

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE LANGLIE LYNN (QUEEN) UNIT  
LEA COUNTY, NEW MEXICO

EXHIBIT NO. 1  
OIL & GAS REPORT NO. 1  
4839-4840  
Continental Oil Co  
Oct 4, 1972

U N I T   A G R E E M E N T

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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 Supervisor of the Geological Survey (33 F.R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the LANGLEY LYNN (QUEEN) UNIT AREA, County of Lea, 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  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
LANGLIE LYNN (QUEEN) UNIT AREA  
COUNTY OF LEA  
STATE OF NEW MEXICO

1           THIS AGREEMENT, entered into as of the 1 day of July,  
2           19 72, by and between the parties subscribing, ratifying or  
3           consenting hereto, and herein referred to as the "parties hereto",

4           W I T N E S S E T H:

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

8           WHEREAS, the term "Working Interest" as used herein  
9           shall mean the interest held in Unitized Substances or in lands  
10          containing Unitized Substances by virtue of a lease, operating  
11          agreement, fee title, or otherwise, which is chargeable with and  
12          obligated to pay or bear all or a portion of the costs of drill-  
13          ing, developing, producing, and operating the land under the unit  
14          or cooperative agreement. "Royalty Interest" as used herein shall  
15          mean a right to or interest in any portion of the Unitized Sub-  
16          stances or proceeds thereof other than a Working Interest; and

17          WHEREAS, the Mineral Leasing Act of February 25, 1920,  
18          41 Stat. 437, as amended, 30 U. S. C. Secs. 181 et seq., authorized  
19          Federal lessees and their representatives to unite with each  
20          other, or jointly or separately with others, in collectively  
21          adopting and operating a cooperative or unit plan of development  
22          or operation of any oil or gas pool, field or like area, or any  
23          part thereof for the purpose of more properly conserving the  
24          natural resources thereof whenever determined and certified by  
25          the Secretary of the Interior to be necessary or advisable in the  
26          public interest; and

1           WHEREAS, the Commissioner of Public Lands of the State  
2 of New Mexico hereinafter referred to as "Commissioner", is authorized  
3 by an Act of the Legislature (Sec. 1, Chap. 88, Laws of 1943 as amended  
4 by Sec. 1 of Chap. 176, Laws of 1961, Chap. 7 Art. 11, Section 39,  
5 N.M.S. 1953 anno) to consent to or approve this Agreement on behalf  
6 of the State of New Mexico, insofar as it covers and includes lands  
7 and mineral interests of the State of New Mexico; and

8           WHEREAS, the Commissioner of Public Lands of the State of  
9 New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap.  
10 88, Laws of 1943 as amended by Sec. 1 of Chap. 176, Laws of 1961, Chap. 7  
11 Art. 11, Section 39, N.M.S. 1953 anno) to amend with the approval of  
12 the lessee, any oil and gas lease embracing State lands so that the  
13 length of the term of said lease may coincide with the term of such  
14 unitized development and operation of State lands; and

15           WHEREAS, the Oil Conservation Commission of the State of  
16 New Mexico hereinafter referred to as "Commission" is authorized by  
17 law (Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of 1937,  
18 Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949, Chap. 65, Art.  
19 3, Sec. 14, N.M.S., 1953 anno) to approve this Agreement, and the  
20 conservation provisions hereof, and

21           WHEREAS, the parties hereto hold sufficient interests in  
22 the Langlie Lynn (Queen) Unit Area covering the land hereinafter des-  
23 cribed to give reasonably effective control of operations herein; and

24           WHEREAS, it is the purpose of the parties hereto to con-  
25 serve natural resources, prevent waste, and secure other benefits  
26 obtainable through development and operation of the Area subject  
27 to this Agreement under the terms, conditions and limitations herein  
28 set forth;

29           NOW THEREFORE, in consideration of the premises and the  
30 promises herein contained, the parties hereto commit to this agree-  
31 ment their respective interests in the below-defined Unit Area, and  
32 agree severally among themselves as follows:

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

13           2. UNIT AREA. The area specified on the plat attached  
14 hereto marked Exhibit "A" is hereby designated and recognized as  
15 constituting the Unit Area, containing 760 acres, more or less.

16           Exhibit "A" shows, in addition to the boundary of the Unit  
17 Area, the boundaries and identity of tracts and leases in said  
18 Area to the extent known to the Unit Operator. Exhibit "B" attached  
19 hereto is a schedule showing to the extent known to the Unit Operator  
20 the acreage, percentage and kind of ownership of oil interests  
21 in all land in the Unit Area. Exhibit "C" attached hereto, is a  
22 schedule showing the percentage of participation credited to each  
23 Tract in the Unit Area based upon a presumed one hundred percent  
24 (100%) commitment. (Tract means each parcel of land described as  
25 such and given a Tract Number in Exhibit "B".) However, nothing  
26 herein or in said schedule or map shall be construed as a repre-  
27 sentation by any party as to the ownership of any interest other  
28 than such interest or interests as are shown in said map or schedule  
29 as owned by such party. Exhibits "A" and "B" shall be revised by  
30 the Unit Operator whenever changes in the Unit Area render such  
31 revision necessary, or when requested by the Commissioner or by the

1 Oil and Gas Supervisor, hereinafter referred to as "Supervisor",  
2 and not less than six (6) copies of the revised exhibits shall be  
3 filed with the Supervisor and at least two copies shall be filed  
4 with the Commissioner.

5 3. EXPANSION OF UNIT AREA. It is recognized that at some  
6 time or times in the future it might be desirable and beneficial  
7 to expand the Unit Area to include therein additional Tracts of  
8 land. The Unit Area may, therefore, with the approval of the Commissioner,  
9 and the Director of the United States Geological Survey, hereinafter  
10 referred to as "Director", be expanded to include therein any additional  
11 Tract or Tracts, whenever such expansion is necessary or advisable  
12 to conform with the purposes of this Agreement, and Unit Operator,  
13 acting on behalf of the Working Interest Owners collectively, after  
14 being duly authorized by them as provided for in the Unit Operating  
15 Agreement, has negotiated an agreement or agreements with the owners  
16 of such Tract or Tracts fixing the tract participation of each such  
17 Tract and committing such owners to this Agreement and to the Unit  
18 Operating Agreement. Whenever the Unit Area is enlarged so as to  
19 admit additional land qualified for participation, Exhibit "C" shall  
20 be revised as set forth in Section 12, Participation and Allocation  
21 of Production. Any such expansion shall be effected in the following  
22 manner:

23 (a) Unit Operator, on its own motion, after preliminary  
24 concurrence by the Director and Commissioner, shall prepare  
25 a notice of proposed expansion describing the contemplated  
26 changes in the boundaries of the Unit Area, the reasons  
27 therefore, and the proposed effective date thereof, pre-  
28 ferably the first day of a month subsequent to the date  
29 of notice.

30 (b) Said notice shall be delivered to the Supervisor and  
31 Commissioner, and copies thereof mailed to the last known

1 address of each Working Interest Owner, Lessee, and Lessor  
2 whose interests are affected, advising that thirty (30)  
3 days will be allowed for submission to the Unit Operator  
4 of any objections.

5 (c) Upon expiration of the thirty (30) day period pro-  
6 vided in the preceding item (b) hereof, Unit Operator shall  
7 file with the Supervisor and Commissioner evidence of mailing  
8 of the notice of expansion and a copy of any objections  
9 thereto which have been filed with the Unit Operator,  
10 together with an application in sufficient number, for approval  
11 of such expansion and with appropriate joinders.

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

16 4. UNITIZED LAND AND UNITIZED SUBSTANCES. All land com-  
17 mitted to this Agreement as provided in Section 5, Tracts Qualified  
18 for Participation, as to the Unitized formation defined immediately  
19 below, shall constitute land referred to herein as "Unitized Land"  
20 or "land subject to this agreement". All oil, gas, gaseous substances,  
21 sulphur contained in gas, condensate, and all associated and constituent  
22 liquid or liquefiable hydrocarbons in the Unitized Formation are  
23 unitized under the terms of this Agreement and herein is called  
24 "Unitized Substances".

25 "Unitized Formation" is defined as the interval between the  
26 top of the Penrose (Queen) formation to a point 100 feet above the  
27 top of the Queen formation. The top of the Queen formation and the  
28 top of the Penrose (Queen) formation are shown at the depths of 3548'  
29 and 3710'; respectively, on the Gamma-Ray-Sonic log run in the Albert  
30 Gackle-Sinclair "A" State No. 6 located 660' from the South line and  
31 1980 feet from the West line of Section 23, Township 23 South Range  
32 36 East, N.M.P.M.



1           5. TRACTS QUALIFIED FOR PARTICIPATION. Inasmuch as the  
2 objective of this Unit Agreement is to have lands in the Unit Area  
3 operated and entitled to participation under the terms hereof, no  
4 joinder shall be considered a commitment to this Unit Agreement unless  
5 the Tract involved is qualified under this Section. On or after the  
6 effective date hereof, the Tracts within the Unit Area which shall  
7 be entitled to participation in the production of Unitized Substances  
8 therefrom shall be those Tracts within the Unit Area more particularly  
9 described in Exhibit "B" that are qualified as follows (for the pur-  
10 poses of this section, the record interest shall replace the royalty  
11 interest as to Federal Land):

12           (a) Each Tract as to which Working Interest Owners owning  
13 one hundred percent (100%) of the Working Interest have  
14 signed or ratified this Agreement and the Unit Operating  
15 Agreement, and Royalty Owners owning seventy-five percent  
16 (75%) or more of the royalty created by the basic leases  
17 have signed or ratified this Agreement;

18           (b) Each Tract as to which Working Interest Owners owning  
19 one hundred percent (100%) of the Working Interest have  
20 signed or ratified this Agreement and the Unit Operating  
21 Agreement, and Royalty Owners owning less than seventy-five  
22 percent (75%) of the royalty interests created by the basic  
23 leases have signed or ratified this agreement, and as to which  
24 (1) all Working Interest Owners in such Tract join in a  
25 request for inclusion of such Tract in Unit Participation  
26 upon the basis of such commitment status, and further as to  
27 which (2) seventy-five percent (75%) or more of the combined  
28 voting interests of Working Interest Owners in all Tracts  
29 which meet the requirements of Subsection 5(a) vote in favor  
30 of the acceptance of such Tract as qualified. For the pur-  
31 pose of this Subsection 5(b), the voting interest of each

1 Working Interest Owner shall be equal to the ratio (expressed  
2 in percentage) which the total of such Working Interest  
3 Owner's percentage participation in all Tracts which qualify  
4 under Subsection 5(a), bears to the total percentage parti-  
5 cipation of all Working Interest Owners in all Tracts which  
6 qualify under said Subsection 5(a) as such percentages are  
7 shown on Exhibit "C";

8 (c) Each Tract as to which Working Interest Owners owning  
9 less than one hundred percent (100%) of the Working Interest  
10 have signed or ratified this Agreement and the Unit Operating  
11 Agreement, regardless of the percentage of royalty interest  
12 therein that is committed hereto, and as to which (1) the  
13 Working Interest Owners who operate the Tract and all of the  
14 other subscribing Working Interest Owners in such Tract have  
15 joined in a request for inclusion of such Tract in Unit  
16 participation upon the basis of such commitment status and  
17 have tendered and executed and delivered an indemnity agree-  
18 ment, indemnifying and agreeing to hold the owners of the  
19 working interests in the other qualified Tracts harmless  
20 from and against any and all claims and demands that may be  
21 made by the non-subscribing Working Interest Owners in such  
22 Tract on account of the inclusion of the same in Unit parti-  
23 cipation, and further as to which (2) seventy-five percent  
24 (75%) or more of the combined voting interests of the Working  
25 Interest Owners in all Tracts which meet the requirements  
26 of Subsections 5(a) and 5(b) above, vote in favor of the  
27 inclusion of such Tract. For the purpose of this Subsection  
28 5(c), the voting interest of each Working Interest Owner  
29 shall be equal to the ratio (expressed in percentage) which  
30 the total of such Working Interest Owner's percentage parti-  
31 cipation attributed to Tracts which qualify under Subsections

1           5(a) and 5(b) bears to the total percentage of all Working  
2           Interest Owners attributed to all Tracts which qualify under  
3           Subsections 5(a) and 5(b), as such percentages are set out  
4           in Exhibit "C".

5           6. UNIT OPERATOR. Continental Oil Company is hereby designated  
6           as Unit Operator, and by signature hereto as Unit Operator agrees and  
7           consents to accept the duties and obligations of Unit Operator for the  
8           development and production of Unitized Substances as herein provided.  
9           Whenever reference is made herein to the Unit Operator, such reference  
10          means the Unit Operator acting in that capacity and not as an owner  
11          of interest in Unitized Substances, and the term "Working Interest Owner"  
12          when used herein shall include or refer to Unit Operator as the owner  
13          of a Working Interest when such an interest is owned by it.

14          7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator  
15          shall have the right to resign at any time, but such resignation shall  
16          not become effective so as to release Unit Operator from the duties  
17          and obligations of Unit Operator and terminate that Operator's rights  
18          as such for a period of six (6) months after notice of intention to  
19          resign has been served by Unit Operator on all Working Interest Owners,  
20          the Director and the Commissioner, and until all wells are placed in  
21          a satisfactory condition for suspension or abandonment whichever is  
22          required by the Supervisor, or the Commission, unless a new Unit Operator  
23          shall have been selected and accepted and shall have taken over and  
24          assumed the duties and obligations of Unit Operator prior to the  
25          expiration of said period.

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

29                 The Unit Operator may, upon default or failure in the per-  
30          formance of its duties or obligations hereunder, be subject to removal  
31          by an affirmative vote of the Working Interest Owners of at least

1 ninety percent (90%) of the voting interest remaining after excluding  
2 the voting interest of the Unit Operator. Such removal shall be  
3 effective upon notice thereof to the Director and the Commissioner.  
4 In all such instances of resignation or removal, until a successor  
5 Unit Operator is selected and accepted as hereinafter provided, the  
6 Working Interest Owners shall be jointly responsible for performance  
7 of the duties of Unit Operator and shall, not later than thirty (30)  
8 days before such resignation or removal becomes effective, appoint a  
9 common agent to represent them in any action to be taken hereunder.

10 The resignation or removal of Unit Operator under this Agree-  
11 ment shall not terminate its rights, title or interest as the owner  
12 of a Working Interest or other interest in Unitized Substances, but  
13 upon the resignation or removal of Unit Operator becoming effective,  
14 such Unit Operator shall deliver possession of all wells, equipment,  
15 materials and appurtenances used in conducting the Unit operations and  
16 owned by the Working Interest Owners to the new duly qualified successor  
17 Unit Operator or to the owners thereof if no such new Unit Operator is  
18 elected, to be used for the purpose of conducting Unit operations  
19 hereunder. Nothing herein shall be construed as authorizing removal  
20 of any material, equipment and appurtenances needed for the preservation  
21 of any wells.

22 8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator  
23 shall tender his or its resignation as Unit Operator or shall be  
24 removed as hereinabove provided, or a change of Unit Operator is  
25 negotiated by Working Interest Owners, a successor Unit Operator  
26 shall be selected by Working Interest Owners voting according to  
27 their respective Tract participation in all unitized land by a  
28 majority vote; provided, that, if a majority but less than 75  
29 percent of the Working Interests qualified to vote are owned by  
30 one party to this agreement, a concurring vote of one or more  
31 additional Working Interest Owners shall be required to select a

1 new Operator. Such selection shall not become effective until:

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

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

6 If no successor Unit Operator is selected and qualified as  
7 herein provided, the Director or Commissioner at their election may  
8 declare this Unit Agreement terminated.

9 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.

10 If the Unit Operator is not the sole owner of Working Interest, costs  
11 and expenses incurred by Unit Operator in conducting Unit operations  
12 hereunder shall be paid and apportioned among and borne by the owners  
13 of Working Interests, all in accordance with the agreement or agree-  
14 ments, whether one or more, separately or collectively, entered into  
15 by and between the Unit Operator and the owners of Working Interests.  
16 Any agreement or agreements, whether one or more, entered into between  
17 the Working Interest Owners and the Unit Operator as provided in this  
18 section are herein referred to as the "Unit Operating Agreement".

19 Such Unit Operating Agreement shall also set forth such  
20 other rights and obligations as between Unit Operator and the Working  
21 Interest Owners as may be agreed upon by Unit Operator and the Working  
22 Interest Owners; however, no such Unit Operating Agreement shall be  
23 deemed either to modify any of the terms and conditions of this Unit  
24 Agreement or to relieve the Unit Operator of any right or obligation  
25 established under this Unit Agreement, and in case of any inconsistency  
26 or conflict between the Unit Agreement and the Unit Operating Agreement,  
27 this Unit Agreement shall prevail. Three (3) true copies of any Unit  
28 Operating Agreement executed pursuant to this section shall be filed  
29 with the Supervisor prior to approval of this Unit Agreement, and  
30 thereafter promptly after any revision or amendment.

31 10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as

1 otherwise specifically provided herein, the exclusive right,  
2 privilege, and duty of exercising any and all rights of the parties  
3 hereto, including surface rights, which are necessary or convenient  
4 for prospecting for, producing, storing, allocating and distributing  
5 the Unitized Substances are hereby delegated to and shall be  
6 exercised by the Unit Operator as herein provided. Acceptable  
7 evidence of title to said rights shall be deposited with said  
8 Unit Operator upon his request and, together with this Agreement,  
9 shall constitute and define the rights, privileges and obligations of  
10 Unit Operator. Nothing herein, however, shall be construed to  
11 transfer title to any land or to any lease or operating agreement,  
12 it being understood that under this Agreement the Unit Operator, in  
13 its capacity as Unit Operator, shall exercise the rights of possession  
14 and use vested in the parties hereto only for the purposes herein  
15 specified.

16 11. PLAN OF OPERATION. It is recognized and agreed by  
17 the parties hereto that the Unit Area is developed and productive,  
18 and only such drilling as is incidental to a secondary recovery or  
19 pressure maintenance program is contemplated.

20 Inasmuch as the primary purpose of this Unit Agreement is  
21 to permit the institution and consummation of a secondary recovery  
22 or pressure maintenance program for the maximum economic production  
23 of Unitized Substances consistent with good engineering and conservation  
24 practices, Unit Operator, concurrently with the filing of the Unit  
25 Agreement for final approval shall submit to the Supervisor and  
26 Commissioner, a plan of operation for the Unitized Land, and upon  
27 approval thereof such plan shall constitute the future operating  
28 obligations of the Unit Operator under this Unit Agreement for the  
29 period specified therein. Thereafter, from time to time before the  
30 expiration of any existing plan, the Unit Operator shall submit for  
31 like approval a plan for an additional specified period of operation;

1 said plan or plans shall be modified or supplemented when neces-  
2 sary to meet changed conditions, or to protect the interest of  
3 all parties to the Unit Agreement. Reasonable diligence shall be  
4 exercised in complying with the obligations of any approved plan  
5 of operation.

6 Unit Operator shall have the right to inject into the  
7 Unitized Formation any substances for secondary recovery or pres-  
8 sure maintenance purposes in accordance with a plan of operation  
9 approved by the Supervisor and Commissioner, including the right to  
10 drill and maintain injection wells on the Unitized Land and completed  
11 in the Unitized Formation, and to use abandoned well or wells produc-  
12 ing from the Unitized Formation for said purpose, and the parties  
13 hereto, to the extent of their rights and interests, hereby grant  
14 to the Unit Operator the right to use as much of the surface of the  
15 land within the Unit Area as may be reasonably necessary for the  
16 operation and the development of the Unit Area hereunder. Unit  
17 Operator shall have free use of water from the Unitized Land for  
18 operations hereunder and for operations on adjacent lands except  
19 water from surface owner's and Royalty Owner's fresh water wells,  
20 private lakes, ponds or irrigation ditches.

21 12. PARTICIPATION AND ALLOCATION OF PRODUCTION. On  
22 the effective date hereof, the Tract Participation of each Tract  
23 shall be based upon the following factors and formula as represented  
24 and shown on the tabulation prepared by the Langlie Lynn (Queen) Unit  
25 Engineering Committee report (Table No. 5) as revised April 21, 1970.

26 80%  $\frac{\text{Tract Estimated Ultimate Primary Recovery}}{\text{Estimated Ultimate Primary Recovery-Unit Area}}$

27 15%  $\frac{\text{Tract Current Revenue}}{\text{Current Revenue-Unit Area}}$

28 5%  $\frac{\text{Tract Current Oil Producing Rate}}{\text{Current Oil Producing Rate-Unit Area}}$

29 The figure set forth opposite each Tract in Exhibit "C"  
30 represents the Tract Participation to which such Tract is entitled  
31 if all said Tracts are committed hereto and qualified as of the effective

1 date of this Agreement

2 Promptly after approval of the Unit Agreement, if all Tracts  
3 are not qualified hereto, Unit Operator shall revise Exhibit "C" to  
4 show all Tracts qualified for participation under this Agreement by  
5 setting forth opposite each Tract a revised Tract Participation  
6 therefor, which shall be calculated by using the same Tract factors  
7 and formulas which were used to arrive at the Tract Participation of  
8 each tract as set out in the original Exhibit "C" but applying the  
9 same only to those Tracts which are qualified for participation as  
10 of the effective date of this Unit Agreement. Said revised Exhibit  
11 "C" shall be subject to approval by the Supervisor and Commissioner  
12 and shall be effective as of the effective date of this Unit Agreement.

13 If after the effective date of this Agreement any Tract or  
14 Tracts are subsequently committed hereto because of expansion of the  
15 Unit under Section 3, Expansion of Unit Area, under the provisions  
16 of Section 30, Subsequent Joinder, or if any Tract is eliminated  
17 from the Unit Agreement as provided in Section 29, Loss of Title,  
18 the schedule of participation as shown in Exhibit "C" shall be  
19 revised by the Unit Operator to show the new Tract Participations  
20 of all the then qualified Tracts, and the revised Exhibit "C",  
21 upon approval by the Commissioner and by the Supervisor, shall  
22 govern the allocation of production from the effective date thereof  
23 until a new schedule is so approved. In any such revised Exhibit  
24 "C", pursuant to this paragraph, the Tract Participation of the  
25 previously qualified Tracts shall remain in the same ratio one  
26 to the other.

27 On the effective date of this Agreement, and thereafter,  
28 all Unitized Substances produced hereunder (except any part thereof  
29 used in conformity with good operating practices for drilling,



1 operating, camp and other production or development purposes, for  
2 pressure maintenance or secondary recovery operations in accordance  
3 with a plan of operation approved by the Supervisor and Commissioner,  
4 or unavoidably lost), shall be deemed to be produced from the several  
5 Tracts of Unitized Land, and for the purpose of determining any benefits  
6 accruing under this Agreement each such Tract shall have allocated  
7 to it that percentage of said production equal to its Tract Partici-  
8 pation effective hereunder during the respective period such Unitized  
9 Substances were produced, as set out in Exhibit "C".

10 The amount of Unitized Substances allocated to each Tract  
11 shall be deemed to be produced from such Tract irrespective of the  
12 location of the wells from which the same is produced and regardless  
13 of depletion of wells or Tracts. In the absence of a controlling  
14 contract or agreement to the contrary, when two or more leases, or  
15 part or parts thereof, have been combined into a single Tract, the  
16 percentage participation assigned to such Tract shall for all purposes  
17 be divided among the separate leases, or part or parts thereof  
18 which has been put into such Tract, in proportion to the number of  
19 surface acres of the lease, or part or parts thereof contained in  
20 such Tract, to the total surface acres contained in said Tract.

21 13. ROYALTY SETTLEMENT. The State of New Mexico, the  
22 United States and all Royalty Owners who, under existing contract,  
23 are entitled to take in kind a share of the substances now unitized  
24 hereunder produced from any tract, shall hereafter be entitled to the  
25 right to take in kind their share of the Unitized Substances allocated  
26 to such tract, and Unit Operator shall make deliveries of such  
27 royalty share taken in kind in conformity with the applicable con-  
28 tracts, laws and regulations. Settlement for Royalty Interest not  
29 taken in kind shall be made by Working Interest Owners responsible  
30 therefore under existing contracts, laws and regulations on or before  
31 the last day of each month for Unitized Substances produced during

1 the preceding calendar month; provided, however, that nothing  
2 herein contained shall operate to relieve the lessees of any land  
3 from their respective lease obligations for the payment of any  
4 royalties due under their leases.

5 If gas obtained from lands or formations not subject to  
6 this Agreement is introduced into the Unitized Formation hereunder,  
7 for use in repressuring, stimulation of production, or increasing  
8 ultimate recovery, which shall be in conformity with a plan first  
9 approved by the Supervisor, a like amount of gas less appropriate  
10 deduction for loss or depletion from any cause, may be withdrawn  
11 from the Unitized Formation, royalty free as to dry gas, but not as  
12 to the products extracted therefrom; provided that such withdrawal  
13 shall be at such time as may be provided in the approved Plan of Opera-  
14 tions or as may otherwise be consented to by the Supervisor and Com-  
15 mission as conforming to good petroleum engineering practice; and pro-  
16 vided further, that such right of withdrawal shall terminate on the  
17 termination of this Unit Agreement.

18 If natural gasoline, liquid petroleum gas fractions or  
19 other liquid hydrocarbon substances (herein collectively called  
20 "LPG's") which were not extracted from gas produced from the Unitized  
21 Formation are injected into the Unitized Formation, which shall be  
22 in conformity with a plan of operation first approved as provided  
23 above, Working Interest Owners shall be entitled to recover, royalty  
24 free, part or all of such "LPG's" pursuant to such conditions and  
25 formulas as may be prescribed or approved by the Supervisor and Commission.

26 Royalty due the United States shall be computed as pro-  
27 vided in the operating regulations and paid in value or delivered  
28 in kind as to all Unitized Substances on the basis of the amounts  
29 thereof allocated to unitized Federal land as provided herein at  
30 the rates specified in the respective Federal leases, or at such  
31 lower rates as may be authorized by law or regulation; provided

1 that for leases on which the royalty rate depends on the daily  
2 average production per well, said average production shall be deter-  
3 mined in accordance with the operating regulations as though the  
4 Unitized Lands were a single consolidated lease.

5 Royalty due the State of New Mexico shall be computed and  
6 paid on the basis of the amounts allocated to Unitized State Land as  
7 provided herein at the rate specified in the State Oil and Gas Lease.

8 Each Royalty Owner (other than the State of New Mexico and  
9 the United States of America) that executes this Agreement represents  
10 that it is the owner of a Royalty Interest in the Tract or Tracts  
11 within the Unit Area as its interest appears in Exhibit "B" attached  
12 hereto. If any Royalty Interest in a Tract or Tracts should be lost  
13 by title failure or otherwise, in whole or in part, during the term  
14 of this Agreement, then the Royalty Interest of the party representing  
15 himself to be the owner thereof shall be reduced proportionately and  
16 the interest of all parties in the affected Tract or Tracts shall be  
17 adjusted accordingly.

18 14. RENTAL SETTLEMENT. Rental or minimum royalties due on  
19 leases committed hereto shall be paid by Working Interest Owners  
20 responsible therefore under existing contracts, laws and regulations,  
21 provided that nothing herein contained shall operate to relieve the  
22 lessees of any land from their respective lease obligations for the  
23 payment of any rental or minimum royalty in lieu thereof due under  
24 their leases. Rental for lands of the State of New Mexico subject  
25 to this Agreement shall be paid at the rate specified in the respective  
26 leases from the State of New Mexico. Rental and minimum royalty for  
27 lands of the United States subject to this Agreement shall be paid  
28 at the rate specified in the respective leases from the United States  
29 unless such rental or minimum royalty is waived, suspended or reduced  
30 by law or by approval of the Secretary of the Interior of the United  
31 States hereinafter referred to as "Secretary", or his duly authorized

1 representative.

2 15. CONSERVATION. Operations hereunder and production of  
3 Unitized Substances shall be conducted to provide for the most eco-  
4 nomical and efficient recovery of said substances without waste, as  
5 defined by or pursuant to State or Federal law or regulation.

6 16. DRAINAGE. The Unit Operator shall take appropriate  
7 and adequate measures to prevent drainage of Unitized Substances  
8 from Unitized Land by wells on land not subject to this Agreement  
9 or, with prior consent of the Director pursuant to applicable  
10 regulations, pay a fair and reasonable compensatory royalty as  
11 determined by the Supervisor. In the event compensatory royalty is  
12 so paid, it shall be treated in the same manner as Unitized Substances.

13 17. GAUGE OF MERCHANTABLE OIL. Unit Operator shall make a  
14 proper and timely gauge of all leases and other tanks within the Unit  
15 Area and associated with the operation of Unitized Land in order  
16 to ascertain the amount of merchantable oil above the pipeline  
17 connections in such tanks at 7:00 a.m. on the effective date hereof.  
18 All such oil shall be and remain the property of the parties entitled  
19 thereto the same as if the Unit had not been formed; and such parties  
20 shall promptly remove said oil from said tanks. Any such oil not  
21 so removed shall be sold by Unit Operator for the account of parties  
22 entitled thereto, subject to the payment of all royalties, overriding  
23 royalties, production payments, and all other payments under the terms  
24 and provisions of the applicable lease, leases, or other contracts.  
25 If, as of the effective date hereof, any Tract of Unitized Land is  
26 overproduced with respect to the allowable of the wells on such Tract  
27 and the amount of overproduction has been sold or otherwise disposed  
28 of, such overproduction shall be regarded as a part of the Unitized  
29 Substances produced after the effective date hereof and shall be charged  
30 to such Tract as having been delivered to the parties entitled to  
31 Unitized Substances allocated to such Tract.

1           18. LEASE AND CONTRACTS CONFORMED AND EXTENDED. The terms,  
2 conditions, and provisions of all leases, subleases, and other con-  
3 tracts relating to exploration, drilling, development, or operation  
4 for oil or gas of lands committed to this Agreement are hereby ex-  
5 pressly modified and amended to the extent necessary to make the same  
6 conform to the provisions hereof, but otherwise to remain in full  
7 force and effect; and the parties hereto hereby consent that the  
8 Secretary shall and by his approval hereof, or by the approval hereof  
9 by his duly authorized representative, does hereby establish, alter,  
10 change, or revoke the drilling, producing rental, minimum royalty,  
11 and royalty requirements of Federal leases committed hereto and the  
12 regulations in respect thereto to conform said requirements to the  
13 provisions of this Agreement. Without limiting the generality of  
14 the foregoing, all leases, subleases, and contracts are particularly  
15 modified in accordance with the following:

16           (a) The development and operation of lands subject to  
17 this Agreement under the terms hereof shall be deemed  
18 full performance of all obligations for development and  
19 operation with respect to each and every part or separately  
20 owned Tract subject to this Agreement, regardless of whether  
21 there is any development of any particular part or Tract  
22 of the Unitized Land, notwithstanding anything to the  
23 contrary in any lease, operating agreement or other contract  
24 by and between the parties hereto, or their respective pre-  
25 decessors in interest, or any of them.

26           (b) Drilling and producing operations performed here-  
27 under upon any Tract of Unitized Land will be accepted  
28 and deemed to be performed upon and for the benefit of  
29 each and every Tract of Unitized Land, and no lease shall  
30 be deemed to expire by reason of failure to drill or pro-  
31 duce wells situated on the land therein embraced.

1 (c) Suspension of drilling or producing operations on all  
2 Unitized Land pursuant to direction or consent of the  
3 Secretary or his duly authorized representative shall be  
4 deemed to constitute such suspension pursuant to such  
5 direction or consent as to each and every Tract of Unitized  
6 Land.

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

14 (e) Termination of this Agreement shall not affect any lease  
15 which, pursuant to the terms thereof or any applicable  
16 laws, shall continue in force and effect thereafter.

17 (f) Any lease embracing lands of the State of New Mexico  
18 which is made subject to this Agreement shall continue in  
19 force beyond the term provided therein as to the lands  
20 committed hereto until the termination hereof.

21 (g) Any lease embracing lands of the State of New Mexico  
22 having only a portion of its land committed hereto shall be  
23 segregated as to that portion committed and that not committed,  
24 and the terms of such lease shall apply separately to such  
25 segregated portions commencing as of the effective date hereof.  
26 It is further provided, however, that notwithstanding any  
27 of the provisions of this Agreement to the contrary, such  
28 lease shall continue in full force and effect beyond the  
29 terms provided therein as to all lands embraced in such  
30 lease if oil or gas is, or has heretofore been, discovered  
31 in paying quantities on some part of the lands embraced in

1 such lease committed to this Agreement or, so long as a  
2 portion of the Unitized Substances produced from the Unit  
3 Area is, under the terms of this Agreement, allocated to the  
4 portion of the lands covered by such lease committed to this  
5 Agreement, or, at any time during the term hereof, as to any  
6 lease that is then valid and subsisting and upon which the  
7 lessee or the Unit Operator is then engaged in bona fide  
8 drilling, reworking, or secondary recovery operations on any  
9 part of the lands embraced in such lease; then the same,  
10 as to all lands embraced therein, shall remain in full force  
11 and effect so long as such operations are diligently prosecuted,  
12 and, if they result in the production of oil or gas, said lease  
13 shall continue in full force and effect as to all of the lands  
14 embraced therein so long thereafter as oil or gas in paying  
15 quantities is being produced from any portion of said lands.

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

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

1 of the parties hereto and their successors in interest until this  
2 Agreement terminates, and any grant, transfer, or conveyance, of  
3 interest in land or leases subject hereto shall be and hereby is  
4 conditioned upon the assumption of all privileges and obligations  
5 hereunder by the grantee, transferee, or other successor in interest.  
6 No assignment or transfer of any Working Interest shall be binding  
7 upon Unit Operator nor shall any transfer of any Royalty Interest or  
8 other interest be binding on the Working Interest Owners responsible  
9 for payment or settlement thereof, until the first day of the calendar  
10 month after Unit Operator or the responsible Working Interest Owner,  
11 as the case may be, is furnished with the original, photostat or  
12 certified copy of the instrument of transfer.

13 20. EFFECTIVE DATE. This Agreement shall become binding  
14 upon each party who executes or ratifies it as of the date of  
15 execution or ratification by such party and shall become effective as  
16 of 7:00 a.m. on the first day of the calendar month next following the  
17 approval of this Agreement by the Commission, Commissioner and the  
18 Secretary or his duly authorized delegate; and provided further, that  
19 if the Unit Agreement is not filed for final approval on or before  
20 January 1, 1973, this Agreement shall ipso facto expire on said  
21 date (hereinafter called "expiration date") and thereafter be of no  
22 further force or effect, unless prior thereto this Agreement has been  
23 executed or ratified by Working Interest Owners whose voting interest  
24 as provided in Section 4.3.1 of the Unit Operating Agreement aggregate at  
25 least sixty percent (60%) and Working Interest Owners whose voting  
26 interests as above defined aggregate at least sixty percent (60%)  
27 of the Unit Area then committed to this Agreement have voted to  
28 extend such expiration date for a period not to exceed six (6) months.  
29 If said expiration date is so extended and this Unit Agreement is  
30 not filed for approval by the Supervisor on or before said extended  
31 expiration date this agreement shall ipso facto expire and thereafter  
32 be of no further force or effect.



1           Unit Operator shall within thirty (30) days after the effective  
2           date of this Agreement file for record in the office or offices where a  
3           counterpart of this Agreement is recorded, a certificate to the effect  
4           that this Agreement has become effective according to its terms and  
5           stating further the effective date.

6           21. TERM. The term of this Agreement shall be for and during  
7           the time that Unitized Substances can be produced in quantities sufficient  
8           to pay for the cost of producing same from wells on Unitized Land and  
9           for as long thereafter as drilling, reworking or other operations are  
10          prosecuted on Unitized Land without cessation of more than ninety (90)  
11          consecutive days, and so long thereafter as Unitized Substances can be  
12          produced as aforesaid, unless sooner terminated by Working Interest  
13          Owners, the Commissioner, or by the Director as provided in Section 8,  
14          Successor Unit Operator, and Section 22, Termination by Working Interest  
15          Owners.

16          22. TERMINATION BY WORKING INTEREST OWNERS. This Agreement  
17          may be terminated at any time by Working Interest Owners owning ninety  
18          percent (90%) or more of the participation percentage in the Unitized  
19          Land with the approval of the Supervisor and Commissioner. Notice of any  
20          such termination shall be given by the Unit Operator to all parties  
21          hereto.

22          Upon termination of this Agreement, the parties hereto shall  
23          be governed by the terms and provisions of the leases and contracts  
24          affecting the separate Tracts.

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

30          Unit Operator shall, within thirty (30) days after the ter-  
31          mination of this Agreement has been determined, pursuant to Section 8

1 and 22 hereof, file for record in the office or offices where  
2 a counterpart of this Agreement is recorded, a certificate  
3 setting forth the fact of such termination and the date thereof.

4 23. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The  
5 Director is hereby vested with authority to alter or modify from  
6 time to time in his discretion the quantity and rate of production  
7 under this Agreement when such quantity and rate is not fixed pursuant  
8 to Federal or State law or does not conform to any statewide voluntary  
9 conservation or allocation program, which is established, recognized  
10 and generally adhered to by the majority of operators in such State,  
11 such authority being hereby limited to alteration or modification in  
12 the public interest, the purpose thereof and the public interest to  
13 be served thereby to be stated in the order of alteration or modification.  
14 Without regard to the foregoing, the Director is also hereby vested  
15 with authority to alter or modify from time to time in his discretion  
16 the rate of prospecting and development and within the limits made or  
17 fixed by the Commission, the quantity and rate of production under  
18 this Agreement when such alteration or modification is in the interest  
19 of attaining the conservation objectives stated in this Agreement and  
20 is not in violation of any applicable Federal or State law; provided  
21 that no such alteration or modification shall be effective as to any  
22 land of the State of New Mexico as to the rate of prospecting and  
23 development in the absence of the specific written approval thereof  
24 by the Commissioner and as to any lands of the State of New Mexico  
25 or privately owned lands subject to this Agreement as to the quantity  
26 and rate of production in the absence of specific written approval  
27 thereof by the Commission.

28 Powers in this section vested in the Director and Commissioner  
29 shall only be exercised after notice to Unit Operator and opportunity  
30 for hearing to be held no less than fifteen (15) days from notice.

31 24. APPEARANCES. Unit Operator shall, after notice to

1 other parties affected, have the right to appear for and on be-  
2 half of any and all interests affected hereby before the Department  
3 of the Interior and to appeal from orders issued under the regulations  
4 of said Department or to apply for relief from any of said regulations  
5 or in any proceedings relative to operations before the Department  
6 of the Interior or any other legally constituted authority; provided,  
7 however, that any other interested party shall also have the right  
8 at his own expense to be heard in any such proceeding.

9 25. NOTICES. All notices, demands or statements required  
10 hereunder to be given or rendered to the parties hereto shall be  
11 deemed fully given, if given in writing or personally delivered  
12 to the party or sent by postpaid registered or certified mail,  
13 addressed to such party at the address such party has furnished to  
14 the party sending the notice, demand or statement.

15 26. NO WAIVER OF CERTAIN RIGHTS. Nothing in this Agreement  
16 contained shall be construed as a waiver by any party hereto of the  
17 right to assert any legal or constitutional right or defense as to  
18 the validity or invalidity of any law of the State of New Mexico,  
19 or of the United States, or regulations issued thereunder in any way  
20 affecting such party, or as a waiver by any such party of any right  
21 beyond his or its authority to waive; provided, however, each party  
22 hereto except the United States covenants that during the existence  
23 of this Agreement, such party shall not resort to any action at law  
24 or in equity to partition the Unitized Land or the facilities used in  
25 the development or operation thereof and to that extent waives the  
26 benefits of all laws authorizing such partition.

27 27. UNAVOIDABLE DELAY. All obligations under this Agreement,  
28 except the payment of money, shall be suspended while, but only so  
29 long as, the Unit Operator despite the exercise of due care and  
30 diligence is prevented from complying with such obligations, in whole  
31 or in part, by strikes, acts of God, Federal, State or municipal law

1 or agencies, unavoidable accidents, uncontrollable delays in  
2 transportation, inability to obtain necessary materials in open  
3 market, or other matters beyond the reasonable control of the Unit  
4 Operator whether similar to matters herein enumerated or not.

5 28. NON-DISCRIMINATION. In connection with the performance  
6 of work under this Agreement, the Unit Operator agrees to comply  
7 with all the provisions of Section 202(1) to (7) inclusive, of  
8 Executive Order 11246, 30 F.R. 12319, which are hereby incorporated  
9 by reference in this Agreement.

10 29. LOSS OF TITLE. In the event title to a Tract of  
11 Unitized Land shall fail so as to render the Tract inoperable under  
12 this Agreement and the true owner cannot be induced to join this Unit  
13 Agreement, such Tract shall be regarded automatically as not committed  
14 hereto effective as of 7:00 a.m. on the first day of the calendar month  
15 in which such title failure is determined, and there shall be such  
16 readjustment of future costs and benefits as may be required on account  
17 of the loss of such title. In the event of a dispute as to title as  
18 to any Royalty, Working Interest or other interest subject thereto,  
19 payment or delivery on account thereof may be withheld without  
20 liability or interest until the dispute is finally settled; provided  
21 that, as to State and Federal land or leases, no payment of funds due  
22 the State of New Mexico or the United States of America shall be with-  
23 held, but such funds shall be deposited as directed by the Commissioner  
24 or the Supervisor, to be held as unearned money pending final settle-  
25 ment of the title dispute, and then applied as earned or returned in  
26 accordance with such final settlement.

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

29 30. SUBSEQUENT JOINDER. After the effective date of this  
30 Agreement, the commitment of any interest in any Tract within the Unit  
31 Area shall be upon such equitable terms as may be negotiated by Working

1 Interest Owners and the owner of such interest. After the effective  
2 date hereof, joinder by a Royalty Owner must be consented to in  
3 writing by the Working Interest Owner committed hereto and res-  
4 ponsible for the payment of any benefits that may accrue hereunder  
5 in behalf of such Royalty Interest. Joinder by any Royalty Owner  
6 at any time must be accompanied or preceded by appropriate joinder  
7 by the Owner of the corresponding Working Interest in order for the  
8 interest to be regarded as effectively committed. Joinder to the  
9 Unit Agreement by a Working Interest Owner at any time must be  
10 accompanied by appropriate joinder to the Unit Operating Agreement  
11 in order for the interest to be regarded as committed to this Unit  
12 Agreement. Except as may otherwise herein be provided, subsequent  
13 joinders to this Agreement shall be effective as of the first day of  
14 the month following the filing with the Supervisor and Commissioner  
15 of duly executed counterparts of all or any papers necessary to  
16 establish commitment of any Tract to this Agreement unless objection  
17 to such joinder is made within sixty (60) days by the Supervisor or  
18 Commissioner.

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

28 In the event any of the parties hereto own both Working  
29 Interests and Royalty Interests, as such interests are shown on  
30 Exhibit "B", it shall not be necessary for such party to execute  
31 this Agreement in both capacities in order to commit both classes of

1 interest. Execution hereof by any such party in one capacity shall  
2 also constitute execution in the other capacity, provided said party  
3 also executes the Unit Operating Agreement as a Working Interest Owner.

4 32. ROYALTY OWNERS TAXES. Each party hereto shall, for its own  
5 account, render and pay its share of any taxes levied against or  
6 measured by the amount or value of the Unitized Substances produced  
7 from the Unitized Land; provided, however, that, if it is required  
8 or if it be determined that the Unit Operator or the several Working  
9 Interest Owners must pay or advance said taxes for the account of the  
10 parties hereto, it is hereby expressly agreed that the parties so  
11 paying or advancing said taxes shall be reimbursed therefore by the  
12 parties hereto, including Royalty Owners, who may be responsible for  
13 the taxes on their respective allocated share of said Unitized Substances.  
14 No taxes shall be charged to the United States, the State of New Mexico,  
15 or to any lessor who has a contract with a lessee which requires his  
16 lessee to pay such taxes.

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

22 34. BORDER AGREEMENTS. Unit Operator, with concurrence of  
23 Working Interest Owners having a combined Unit Participation of sixty-  
24 five (65%) percent or more, may, subject to approval of the Supervisor,  
25 and Commissioner, enter into an agreement or agreements with the Working  
26 Interest Owners of adjacent lands with respect to the operations designed  
27 to increase ultimate recovery, conserve natural resources and to protect  
28 the parties and interest.

29 35. CORRECTION OF ERRORS. It is hereby agreed by all parties  
30 to this Agreement that Unit Operator is empowered to correct any mathe-  
31 matical or clerical errors which may exist in the pertinent exhibits

1 to this Agreement; provided, however, that correction of any error  
2 other than mathematical or clerical shall be made by Unit Operator  
3 only after first having obtained approval of Working Interest Owners,  
4 the Commissioner and the Supervisor. If any such corrections are  
5 made, Unit Operator shall file the required number of copies of the  
6 corrected pages of this Agreement or of the Exhibits hereto with the  
7 Supervisor and Commissioner. Unit Operator shall also provide, in  
8 conformance with Section 25, Notices, such corrected pages to the  
9 parties hereto.

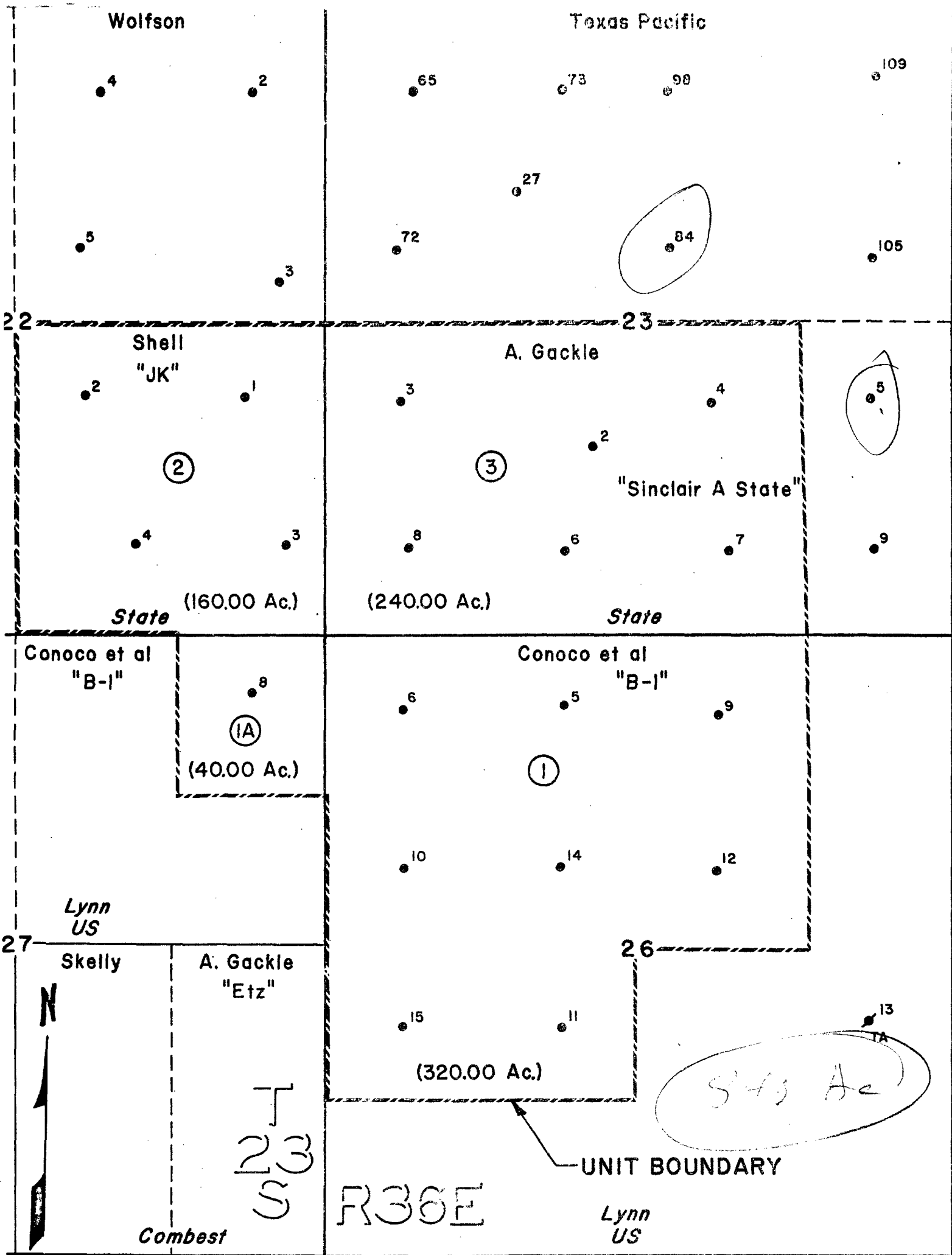
10 IN WITNESS WHEREOF, the parties hereto have caused this  
11 Agreement to be executed and have set opposite their respective  
12 names the date of execution.

UNIT OPERATOR AND WORKING INTEREST OWNER

Date:

\_\_\_\_\_

BY \_\_\_\_\_



① TRACT NO.

<b>CONOCO</b>	
PRODUCTION DEPARTMENT	HOBBS DIVISION
LANGLEY LYNN (QUEEN) AREA LEA COUNTY, NEW MEXICO EXHIBIT "A" TO UNIT AGREEMENT	
SCALE 0' 1000' 1000'	
VTL 6-72	87W



EXHIBIT "B"  
TO UNIT AGREEMENT FOR LANGLE LYNN (QUEEN) UNIT, LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND (ALL IN T-23S, R-36E)	NO. OF ACRES	SERIAL NUMBER AND EXP. DATE	BASIC ROYALTY & PERCENTAGE	RECORD LESSEE AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE	
1	Sec. 26: NW/4, W/2 NE/4, N/2 SW/4	320.00	LC 030139(b) HBP	USA - All (Sched. "D")	J. Roger Lynn Patrick Lynn William R. Lynn Est./Theresa M. Lynn	25% 25% 25% 25%	None Amoco Prod. Co. Atlantic Richfield Co. Chevron Oil Company Continental Oil Co.	25% 25% 25% 25%
1 (a)	Sec. 27: NE/4 NE/4	40.00	LC 030139(b) HBP	USA - All 12.5%	J. Roger Lynn Patrick Lynn William R. Lynn Est./Theresa M. Lynn	25% 25% 25% 25%	None Amoco Prod. Co. Atlantic Richfield Co. Chevron Oil Company Continental Oil Co.	25% 25% 25% 25%
2	Sec. 22: SE/4	160.00	B-1167 HBP	State of New Mexico - All	Shell Oil Company	None	Shell Oil Company	100%
3	Sec. 23: SW/4, W/2 SE/4	240.00	B-1506 HBP	State of New Mexico - All	Atlantic Richfield Co.	None	Atlantic Richfield Co. Clay Trusts Margaret B. Clay Management Trust Co. Gackle Oil Co.	.50000 .14167 .14167 .05000 .16667

TWO FEDERAL TRACTS CONTAINING 360.00 ACRES, OR 47.37% OF THE UNIT AREA  
TWO STATE TRACTS CONTAINING 400.00 ACRES, OR 52.63% OF THE UNIT AREA

EXHIBIT "C" TO UNIT AGREEMENT  
LANGLIE LYNN (QUEEN) UNIT  
LEA COUNTY, NEW MEXICO

<u>TRACT NO.</u>	<u>DESCRIPTION</u>	<u>PARTICIPATION</u>
1	Section 26: NW/4, W/2 NE/4, N/2 SW/4	39.83201
1(a)	Section 27: NE/4 NE/4	4.40547
2	Section 22: SE/4	19.58633
3	Section 23: SW/4, W/2 SE/4	36.17619

SCHLUMBERGER

WELL LOG

COMPANY	ALBERT GACKLE	Other Surveys ILL, MLL	
	OPERATOR		
	WELL SINCLAIR STATE		Location of Well 660' FROM S/L 1980' FROM W/L
	A 6		
	FIELD LANGLEY HATLEY		
LOCATION	SLC 23-235-36E	Elevation: K.B.: 3385 D.F.: 3384 or G.L.: 3375	
COUNTY	LEA		
STATE	NEW MEXICO		

Log Depths Measured From	KB	Ft. above
RUN No.	195	
Date	11-26-62	
First Reading	27-46	
Last Reading		
Feet Measured	27-46	
Crg. Schlum.		
Crg. Driller	27-46	
Depth Reached	27-46	
Bottom Driller	27-46	
Mud Nat.		
Dens. L. Visc.	11.3 @ 36	
Mud Resist.	22 @ 70 °F	
Res. BHT	240 @ 25 °F	
pH	6.5 @ °F	
Wtr. Loss	CC 30 min	
Rmt	@ °F	
Rt Size	6.5	
Spacing:		
1-2 R. R.	CSG To 2700	To
2-3 R. R.	2700 To 10	To
Op. Rig Time	4 HOURS	
Truck No.	2576 ADERS	
Recorded By	WILLSON	
Witness	HORTON/OTHER	

BEST AVAILABLE COPY

Reproduced By  
West Texas Electrical Log Service  
Dallas 2, Texas

REFERENCE W2538H

COMPLETION RECORD

SPUD DATE

COMP DATE

DST RECORD

CASING RECORD

PERFORATING RECORD

ACID FRAC SHOT

IP = 112 BRIS 20 + 12 RWD

GOR GR

IP 2000 CP 880

REMARKS

ILLEGIBLE

REMARKS

VIC No. 22 GR-B 30 450 52 5 800

VIS No. 18

VIP No. 12

Velocity (feet per second) =  $\frac{1,000,000}{\text{Interval Transit Time (microseconds per foot)}}$

SPONTANEOUS POTENTIAL millivolts

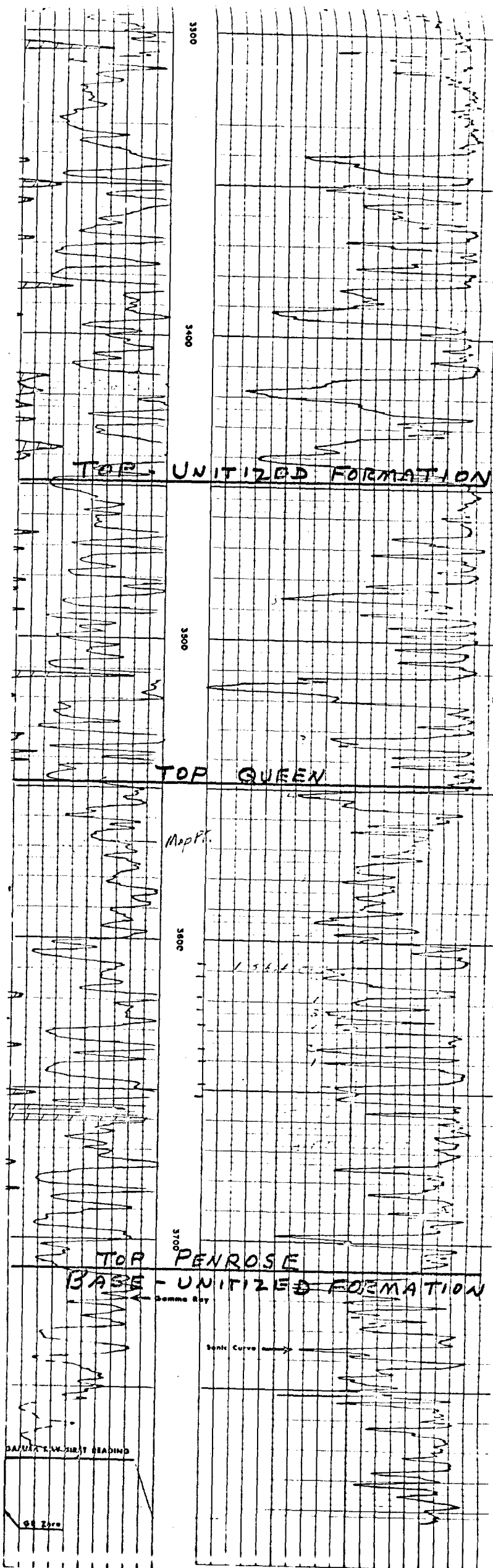
GAMMA RAY

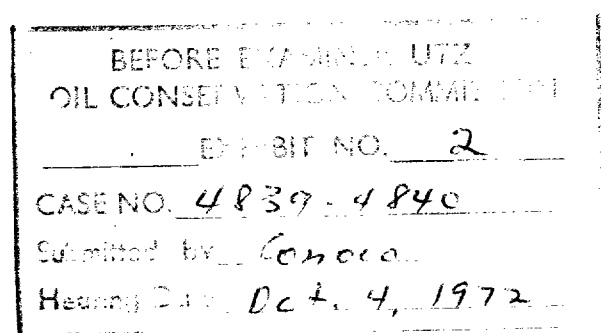
APL UNITS 100

INTERVAL TRANSIT TIME microseconds per foot

← T.R. 2 R. increases →

100 70





LYNN B-1 #8  
TD 3730'

3600

T/QUEEN

3700

GAMMA RAY

ACOUSTI LOG

100  
API

100 45

1' SPACING

40

L.W.F.R. 3714'

FIELD EXAMINER  
OIL CORPORATION

BIT NO. 3-A

CASE NO. 4839-4840

Submitted by Conoco

Date Oct. 4, 1972

7730

BEST AVAILABLE COPY

EXHIBIT NO. 3-A

LYNN P-1 #9  
TD 3720'

T/QUEEN

3500

map pt. 3572' (139)

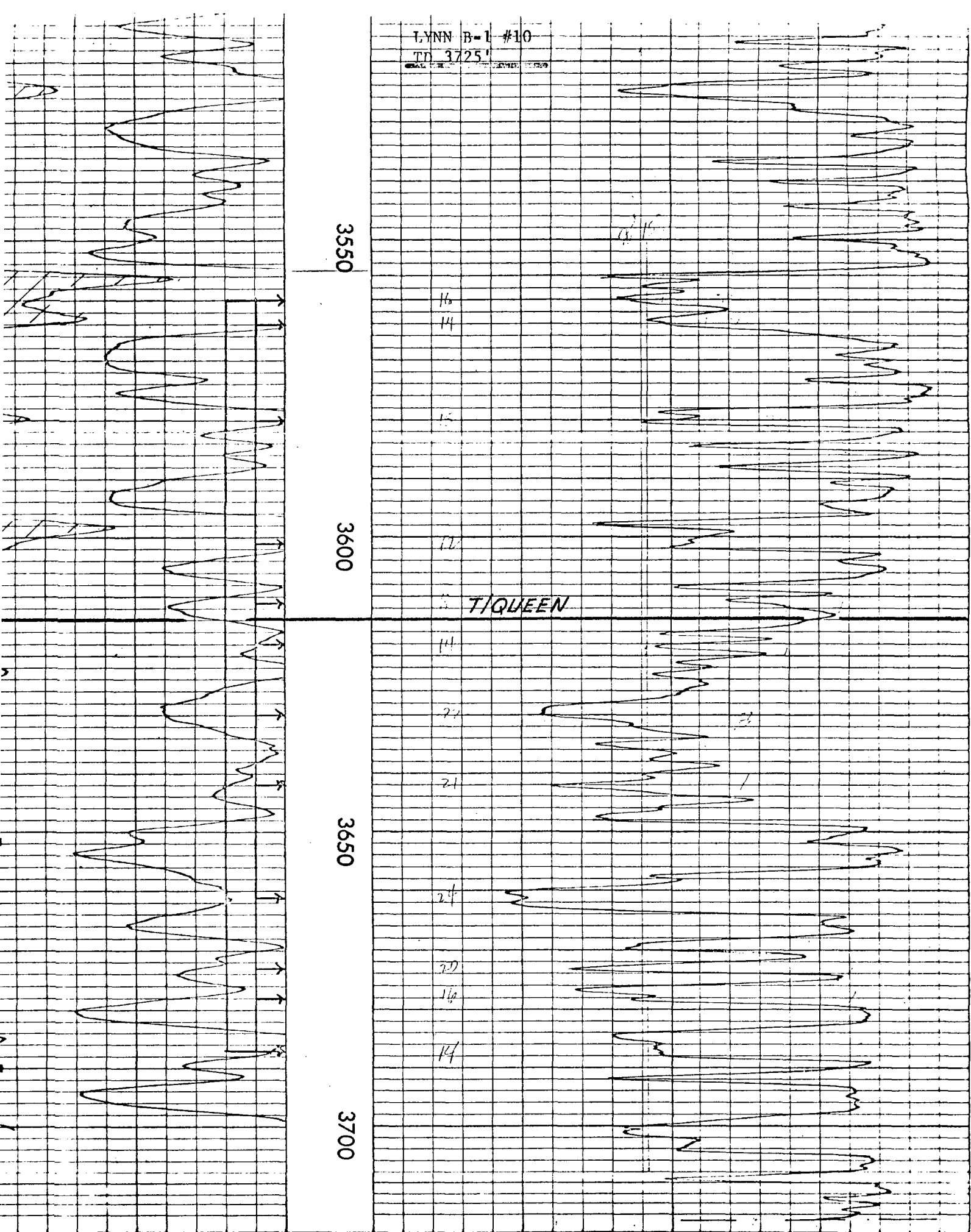
3600

3700

GAMMA RAY

SONIC LOG

EXHIBIT NO. 3-B



GAMMA RAY

TY, BASED  
T/SEC.

ACOUSTIC LOG

LAPVLEKAA .06025

BEFORE TAANIPHA UT7  
CL. CONSUL. ATTAI CON. 100N  
EXHIBIT NO. 3-C  
AL. NO. 4839-4840  
CONOCO  
Oct. 4, 1972

EXHIBIT NO. 3-C

LYNN B-1 #11  
TD 3725'

3500

T/QUEEN

3600

3700

4-1/2"

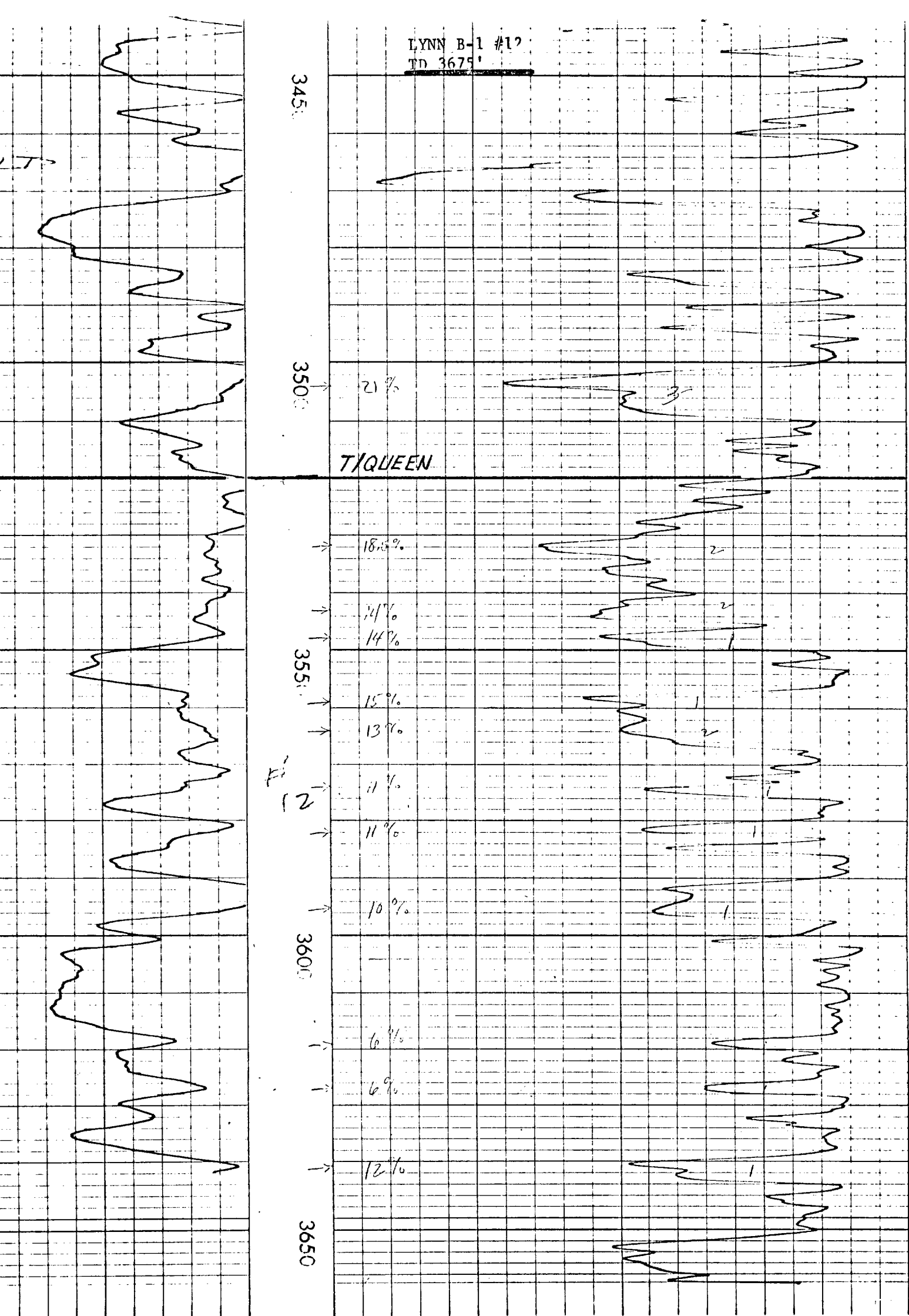
Csg. at 3725'

GAMMA RAY

NEUTRON



DEPT. OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
CIVIL CONSERVATION CENTER  
EXHIBIT NO. 3-D  
CASE NO. 4839-4840  
Conoco  
Oct. 4, 1972



GAMMA RAY

ACOUSTIC LOG

LAPVLEKAA .06025

VELOCITY, BASED  
100 FT/SEC.

EXHIBIT NO. 3-E



LYNN B-1 #15  
TD 3710'

3500

3600

T/QUEEN

GAMMA RAY

ACOUSTIC LOG

EXHIBIT NO. 3-F

Oil Co. 3-F  
#839-#840  
Conoco  
Oct. 4, 1972

GACKLE SINCLAIR STATE #3  
TD: 3790'

3400

3500

3600

3700

T/QUEEN

Grange Bay

Grange Bay

BEFORE ENCLAVE LITZ  
OIL CONSERVATION COMMISSION

EXHIBIT NO. 3-G

CASE NO. 4839-4840

Submitted by Conoco

Hearing Date Oct. 4, 1972

EXHIBIT NO. 3-G

GACKLE SINCLAIR STATE #7  
TD 3728

3400

3500

T/QUEEN

3600

3700

GAMMA RAY FIRST READING

GR Zero

BEFORE E. A. FITZ  
OIL CONSERVATION COMMISSION

EXHIBIT NO. 3-14

CASE NO. 4839-4840

Submitted by Conoco

Filing Date Oct. 4, 1972

EXHIBIT NO. 3-H

Shell Oil Company

STATE JK NO. 4

TD 3800'

3400

3500

3600

T/QUEEN

3700

Gamma Ray

Gamma Ray

GAMMA RAY FIRST READING

EXHIBIT NO. 3-I

NO. 4839-4840

Concess

Hear. 3. Oct. 4, 1972

EXHIBIT NO. 3-I  
OIL CONSERVATION

EXHIBIT NO.

CASE NO.

Submitted by

Hearing Date

EXHIBIT NO. 3-I



*Pressure plate*  
CONTINENTAL OIL COMPANY  
LYNN B-1 NO. 8  
EL: 3386 D.F.

NSM 9-11-72 erw

*660/N + E 27 -*

*23-36*

*S.I.*

7 5/8" CSG @ 323' W/200 SX

2" I.D. TBG. (CORROSION RESISTANT INTERNAL LINED)  
W/TENSION PKR. @ 3530'

*Pressure plate*  
3580-82, 3584-86, 3602-04, 3620-22',  
3641-42, 3644-46, 3656-58, 3664-66,  
3676-79, 3686-88, 3690-92', 3696-98'  
W/2 SPF

4 1/2" CSG @ 3730' W/250 SX  
TD 3730'

NO REMEDIAL WORK DONE

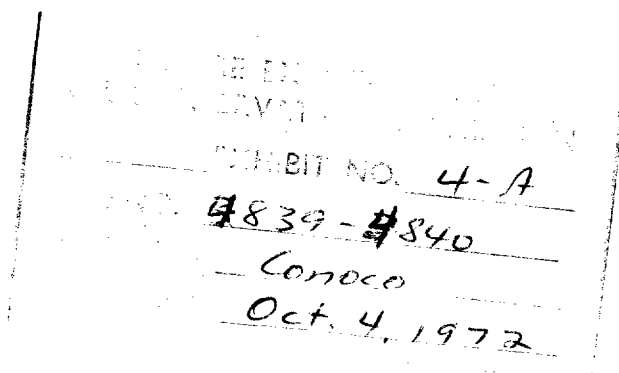


EXHIBIT NO. 4-A

CONTINENTAL OIL COMPANY  
LYNN B-1 NO. 9  
EL: 3374' DF

660/N, 1980/E-26

NSM 9-11-72 erw

7 5/8" CSG @ 302' W/200 SX

2" I.D. TBG. (CORROSION RESISTANT INTERNAL LINED)  
W/TENSION PKR @ 3500'

3550-52', 3558-60', 3569-71',  
3584-86', 3620-22', 3634'-36',  
3653-55' W/1 SPF

4 1/2" CSG. @ 3720' W/250 SX  
T.D. 3720'

NO REMEDIAL WORK DONE.

EXHIBIT NO. 4-B  
4839-4840  
Conoco  
Oct. 4, 1972

EXHIBIT NO. 4-B

CONTINENTAL OIL COMPANY  
LYNN B-1 NO. 10  
EL: 3377' K.B.  
NSM 9-11-72 erw

1950/N, 660/W-26

7 5/8" CSG @ 300' W/150 SX.

2" I.D. TBG. (CORROSION RESISTANT INTERNAL LINED)  
W/TENSION PKR. @ 3510'

3560, 3564, 3580, 3601, 3611,  
3618, 3630, 3642, 3661, 3673,  
3678, 3687' W/1 SPF

4 1/2" CSG. @ 3725' W/120 SX  
TD 3725'

W.C.C. 11  
SIT NO. 4-C  
WELL NO. 4839-4840  
CONOCO  
Dated Oct. 4, 1972

EXHIBIT NO. 4-C

CONTINENTAL OIL COMPANY

LYNN B-1 No. 11

EL: 3366' K.B.

1980/5/26 W. 26

NSM 9-11-72 erw

7 5/8" CSG @ 315' W/250 SX

2" I.D. TBG (CORROSION RESISTANT INTERNAL  
LINED W/TENSION PKR @ 3450'

3503, 3523, 3534, 3536, 3571,  
3590, 3608, 3613, 3630, 3637,  
3645, 3659 w/1 SPF

4 1/2" CSG @ 3725' W/225  
TD 3725'

DATE  
CIL COND.

EXHIBIT NO. 4-D

ASE NO. 4839-4840

Submitted to Conoco

Hearing Date Oct. 4, 1972

EXHIBIT NO. 4-D

CONTINENTAL OIL COMPANY  
LYNN B-1 NO. 12  
EL: 3355' K.B.

NSM 9-11-72 erw

S.I.

1980/NHE-26

7 5/8" CSG @ 300' W/312 SX.

2" I.D. TBG (CORROSION RESISTANT INTERNAL  
LINED W/TENSION PKR @ 3450'

3504, 3532, 3543, 3548, 3559, 3564, 3574,  
3582, 3595, 3619, 3627, 3641, w/1 JSPF

4 1/2" CSG @ 3675' W/200 SX  
T.D. 3675'

FILE NO.	4839-4840
CASE NO.	4839-4840
EXHIBIT	Conoco
Hearing Date	Oct. 4, 1972

EXHIBIT NO. 4-E

CONTINENTAL OIL COMPANY

LYNN B-1 NO. 15

EL: 3372' K.B

19805/668/w 24

NSM 9-11-72 erw

7 5/8" CSG. @ 312' W/98 SX.

2" I.D. TBG (CORROSION RESISTANT INTERNAL  
LINED W/TENSION PKR @ 3490'

3540, 3555, 3589, 3625,  
3652, 3664, 3671, 3681'

4 1/2" CSG @ 3710' W/100 SX.  
T.D. 3710'

NO REMEDIAL WORK DONE.

BEFORE LAMAR T. UTZ  
OIL CONSERVATION COMMISSION

EXHIBIT NO. 4-F

CASE NO. 4839-4840

Filed by Conoco

Filing Date Oct. 4, 1972

EXHIBIT NO. 4-F

GACKLE OIL COMPANY  
Sinclair "A" State No. 3  
EL: 3380' D.F.

NSM 9-11-72 erw

1980/S, 661/W.23

8 5/8" CSG @ 241' W/200 SX

2" I.D. TBG. (corrosion resistant  
internal lined) W/TENSION PKR @ 3480'

3536-44', 3571-84', 3602-10',  
3613-24', 3648-58, 3660-64',  
3668'-72'

PB 3760'  
4 1/2" CSG @ 3790' W/1100 SX.  
TD 3790'

BEFORE THE UNITED STATES  
OIL CONSERVATION COMMISSION

EXHIBIT NO. 4-G

CASE NO. 4839-4840

Submitted by Conoco

Hearing Date Oct. 4, 1972

EXHIBIT NO. 4-G

GACKLE OIL COMPANY  
Sinclair "A" State No. 7  
EL: 3385' D.F.

NSM 9-11-72 erw

66 d/s, 1981-23

8 5/8" CSG @ 250' W/150 SX.

2" I.D. TBG (CORROSION RESISTANT INTERNAL  
LINED) W/TENSION PKR @ 3500'

3550, 3555, 3568, 3576, 3581, 3586,  
3594, 3601, 3611'

PB 3704'  
4 1/2" CSG @ 3728' W/1400 SX  
TD 3728'

PURE EXHIBIT NO. 4-11  
OIL CONSERVATION CENTER

EXHIBIT NO. 4-11

CASE NO. 4839-4840

Submitted by Conoco

Receiving Date Oct. 4, 1972

EXHIBIT NO. 4-H



SHELL OIL COMPANY  
STATE "JK" NO. 4  
Sec. 22, T-23S, R-36E  
Elev: 3400' D.F.  
NSM 9-17-72 erw

640/5/1650/E-22

7 5/8" CSG. @ 307' W/225 SX.

2" I.D. TBG. (CORROSION RESISTANT INTERNAL LINED)  
W/TENSION PKR @ 3600'

3659, 3671, 3675, 3684, 3685  
3693, 3700, 3704, 3705, 3713,  
3715, 3717, 3721, 3722, 3723,  
3731, 3735, 3734'

SQUEEZED 3770' 3793'

PB 3799'

TD 3800' 4 1/2" CSG @ 3800' W/200 SX.

BEFORE THE  
OIL CONS. COMMISSION  
EXHIBIT NO. 4-I  
CASE NO. 4839-4840  
Submitted by Continental Oil Co  
Hearing Date Oct. 4, 1972

# RESERVOIR DATA & VOLUMETRIC RESERVE CALCULATIONS

Primary Area ( $A_p$ )	760 acres
Floodable Area ( $A_{wf}$ )	530 acres
Porosity ( $\phi$ )	18.2%
Average NEP (h)	6.5 feet
Water Saturation ( $S_w$ )	35.7%
Initial Oil Formation Volume Factor ( $B_{oi}$ )	1.23
Waterflood Formation Volume Factor ( $B_{owf}$ )	1.09
Sweep Efficiency (S.E.)	70%
Estimated Total Primary Production ( $N_p$ )	633,000 BO

$$\begin{aligned}\text{Initial Oil-in-place (N)} &= (7758)(\phi)(h)(A_p)(1-S_w)(1/B_{oi}) \\ &= (7758)(.182)(6.5)(760)(.643)(1/1.23) \\ &= 3,646,000 \text{ BO}\end{aligned}$$

$$\begin{aligned}\text{Primary Recovery Percent} &= (N_p/N)(100) \\ &= (633,000/3,646,000)(100) \\ &= 17.4\%\end{aligned}$$

$$\begin{aligned}\text{Oil Saturation at Start of Flood (S}_{owf}) &= (1-N_p/N)(B_{owf}/B_{oi})(1-S_w)(100) \\ &= (.826)(.886)(.643)(100) \\ &= 47.1\%\end{aligned}$$

$$\begin{aligned}\text{Secondary Oil to be Recovered (N}_{wf}) &= (7758)(\phi)(h)(A_{wf})(S_{owf}-S_{or})(S.E.)(1/B_{owf}) \\ &= (7758)(.182)(6.5)(530)(.471-.300)(.70)(1/1.09) \\ &= 534,000 \text{ BO}\end{aligned}$$

$$\begin{aligned}\text{Secondary Percent of Primary} &= (N_{wf}/N_p)(100) \\ &= (534,000/633,000)(100) \\ &= 84.4\%\end{aligned}$$

$$\begin{aligned}\text{Secondary Percent of Initial Oil-in-place} &= (N_{wf}/N)(100) \\ &= (534,000/3,646,000)(100) \\ &= 14.6\%\end{aligned}$$

BEFORE EXAMINER USE  
OIL CONSERVATION COMMISSION

FILE NO. 5

CASE NO. 4839-4840

Submitted by Continental Oil Co

Hearing Date Oct. 4, 1972

EXHIBIT NO. 5



# UNITED CHEMICAL CORPORATION

OF NEW MEXICO

601 NORTH LEECH

P. O. BOX 1499

HOBBS, NEW MEXICO 88240

Company Continental Oil Company

Field \_\_\_\_\_

Lease Lynn A #1 Sampling Date 7-31-72

Type of Sample Disposal System

## WATER ANALYSIS

### IONIC FORM

39.12

784

55.27

672

(Calculated)

192.64

4,429

23.99

1,464

NOT

FOUND

NOT

FOUND

17.70

850

245.34

8700

BEST AVAILABLE COPY

7.4 68

1.012

mg/l = milligrams per Liter

me/l = milliequivalents per Liter

BEFORE EXAMPLED UTZ  
OIL CONSERVATION COMMISSION

EXHIBIT NO. 6

USE NO. 4839-4840

collected by Continental Oil Co.

Sampling Date Oct. 4, 1972

EXHIBIT NO. 6

ILLEGIBLE

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 4840  
Order No. R-4417

APPLICATION OF CONTINENTAL OIL  
COMPANY FOR A WATERFLOOD PROJECT,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 4, 1972, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 10th day of October, 1972, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Continental Oil Company, seeks authority to institute a waterflood project in the Langlie Lynn (Queen) Unit Area, Langlie-Mattix Pool, by the injection of water into the Seven Rivers and Queen formations through nine injection wells in Sections 22, 23, 26 and 27, Township 23 South, Range 36 East, NMPM, Lea County, New Mexico.

(3) That the wells in the project area are in an advanced state of depletion and should properly be classified as "stripper" wells.

(4) That the proposed waterflood project should result in the recovery of otherwise unrecoverable oil, thereby preventing waste.

(5) That the subject application should be approved and the project should be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations.

-2-

Case No. 4840

Order No. R-4417

IT IS THEREFORE ORDERED:

(1) That the applicant, Continental Oil Company, is hereby authorized to institute a waterflood project in the Langlie Lynn (Queen) Unit Area, Langlie-Mattix Pool, by the injection of water into the Seven Rivers and Queen formations through the following-described wells in Township 23 South, Range 36 East, NMPM, Lea County, New Mexico:

<u>Well Name</u>	<u>Unit</u>	<u>Section</u>
Shell Oil Company State "JK" Well No. 4	0	22
Gackle Oil Company Sinclair "A" State Well No. 7	0	23
Gackle Oil Company Sinclair "A" State Well No. 3	L	23
Continental Oil Company Lynn B-1 Well No. 15	L	26
Continental Oil Company Lynn B-1 Well No. 12	G	26
Continental Oil Company Lynn B-1 Well No. 11	K	26
Continental Oil Company Lynn B-1 Well No. 10	E	26
Continental Oil Company Lynn B-1 Well No. 9	B	26
Continental Oil Company Lynn B-1 Well No. 8	A	27

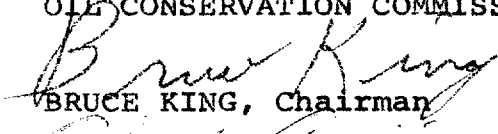
(2) That the subject waterflood project is hereby designated the Continental Langlie Lynn Waterflood Project and shall be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations.

(3) That monthly progress reports of the waterflood project herein authorized shall be submitted to the Commission in accordance with Rules 704 and 1120 of the Commission Rules and Regulations.

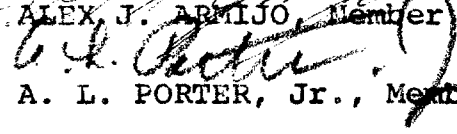
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
BRUCE KING, Chairman

  
ALEX. J. ARMIJO, Member

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



dr/



# OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER

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

October 10, 1972

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

Re: Case No. 4840  
Order No. \_\_\_\_\_  
Applicant: R-4417

Continental Oil Company

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x

Artesia OCC \_\_\_\_\_

Aztec OCC \_\_\_\_\_

Other State Engineer Office