

Cw 369

JOHN F. SIMMS
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SIMMS, MODRALL, SEYMOUR & SIMMS
ATTORNEYS AT LAW
ALBUQUERQUE, NEW MEXICO

JAMES E. SPERLING
JOSEPH E. ROEHL
JOHN B. MC MANUS, JR.
GEORGE T. HARRIS, JR.

April 26, 1952.

P.O. BOX 466

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

Re: Application of Bay Petroleum Corporation
for approval of Unit Agreement, E $\frac{1}{2}$, Section 36,
Township 30 North, Range 8 West

Gentlemen:

This office filed, with the Commission, on April 25, 1952, an application for approval of the Unit Agreement covering the property belonging to the State of New Mexico, described above.

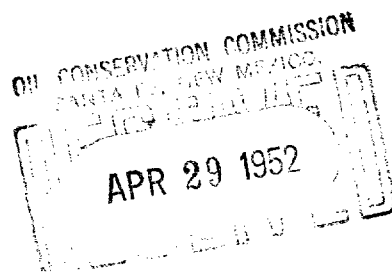
Due to the fact that sufficient copies of the proposed Unit Agreement were not available at the time of filing the application, the necessary copies were not attached thereto. We are, however, enclosing herewith three copies of the proposed Unit Agreement, together with three copies of plat showing production and drilling wells in the vicinity of the proposed unit, which we would appreciate your also attaching to the copies of the application on file with the Commission.

Very truly yours,

SIMMS, MODRALL, SEYMOUR & SIMMS,

By *James E. Sperling*

JES:lg
Enclosures



C-369

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GEORGE T. HARRIS, JR.

June 11, 1952.

Mr. R. R. Spurrior,
Oil Conservation Commission,
Capitol Building,
Santa Fe, New Mexico.

Re: Application for approval of Unit Agreement,
San Juan County, New Mexico, Case No. 369.

Dear Dick:

I am enclosing herewith proposed form of order in connection with the above application. I intended to submit the proposed form at the time of the hearing on the application but it was overlooked until this date.

I want to express my appreciation for the courtesies extended to this office and to the writer in my contacts with the commission.

With kindest personal regards,

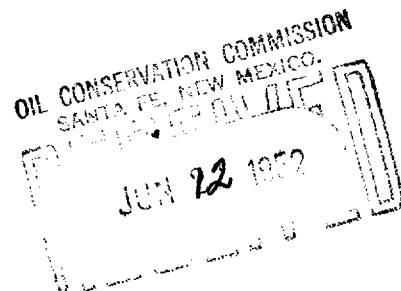
Very truly yours,

SIMMS, MODRALL, SEYMOUR & SIMMS,

By *James E. Sperling*

JES:lg

Enclosure



OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

June 20, 1952

Mr. James E. Sperling
Simms, Modrall, Seymour & Simms
Box 466
Albuquerque, N. M.

Dear Sir:

For your records and those of your client, Bay Petroleum Corporation, we enclose two signed copies of Order R-164 issued by this Commission on June 19 in Case 369, heard before the Commission upon petition of Bay Petroleum Corporation.

Very truly yours,

W. B. Macey
Chief Engineer

WBM:nr

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Y

Case 369

UNIT AGREEMENT

THIS AGREEMENT made and entered into by and between the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner" or "lessor," and The Bay Petroleum Corporation, hereinafter referred to as "Bay," Shelly Oil Company, hereinafter referred to as "Shelly," and El Paso Natural Gas Company, hereinafter referred to as "El Paso Natural" or hereinafter referred to collectively as "lessees," WITNESSETH:

WHEREAS, Bay is the owner of an oil and gas lease covering, among other lands a full interest in the SE $\frac{1}{4}$, Section 36, Township 30 North, Range 8 West, San Juan County, and

WHEREAS, Shelly is the owner of an oil and gas lease covering among other lands a full interest in the NE $\frac{1}{4}$, Section 36, Township 30 North, Range 8 West, and

WHEREAS, El Paso Natural is the owner of an oil and gas lease covering, among other lands, a full interest in the SE $\frac{1}{4}$, Section 36, Township 30 North, Range 8 West, and

WHEREAS the State of New Mexico, by and through its Commissioner of Public Lands is the lessor under said oil and gas leases, and

WHEREAS the Oil Conservation Commission of the State of New Mexico has heretofore established by its order well-spacing on drilling unit of 320 acres in the Blanco Pool and

WHEREAS the Commissioner of Public Lands of the State of New Mexico is authorized to consent to and approve the development or operation of state lands under agreements made by lessees of state land where such agreements provide for the unit operation or development of part or all of any oil or gas pool, field or area, and

WHEREAS the Oil Conservation Commission of the State of New Mexico is authorized to approve such agreement,

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein provided, it is agreed as follows:

1. UNIT AREA: The following described land is hereby designated the unit area:

E $\frac{1}{2}$, Section 36, Township 30 North,
Range 8 West, San Juan County, N. M.

The unit is to be designated for identification purposes as "The Bay-Mesa Verde Unit."

2. UNITIZED SUBSTANCES: All dry gas and/or condensate produced from all formations down to and including the Mesa Verde formation underlying the unit area is unitized under this agreement and called "unitized substances."

3. UNIT OPERATOR: The Bay Petroleum Corporation is hereby designated as Unit Operator and shall have exclusive charge of the development and operation of the Unit Area. Nothing herein, however, shall be construed to transfer title to any oil and gas lease, it being understood that the Unit Operator in such capacity shall exercise the rights of possession of the lessors of the Unit Area for the purposes herein specified.

4. DRILLING AND DEVELOPMENT: If unit operator has not already commenced operations for the drilling of the well herein-after referred to, it shall, within ninety days after the effective date hereof, commence operations for the drilling of a well located 1650 feet from the North line and 1650 feet from the East line of Section 36, Township 30 North, Range 8 West, San Juan County, New Mexico, and thereafter drill such well with due diligence to a depth sufficient to test the Mesa Verde formation found at the approximate depth of 5,200 feet unless unitized substances are found in paying quantities at a lesser depth or an unpenetrable substance is encountered.

All covenants express or implied in each lease covering the Unit Area shall be applicable to the Unit Area as an entirety as if covered by one lease and shall govern the subsequent development and operation of the Unit Area.

5. ALLOCATION OF PRODUCTION AND PAYMENT OF ROYALTY:

For the purpose of determining the payment of royalties due Lessor under the terms of the leases committed to this agreement all production of unitized substances obtained from any part of the Unit Area shall be allocated to the respective leases covering said Unit Area in the proportion that the acreage interest of each lease within the Unit Area bears to the entire acreage interest of the Unit Area, with the same effect as if that proportion of unitized substances so allocated to each lease was obtained from wells drilled thereon. The royalties payable for said production allocated to each oil and gas lease comprising the Unit Area shall be computed and paid on the basis of the proportionate amount of unitized substances allocated to the respective leases and in the manner provided for the payment of royalty described in each of said leases.

6. RENTAL PAYMENT: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

7. EFFECT OF DRILLING AND PRODUCTION: It is agreed that the commencement, drilling, completion and operation of a well on any part of the Unit Area shall for all purposes be considered as the commencement, drilling, completion and operation of a well on each tract included within the Unit Area under the terms and provisions of each and all of the oil and gas leases comprising the Unit Area, and that production of natural gas and/or condensate from any part of the Unit Area shall be deemed to be production of such substances under the terms of each and all of said leases with the same force and effect as if said production was obtained from a well located on the land

covered by each of said leases within the Unit Area.

8. LEASES AMENDED TO CONFORM: The terms and provisions of all oil and gas leases covering the Unit Area upon approval hereof by the Commissioner shall be, and the same 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.

9. TERM: This agreement shall become effective as of the date of approval by the Commissioner hereinafter set out and shall remain in force as long as the leases contributed by both parties are in force as to the acreage within the Unit Area and any extensions or renewals thereof.

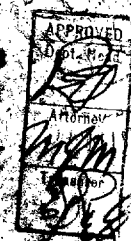
IN WITNESS WHEREOF, the parties hereto have executed this agreement this ____ day of April, 1952,

STATE OF NEW MEXICO

Date of
Approval

By Guy Shepard 7/1/52
Guy Shepard
Commissioner of Public Lands

THE HALL PETROLEUM CORPORATION, Execution Date:
By Leo Louabo 6-30-52
Vice President



Approved by
Permit

SHULL OIL COMPANY,

By Archey Hayden 6-20-52
Vice President

EL PASO NATURAL GAS COMPANY

By W. Perkins 5-27-52
Vice President

LESSEES

STATE OF COLORADO)

City & County of Denver) ss.

On this 30th day of June, 1952, before me personally appeared Les L. Lebo, to me personally known, who, being by me duly sworn, did say that he is Vice President of THE HAY PETROLEUM CORPORATION, and that the seal affixed to the foregoing 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 Les L. Lebo 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 first above written.

Mayhelle J. Meyer
Notary Public

My commission expires 11-30-53

STATE OF OKLAHOMA)

County of Adair) ss.

On this 27th day of April, 1952, before me personally appeared W. H. H. H., to me personally known, who, being by me duly sworn, did say that he is Vice President of the SKELLY OIL COMPANY, and that the seal affixed to the foregoing 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 W. H. H. H. 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 first above written.

Harold M. Brady
Notary Public

Harold M. Brady
Notary Public, Adair County, Oklahoma
My commission expires January 1, 1953

STATE OF TEXAS)

County of EL PASO) ss.

On this 27th day of MAY, 1952, before me personally appeared C. L. Perkins, to me personally known, who, being by me duly sworn, did say that he is Vice President of the EL PASO NATURAL GAS COMPANY and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument is signed and sealed in behalf of said corporation by authority of its Board of Directors, and said C. L. Perkins 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 first above written.

Elie M. Richardson
Notary Public

Elie M. Richardson
Notary Public, in and for El Paso County, Texas
My commission expires June 1, 1953
My commission expires