

**RATIFICATION OF UNIT AGREEMENT FOR THE DEVELOPMENT
AND OPERATION OF THE DIAMOND MOUND UNIT AREA, CHAVES
AND EDDY COUNTIES, NEW MEXICO**

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, the Continental Oil Company, does hereby commit to the Unit Agreement for the development and operation of the Diamond Mound Unit Area embracing lands situated in Chaves and Eddy Counties, New Mexico, the following described leasehold interests which have been acquired by the Continental Oil Company since the execution of the said Unit Agreement by the Continental Oil Company of March 13, 1970, to-wit:

Oil and Gas Lease E-4196, dated September 11, 1970, issued by the State of New Mexico to Continental Oil Company, embracing NE1/4, SW1/4, SE1/4, Section 32, Twp. 15 S., Rge. 27 E., N.M.P.M., containing 120 acres, more or less.

The undersigned does hereby also commit to said Unit Agreement all leasehold and mineral interests of whatsoever character owned by the Continental Oil Company in and to any of the lands embraced in said Unit Area as such interests are shown by the Schedule of Ownership attached to said Unit Agreement and referred to as Exhibit "F", and also any and all leasehold and mineral interests which may hereafter be acquired by the Continental Oil Company, covering any lands in said Unit Area and the undersigned does hereby ratify and confirm said Unit Agreement as to all of said interests so committed.

IN WITNESS WHEREOF this Ratification is executed
as of the 12th day of October, 1950.

CONTINENTAL OIL COMPANY

Chas. A. Perlitz, Jr.
Vice President

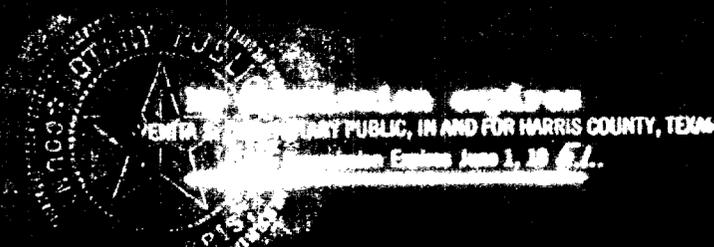


STATE OF TEXAS }
COUNTY OF HARRIS } SS

On this 12th day of October, 1950, before me
personally appeared CHAS. A. PERLITZ, JR.
to me personally known who being by me duly sworn, did say that
he is the Vice President of Continental Oil
Company, and that the seal affixed to said instrument is the
corporate seal of said corporation, and that said instrument
was signed and sealed in behalf of said corporation by authority
of its Board of Directors, and said CHAS. A. PERLITZ, JR.
acknowledged said instrument to be the free act and deed of
said corporation.

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

Thos. H. Shaw
Notary Public



STATE OF New Mexico
COUNTY OF Mora)
SS

On this 6th day of September, 1950,
before me personally appeared Leon E. Williams and wife, Marguerite
W. Williams, to me known to be the person described
in and who executed the foregoing instrument, and acknowledged
that he executed the same as his free act and
deed.

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

My Commission Expires

Jan 11 1953

M. W. Trumble
Notary Public

STATE OF NEW MEXICO)
COUNTY OF Chavez)
SS

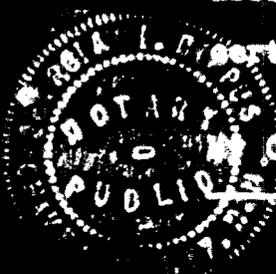
On this 2nd day of September, 1950, before me
personally appeared Earl Knight
to me personally known who being by me duly sworn, did say
that he is the President of Knights
Fraternity, Inc., and that the seal
affixed to said instrument is the corporate seal of said
corporation, and that said instrument was signed and sealed
in behalf of said corporation by authority of its Board of
Directors, and said Earl Knight
acknowledged said instrument to be the free act and deed of
said corporation.

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

My Commission Expires

5-10-54

George L. Bippus
Notary Public



NEW MEXICO OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

APPLICATION FOR APPROVAL OF DIAMOND MOUND UNIT AREA

CHAVES AND EDDY COUNTIES, NEW MEXICO

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

COMES the undersigned, the CONTINENTAL OIL COMPANY, a corporation with offices at Fort Worth, Texas, and files herewith three copies of a proposed Unit Agreement for the development and operation of the Diamond Mound Unit Area embracing lands in Chaves and Eddy Counties, New Mexico, and hereby makes application for the approval of said Unit Agreement by the New Mexico Oil Conservation Commission as provided by law , and in support thereof shows:

1. That the Unit Area designated in said Unit Agreement comprises 27,272.85 acres situated in Townships 15 and 16 South, Ranges 26 and 27 East. That 22,094.81 acres of the lands embraced in said proposed Unit Area are lands of the United States, 4,073.72 acres are State lands and 2,424.32 acres are fee or privately owned lands. That said Unit Area is more particularly described by the plat attached to said Unit Agreement and for purposes of identification marked Exhibit "A".

2. That the Unit Area described in the proposed Unit Agreement has heretofore been designated by the United States Geological Survey as one suitable and proper for unitization and it is believed that said proposed Unit Area embraces substantially all of the geological feature involved. That there is attached hereto, made a part hereof and for purposes of identification marked Exhibit "A" a geological report made by W. Baxter Boyd, Geologist for the Continental Oil Company under date of March 2, 1949, with plat attached thereto referred to

therein as Exhibit "B", which said report and plat are to be treated as confidential, showing the result of core tests made by the Continental Oil Company in said Area. These are the same report and plat which were filed with the Director of the United States Geological Survey and which were used as a basis for the designation of said Area by the Director of the United States Geological Survey as an Area proper and suitable for unitization. A copy of the letter under date of April 8, 1949, of the Acting Director of the United States Geological Survey, designating said Area, is attached hereto, made a part hereof and for purposes of identification marked Exhibit "B".

3. That the undersigned, the Continental Oil Company, is designated as the unit operator in said Agreement and the unit operator is given authority under the terms thereof to carry on all operations which are necessary for the development and operation of the Unit Area for oil and gas subject to all applicable laws and regulations. That Section 8 of said Unit Agreement provides for the commencement of a test well for oil and gas upon some part of the lands embraced in the Unit Area within six months from the effective date of the Unit Agreement and for the drilling thereof to a depth of 10,000 feet unless at a lesser depth oil or gas is discovered which can be produced in paying quantities, or the unit operator shall at any time establish to the satisfaction of the Supervisor as to all wells on Federal land or the Commission as to wells on State or patented land that further drilling would not be warranted.

4. That said Unit Agreement is in substantially the same form as Unit Agreements heretofore approved by the Commissioner of Public Lands in the State of New Mexico, the Secretary of the Interior and the New Mexico Oil Conservation Commission, and it is believed that operations to be carried on under the terms thereof will promote the economical and

efficient recovery of oil and gas to the end that the maximum yield may be obtained from the field or area if oil or gas should be produced in paying quantities, and the production is to be limited to such production as may be put to beneficial use with adequate realization of fuel and other values, and it is further believed that the Agreement will be in the interest of the conservation of oil and gas and the prevention of waste as contemplated by the Oil Conservation Statutes of the State of New Mexico.

5. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval thereof by the Commissioner of Public Lands of the State of New Mexico and the Secretary of the Interior of the United States, an approved copy of said Unit Agreement will be filed with the New Mexico Oil Conservation Commission.

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

Respectfully submitted,

CONTINENTAL OIL COMPANY

By

T. M. Cady

T. M. Cady
Area Land Superintendent
Fort Worth Area

EXHIBIT "A"

**GEOLOGICAL REPORT - DIAMOND MOUND AREA,
TOWNSHIP 16 SOUTH, RANGE 27 EAST,
EDDY COUNTY, NEW MEXICO**

The Diamond Mound Area, Township 16 South, Range 27 East, Eddy County, New Mexico, where the Continental Oil Company proposes to test the oil and gas possibilities to and including the Ellenburger formation, derives its name from a prominent topographic mesa shown and named Diamond Mound on the U.S.G.S. maps of the area. This area is located about six miles north of the west end of the Artesia-Maljamar trend. Oil fields on this trend produce oil from the Grayburg and San Andres formations (Permian).

The attached map, Exhibit "B", is the result of exploration work with the core drill. The top of the Artesia sand, found between 140' and 650', was found to be a reliable structural marker for this part of the geological column. Contouring on this horizon the core drill control reveals a structural terrace five miles wide and seven miles long centering in Township 16 South, Range 27 East. Superimposed on the terrace are minor closures. Across the center of this township the Artesia sand dips eastward only 50' whereas the normal dip in adjacent townships, both east and west, is approximately 55' per mile. It is thought that this core drill terrace indicates the possibility of an anticline in the Pennsylvanian and Pre-Pennsylvanian formations.

The following horizons are considered prospective producing zones under this structural anomaly:

Grayburg (Permian)	1100'
San Andres (Permian)	1400'
Huaco-Upper Pennsylvanian	6200'
Mississippian Limestone	7900'
Hunton Limestone	9000'
Ellenburger (Ordovician)	9600'

In order to test the possibilities of the prospective deep structure under the core drill terrace, one of the minor closures on the terrace has been selected for drilling in Section 11, Township 16 South, Range 27 East. The specific location selected is 660' from the north and east lines of Section 11. This point has been selected because it has been observed in fields on the Artesia-Maljanar trend that Permian production is more apt to occur on the eastern side of such terraces.


W. Baxter Boyd
Division Geologist
Fort Worth Division

March 2, 1949

WBB/gmd

CC: TMC, JAC, WEH, USGS(3), CDV

2-6-x



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

APR - 8 1949

Continental Oil Company,
1710 Fair Building,
Fort Worth 2, Texas.

Gentlemen:

Reference is made to your letter of March 9, 1949, filed in the office of the Oil and Gas Supervisor, Roswell, New Mexico, requesting designation of certain lands in Chaves and Eddy Counties, New Mexico, as logically subject to exploration and development under the unitization provision of the Mineral Leasing Act.

Pursuant to regulations of January 17, 1947, 30 C. F. R., sec. 226.3, the following land is designated as a logical unit area, to be known as the Diamond Mound Unit Area:

New Mexico Principal Meridian
T. 15 S., R. 26 E., sec. 24, ~~SE $\frac{1}{4}$~~
sec. 25, all
sec. 26, ~~SE $\frac{1}{4}$~~
sec. 35, ~~E $\frac{1}{2}$~~
sec. 36, all
T. 15 S., R. 27 E., sec. 19, ~~S $\frac{1}{2}$ E $\frac{1}{2}$, S $\frac{1}{2}$~~
sec. 20, ~~S $\frac{1}{2}$~~
secs. 29, 30 and 31, all
sec. 32, all
sec. 33, ~~W $\frac{1}{2}$ E $\frac{1}{2}$~~
T. 16 S., R. 27 E., secs. 1 to 34 inclusive
sec. 35, ~~NE $\frac{1}{4}$ NW $\frac{1}{4}$~~

The following lands have been included in the area designated above to provide a suitable boundary for the unit area:

T. 15 S., R. 26 E., sec. 36, ~~NE $\frac{1}{4}$ NW $\frac{1}{4}$~~ ✓
T. 15 S., R. 27 E., sec. 32, ~~SE $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$~~ ✓
T. 16 S., R. 27 E., sec. 25, ~~NE $\frac{1}{4}$ SE $\frac{1}{4}$~~ ✓
sec. 26, ~~SE $\frac{1}{4}$ SE $\frac{1}{4}$~~ ✓
sec. 32, ~~W $\frac{1}{2}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$~~ ✓
sec. 33, ~~S $\frac{1}{2}$ SE $\frac{1}{4}$~~ ✓
sec. 34, ~~NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$~~

Any unit agreement submitted for the above described area should conform with section 226.12 of the above cited regulations and provide for a test well 10,000 feet in depth to test the Ellenburger formation of Ordovician age.

In submitting the unit agreement for final approval, the following

changes should be substituted and/or incorporated into the agreement:

- a. Inasmuch as the Secretary has delegated authority to the Director of the Geological Survey to approve standard unit agreements, substitute "Director" for "Secretary" in sections ✓ 16, 17, 18 and 22. For the same reason add, "and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C. F. R. sec. 4.611, 12 F. R. 6784", in the first sentence of the Certification-Determination between "Stat. 950" and "I do hereby:" and substitute "Director United States Geological Survey" for "Secretary of the Interior" at the end of the certification.
- b. The term to be inserted in section 18 should read, "shall terminate in 5 years after such date, unless ...".
- c. When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all Federal acreage showing the current record owner of all issued leases and the current status of all lease applications, if any.
- d. Delete from the end of section 17 of the standard text, "and as to Federal land shall be subject to approval by the Secretary."

Very truly yours,


Acting Director.