an examiner at an early date, publish notice as required by law, and after hearing issue its order approving the Eaves-Lea Unit Agreement.

Respectfully submitted,

UNION OIL COMPANY OF CALIFORNIA

By


For Jennings & Christy
Attorneys for Applicant
P. O. Box 1180
Roswell, New Mexico 88201

ROUGH

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7055

Order No. R-6530

APPLICATION OF UNION OIL COMPANY OF CALIFORNIA
FOR APPROVAL OF THE EAVES-LEA
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 25,
19 80, at Santa Fe, New Mexico, before Examiner Richard L. Stomets

NOW, on this _____ day of _____, 19 80, the
Division Director, 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 Division has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Union Oil Company of California,
seeks approval of the Eaves-Lea Unit Agreement
covering 2209.17 acres, more or less, of State and Federal

~~and~~ ~~for~~ lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM
Section 19: S/2
Section 29: W/2
Section 30: All
Section 31: N/2
TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 25: All

(3) That all plans of development and operation and creations,
expansions, or contractions of participating areas or expansions
or contractions of the unit area, should be submitted to the
Director of the Division for approval.

(4) 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 Eaves-Lea 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 Division 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 Division 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 Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for

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 Division immediately in writing of such termination.

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

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