

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
NORTH HOSPAH FEDERAL-STATE UNIT AREA  
COUNTY OF MCKINLEY  
STATE OF NEW MEXICO  
NO. \_\_\_\_\_

*Case 8492*

This agreement, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Secs. 19-10-45, 46, 47 N.M. Statutes 1978 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interest of the State of New Mexico; and,

WHEREAS, the Oil Conservation Division of the State of New Mexico Energy and Minerals Department is authorized by an Act of the Legislature (Chapters 70 and 71, New Mexico Statutes 1978, Annotated) to approve this agreement and the conservation provisions hereof; and,

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

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

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

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

2. **UNIT AREA.** The area specified on the map attached hereto marked Exhibit A is hereby designated and recognized as constituting the unit area, containing 1,439.01 acres more or less.

Exhibit A shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit B attached hereto is a schedule showing to the extent known to the Unit Operator, the acreage, percentage, and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing

herein or in Exhibits A or B shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in the Exhibits as owned by such party. Exhibits A and B shall be revised by the Unit Operator whenever changes in the unit area or in the ownership interests in the individual tracts render such revision necessary, or when requested by the Authorized Officer, hereinafter referred to as AO, or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner," and not less than four (4) copies of the revised Exhibits shall be filed with the proper BLM office and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the Oil Conservation Division of the New Mexico Energy and Minerals Department, hereinafter referred to as "Division."

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

(a) Unit Operator, on its own motion (after preliminary concurrence by the AO), or on demand of the AO, or on demand of the Land Commissioner, after preliminary concurrence by the AO, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefore, any plans for additional drilling, and the proposed effective date of the expansion or contraction, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the proper BLM office, the Land Commissioner and the State Division, and copies thereof mailed to the last known address of each working interest owner, lessee and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the AO, the Land Commissioner and the State Division, evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with Unit Operator, together with an application in triplicate, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the AO, the Land Commissioner and State Division, become effective as of the date prescribed in the notice thereof or such other appropriate date.

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

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands. If conditions warrant extension of the 10-year period specified in this subsection, a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90 percent of the working interest in the current nonparticipating unitized lands and the owners of 60 percent of the basic royalty interests (exclusive of the basic royalty interests of the United States) in nonparticipating unitized lands with approval of the AO and the Land Commissioner, provided such extension application is submitted not later than 60 days prior to the expiration of said 10-year period.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land now or hereafter committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement." All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

4. UNIT OPERATOR. Gulf Oil Corporation is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest only when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the AO and the Land Commissioner and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment, whichever is required by the AO as to Federal lands and the State Division as to State and privately owned lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time after a participating area established hereunder is in existence, but in all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the AO and the Land Commissioner.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations to the new duly qualified successor Unit Operator or to the common agent, if no such new Unit Operator is selected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment, or appurtenances needed for the preservation of any wells.

6. SUCCESSION UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by the working interest owners, the owners of the working interests according to their respective acreage interest in all unitized land shall, pursuant to the Approval of the Parties' requirements of the unit operating agreement, select a successor Unit Operator. Such selection shall not become effective until:

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

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

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

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

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

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall commence to drill an adequate test well at a location approved by the AO, if on Federal Land, or by the Land Commissioner, if on State Land, or by the Division if on Fee Land, unless on such effective date a well is being drilled in conformity with the terms hereof, and thereafter continue such drilling diligently until the Entrada formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the AO if on Federal Land, or by the Land Commissioner, if on State Land, or by the Division if on Fee Lands, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 4,700 feet. Until the discovery of unitized substances capable

of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than 6 months between the completion of one well and the commencement of drilling operations for the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the AO Supervisor if it be on Federal Land or of the Land Commissioner if on State Land, or the Division if on Fee Land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5, hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section.

The AO and Land Commissioner may modify any of the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Upon failure to commence any well as provided for in this section within the time allowed, prior to the establishment of a participating area, including any extension of time granted by the AO and the Land Commissioner, this agreement will automatically terminate. Upon failure to continue drilling diligently any well commenced hereunder, the AO and the Land Commissioner may, after 15-days notice to the Unit Operator, declare this unit agreement terminated. The parties to this agreement may not initiate a request to voluntarily terminate this agreement during the first 6 months of its term unless at least one obligation well has been drilled in accordance with the provisions of this section.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the AO and the Land Commissioner and State Division an acceptable plan of development and operation for the unitized land which, when approved by the AO and the Land Commissioner and State Division, shall constitute the further drilling and development obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the AO, the Land Commissioner, and State Division, a plan for an additional specified period for the development and operation of the unitized land. Subsequent plans should normally be filed on a calendar year basis not later than March 1 each year. Any proposed modification or addition to the existing plan should be filed as a supplement to the plan.

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

- (a) Specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and
- (b) Provide a summary of operations and production for the previous year.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development and operation. The AO and the Land Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development and operation where such action is justified because of unusual conditions or circumstances.

After completion of a well capable of producing unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the AO, the Land Commissioner, and State Division, shall be drilled except in accordance with an approved plan of development and operation.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, or as soon thereafter as required by the AO, the Land Commissioner, and State Division, the Unit Operator shall submit for approval by the AO, the Land Commissioner and State Division a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive of unitized substances in paying quantities. These lands shall constitute a participating area on approval of the AO, the Land Commissioner and State Division effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. The schedule shall also set forth the percentage of unitized substances to be allocated, as provided in Section 12, to each committed tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A different participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the AO, the Land Commissioner and State Division. When production from two or more participating areas is subsequently found to be from a common pool or deposit, the participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the AO, the Land Commissioner and State Division. The participating area or areas so established shall be revised from time to time, subject to the approval of the AO, the Land Commissioner, and State Division, to include additional lands then regarded as reasonably proved to be productive of unitized substances in paying quantities or which are necessary for unit operations, or to exclude lands then regarded as reasonably proved not to be productive of unitized substances in paying quantities, and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which the knowledge or information is obtained on which such revision is predicated; provided, however, that a more appropriate effective date may be used if justified by Unit Operator and approved by the AO, the Land Commissioner, and State Division. No land shall be excluded from a participating area on account of depletion of its unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

In the absence of agreement at any time between the Unit Operator and the AO, the Land Commissioner and State Division as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established, the portion of all payments affected thereby shall, except royalty due the United States, be impounded in a manner mutually acceptable to the owners of committed working interests and the Land Commissioner. Royalties due the United States shall be determined by the AO for Federal Lands and the Land Commissioner for State Lands and the amount thereof shall be deposited, as directed by the AO and the Land Commissioner, until a participating area is finally approved and then adjusted in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

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



from such a nonpaying unit well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, and other production or development purposes, for repressuring or recycling in accordance with a plan of development and operations which has been approved by the AO, Land Commissioner, and State Division, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production. For the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of the participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from the latter participating area for sale during the life of this agreement, shall be considered to be the gas so transferred, until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was defined at the time that such transferred gas was finally produced and sold.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having hereon a regular well location may with the approval of the AO and the Land Commissioner, and Division, at such party's sole risk, costs, and expense, drill a well to test any formation provided the well is outside any participating area established for that formation, unless within 90 days of receipt of notice from said party of his intention to drill the well, the Unit Operator elects and commences to drill the well in a like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or the working interest owner in case of the operation of a well by a working interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations, or by the Unit Operator on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing in this section shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

Royalty due the United States shall be computed as provided in 30 CFR Part 221 and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided in Section 12 at the rates specified in the respective Federal leases, or at such other rate or rates as may be authorized by law or regulation and approved by the AO; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

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

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

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

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

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

17. DRAINAGE. The Unit Operator shall take measures as the AO and Land Commissioner deems appropriate and adequate to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, which shall include the drilling of protective wells and which may include the payment of a fair and reasonable compensatory royalty, as determined by the AO.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary, as to Federal leases, and the Land Commissioner, as to State leases, shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the



drilling, producing, rental minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of this unit area.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the AO and the Land Commissioner, or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

(d) Each lease, sublease, or contract relating to the exploration, drilling, development, or operation for oil or gas of lands other than those of the United States and the State of New Mexico committed to this agreement which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production of unitized substances in paying quantities is established in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for 2 years, and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act, as amended.

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

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof, provided that drilling operations on the initial test well are commenced prior to the expiration date of any State lease within the unit area, subject to the provisions of subsection (e) of Section 2 and subsection (i) of this Section 18.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Section 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784) (30 U.S.C. 226(j)):

"Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not

less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

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

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

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

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the AO and the Land Commissioner, or his duly authorized representative, and shall automatically terminate 5 years from said effective date unless:

(a) upon application by the Unit Operator such date of expiration is extended by the AO and the Land Commissioner, or

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

(c) a valuable discovery of unitized substances in paying quantities has been made or accepted on unitized land during said initial term or any extension thereof, in which event this agreement shall remain in effect for such term and so long thereafter as unitized substances can be produced as to Federal Lands and are being produced as to State Lands in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder. Should production cease and diligent drilling operations to restore production or new production are not in progress or reworking within 60 days and production is not restored or should new production not be obtained in paying quantities on committed lands within this unit area, this agreement will automatically terminate effective the last day of the month in which the last unitized production occurred, or

(d) it is voluntarily terminated as provided in this agreement. Except as noted herein, this agreement may be terminated at any time prior to the discovery of unitized substances which can be produced in paying quantities by not less than 75 per centum, on an acreage basis, of the working interest owners signatory hereto, with the approval of the AO and the Land Commissioner. The Unit Operator shall give notice of any such approval to all parties hereto. Voluntary termination may not occur during the first 6 months of this agreement unless at least one obligation well shall have been drilled in conformance accordance with Section 9.

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

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

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

23. NOTICES. All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be in writing and shall be personally delivered to the party or parties, or sent by postpaid registered or certified mail, to the last-known address of the party or parties.

24. NO WAIVER OF CERTAIN RIGHTS. Nothing contained in this agreement shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State where the unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling, or to operate on, or produce unitized substances from any of the lands covered by this agreement, shall be suspended while the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials or equipment in the open market, or other matters beyond the reasonable control of the Unit Operator, whether similar to matters herein enumerated or not.

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all the provisions of

Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 FR 12319), as amended, which are hereby incorporated by reference in this agreement.

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

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

28. NONJOINER AND SUBSEQUENT JOINER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw the tract from this agreement by written notice delivered to the proper BLM office, the Land Commissioner, the State Division and the Unit Operator prior to the approval of this agreement by the AO and Land Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approval(s), if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After a final approval hereof, joinder by a nonworking interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such nonworking interest. A nonworking interest may not be committed to this unit agreement unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, in order for the interest to be regarded as committed to this agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the date of the filing with the AO, the Land Commissioner, and the State Division of duly executed counterparts of all or any papers necessary to establish effective commitment of any interest and/or tract to this agreement.

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

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

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

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

- (a) accept those working interest rights subject to this agreement and the unit operating agreement; or
- (b) lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement; or
- (c) provide for the independent operation of any part of such land that is not then included within a participating area established hereunder.

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

An appropriate accounting and settlement shall be made for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interests subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within 30 days.

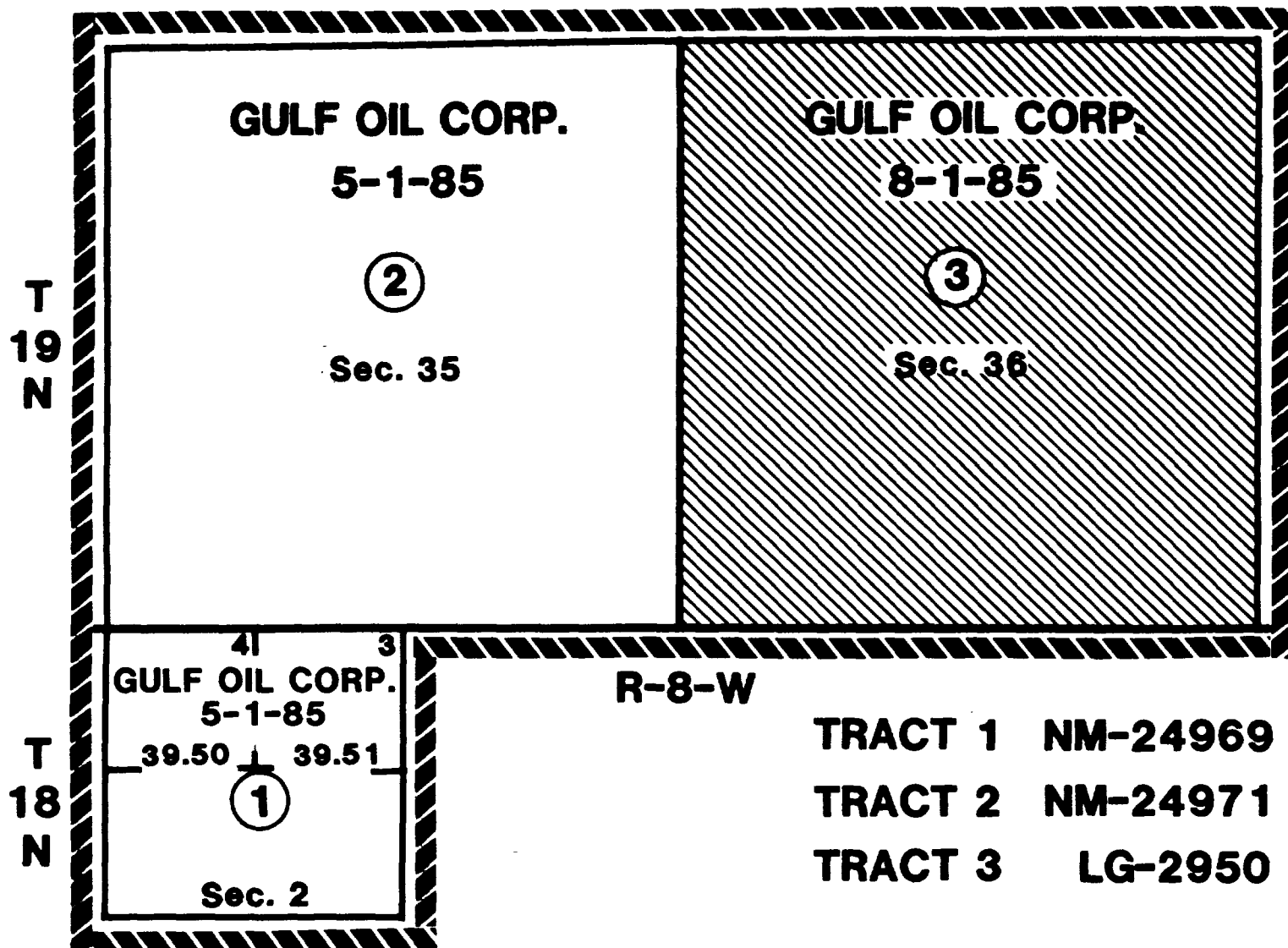
The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.



31. TAXES. The working interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced, gathered and sold from the land covered by this agreement after its effective date, or upon the proceeds derived therefrom. The working interest owners on each tract shall and may charge the proper proportion of said taxes to royalty owners having interests in said-tract, and may currently retain and deduct a sufficient amount of the unitized substances or derivative products, or net proceeds thereof, from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

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

33. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS. Nothing in this agreement shall modify or change either the special Federal Lease stipulations relating to surface management or such special Federal Lease stipulations relating to surface and environmental protection, attached to and made a part of Oil and Gas leases covering lands within the Unit Area.

# EXHIBIT "A"



	ACREAGE	PERCENTAGE
 FEDERAL LAND	799.01	55.52%
 STATE LAND	640.00	44.48%
<b>TOTAL</b>	<b>1,439.01</b>	<b>100%</b>

 UNIT OUTLINE      ① TRACT NUMBER

**NORTH HOSPAH  
FEDERAL STATE UNIT  
McKINLEY COUNTY, NEW MEXICO  
T-19-N R-8-W  
T-18-N R-8-W  
GULF OIL CORPORATION  
MIDLAND, TEXAS**

SCALE IN MILES





EXHIBIT "B"

SCHEDULE OF LANDS AND LEASES  
NORTH HOSPAH FEDERAL-STATE UNIT  
MCKINLEY COUNTY, NEW MEXICO

Tract No.	Description	Acres	Serial No. and Expiration Date	Basic Royalty & Percentage	Lessee of Record & Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
1	T-18-N, R-8-W Section 2: Lots 3&4, S/2NW/4	159.01	NM-24969 5-1-85	12.5% U.S.A.	Gulf Oil Corporation 100%	Howard T. Keefe 3%	Gulf Oil Corporation 100%
2	T-19-N, R-8-W Section 35: All	640.00	NM-24971 5-1-85	12.5% U.S.A.	Gulf Oil Corporation 100%	Maurice W. Brown, et ux 1.5% Joan Chorney 1.5%	Gulf Oil Corporation 100%
3	T-19-N, R-8-W Section 36: All	640.00	IG-2950 8-1-85	12.5% State of New Mexico	Gulf Oil Corporation 100%	None	Gulf Oil Corporation 100%

TOTAL FEDERAL LANDS IN UNIT - 799.01 ACRES OR 55.52% OF UNIT AREA

TOTAL STATE LANDS IN UNIT - 640.00 ACRES OR 44.48% OF UNIT AREA

3 TRACTS TOTALING 1,439.01 ACRES IN UNIT AREA

## GEOLOGIC COMMENTS AND PROGNOSIS

Re: N. Hospah Federal-State Unit  
T19N, R8W, Sections 35 and 36  
T18N, R8W, Lots 3 and 4 and  
S/2 of NW/4 Section 2

Gulf Oil Corporation plans to drill a 4,700' Entrada Test (T19N, R8W, SW $\frac{1}{4}$  of Section 36) within the proposed 1439.01 acre N. Hospah Federal-State Unit. This unit is situated on the Chaco Slope of the southeastern margin of the San Juan Basin. Geographically, this unit is located approximately 50 miles SE of Cuba, New Mexico and 40 miles NE of Bluewater, New Mexico.

Based on subsurface and seismic mapping, Gulf has outlined two objectives for this prospect; The Jurassic Age Entrada formation and the Cretaceous Age Hospah Sandstone member of the Gallup Formation.

Seismic mapping has delineated a Jurassic Age Eolian Sand Dune which was formed in a topographic basin that subsequently became filled with lacustrine limestones and anhydrite. Hydrocarbon entrapment is stratigraphically provided by topographic relief on the dune, hydrodynamic drive, and the overlying anhydrite of the Todilto formation. Hydrocarbon generation occurred in the overlying lacustrine limestones with subsequent migration into the eolian sandstones. The expected productive limits are based on analagous production from Media, Snake Eyes, and Leggs fields where approximately the southern half of the Dune is productive.

The second objective, the Hospah sandstone, calls for stratigraphic entrapment of hydrocarbons in offshore marine bar sandstones situated on the northeast plunge of the Hospah anticline. Interbar sedimentation, shales and siltstones, provide a permeability barrier trapping mechanism. Hydrocarbon generation occurred in marine shales (Mancos formation) with subsequent migration along the anticlinal axis into bar sandstones. The expected productive limits were determined by both the structural configuration (limiting datum of +4475 feet) and areal distribution of the reservoir facies (limiting net sandstone value of 25 feet).

The outline of the proposed N. Hospah Federal-State Unit includes all quarter sections which fall 50% or more within the combined expected productive limits.

Our proposed well will test the most favorable location in the unit where both objectives can be evaluated. Expected formation tops are as follows:

Point Lookout  
Upper Mancos Shale  
Gallup  
Hospah Sandstone  
Lower Mancos Shale  
Graneros Sandstone  
Dakota Sandstone  
Todilto  
Entrada Sandstone

1170 ft.  
1300 ft.  
2200 ft.  
2270 ft.  
2420 ft.  
3150 ft.  
3250 ft.  
4350 ft.  
4400 ft.

We would appreciate your office keeping this report and accompanying maps confidential.

*L. K. SISEMORE*  
L. K. SISEMORE  
Gulf Oil Corporation

MAP:df



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT ALBUQUERQUE DISTRICT OFFICE

505 Marquette, N.W.  
P.O. Box 6770  
Albuquerque, New Mexico 87197-6770

IN REPLY REFER TO:

North Hospah  
Federal State  
Unit (015)

FEB 20 1985

RECEIVED

FEB 25 1985

LAND DEPT.  
Midland, TX

Gulf Oil Corporation  
Attention: Charles D. Frisbie  
P.O. Box 1150  
Midland, Texas 79702

Gentlemen:

Your application of February 7, 1985, filed with the District Manager, Albuquerque, requests the designation of the North Hospah Federal State unit area, embracing 1,439.01 acres, more or less, McKinley County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Minerals Leasing Act as amended.

Pursuant to unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked "Exhibit "A" North Hospah Federal State Unit" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test the Entrada, or to a depth of 4,700 feet. Your proposed use of the Form of Agreement for Unproved areas will be accepted with the modifications requested in your application.

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

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

Please include the latest status of all acreage when the executed agreement is submitted for final approval. The format of the sample exhibits attached to the model unit agreement (43 CFR 3186.1) should be followed closely in the preparation of Exhibits A and B. A minimum of four copies of the executed agreement should be submitted with your request for final approval.

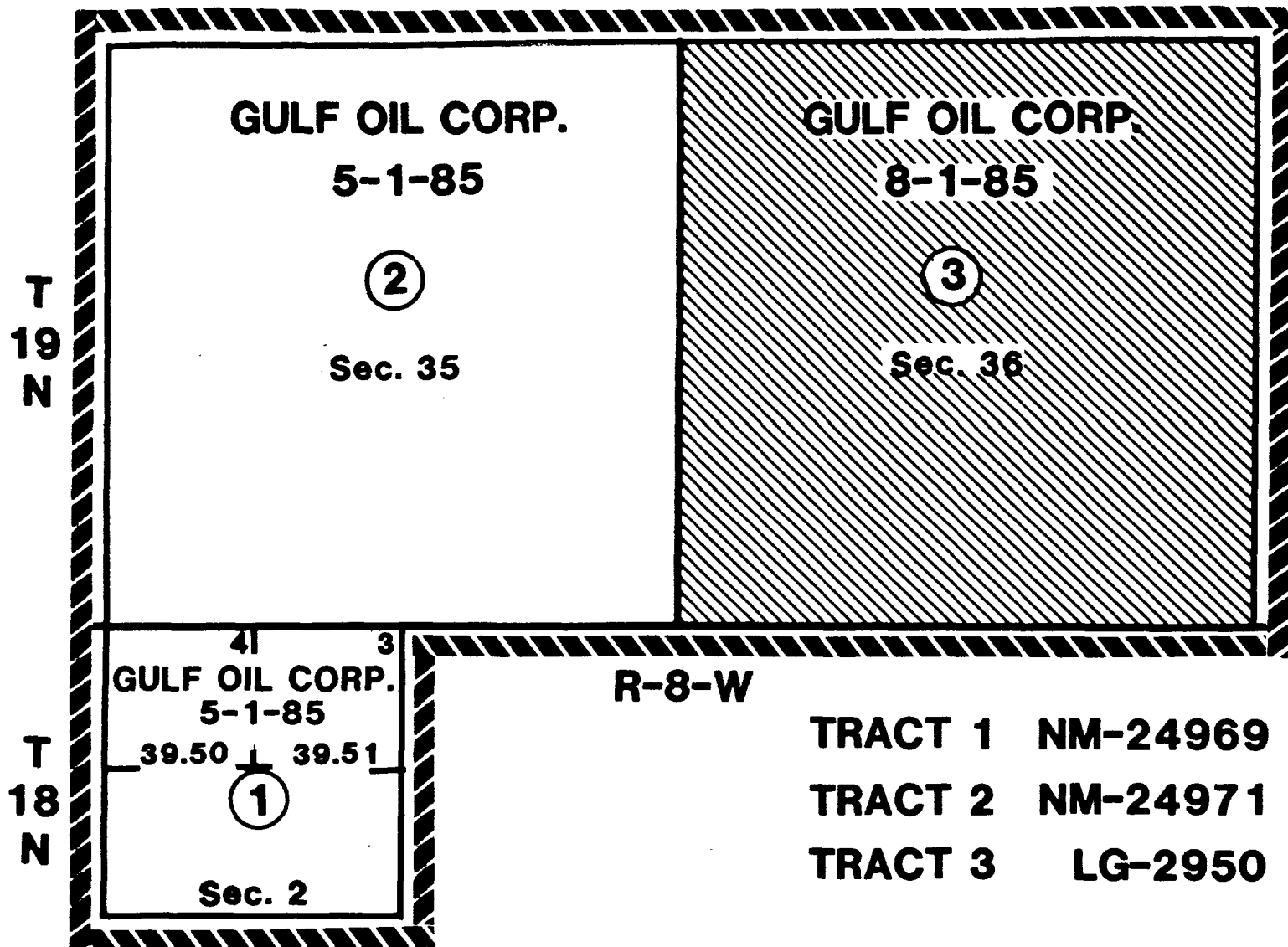
Inasmuch as this unit agreement involves State land, we are sending a copy of the letter to the Commissioner of Public Lands, Santa Fe, New Mexico. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.



Sincerely yours,

A handwritten signature in cursive script, reading "Harry C. Stephens". The signature is written in dark ink and is positioned above the typed name.

For District Manager

# EXHIBIT "A"



	ACREAGE	PERCENTAGE
 FEDERAL LAND	799.01	55.52%
 STATE LAND	640.00	44.48%
<b>TOTAL</b>	<b>1,439.01</b>	<b>100%</b>

 UNIT OUTLINE      (1) TRACT NUMBER

**NORTH HOSPAH**  
**FEDERAL STATE UNIT**  
**McKINLEY COUNTY, NEW MEXICO**  
**T-19-N R-8-W**  
**T-18-N R-8-W**  
**GULF OIL CORPORATION**  
**MIDLAND, TEXAS**

SCALE IN MILES







JIM BACA  
COMMISSIONER

RECEIVED State of New Mexico

FEB 21 1985

TRADE NEGOTIATIONS  
UNIT  
MIDLAND, TX



Commissioner of Public Lands

February 18, 1985

Gulf Oil Exploration and Production Company  
P. O. Box 1150  
Midland, Texas 79702



P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148  
Express Mail Delivery Used  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87501

Re: Proposed North Hoshpah Federal  
State Unit covering lands in  
McKinley County, New Mexico

ATTENTION: Mr. Charles D. Frisbie

Gentlemen:

This office has reviewed the unexecuted copy of unit agreement for the proposed North Hoshpah Federal State Unit, McKinley County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands and has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given. Also, any well commenced prior to the effective date of this agreement which penetrates its objective horizon prior to said effective date shall not be construed as the initial test well.

When submitting your agreement for final approval please submit the following:

1. Application for formal approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged before a notary and one set must contain original signatures.
3. Order of the New Mexico Oil Conservation Division and the Designation from the Bureau of Land Management. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.


Gulf Oil Exploration and Prod. Co.  
February 18, 1985  
Page 2

Your filing fee in the amount of Ninety (\$90.00) Dollars has been received.

If we may be of further help please do not hesitate to call on us.

Very truly yours,

JIM BACA  
COMMISSIONER OF PUBLIC LANDS

BY:   
RAY D. GRAHAM, Director  
Oil and Gas Division  
AC 505/827-5744

JB/RDG/pm  
cc:       OCD-Santa Fe, New Mexico  
          BLM-Albuquerque, New Mexico  
          BLM-Roswell, New Mexico

Dockets Nos. 8-85 and 9-85 are tentatively set for March 13, and March 27, 1985. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 27, 1985

8:00 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stogner, Examiner, or Gilbert P. Quintana, Alternate Examiner:

CASE 8484:

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit La Jet, Inc., the Travelers Indemnity Company, and all other interested parties to appear and show cause why the La Jet, Inc. State Well No. 1 located 660 feet from the South line and 2310 feet from the West line of Section 16, Township 21 South, Range 34 East, Lea County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 8485:

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit San Juan Petroleum Company, National Surety Co., and all other interested parties to appear and show cause why the Palmer Well No. 1 located 300 feet from the North line and 300 feet from the East line (Unit A) of Section 17, Township 29 North, Range 13 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 8486:

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Warren J. Miller, San Juan Petroleum Company, the Maryland Casualty Company and all other interested parties to appear and show cause why the Umbenhour Well No. 1 located in the SE/4 SW/4 (Unit N) of Section 9, Township 29 North, Range 13 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 8487:

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit J. Warren Miller and other interested parties to appear and show cause why the Culpepper Well No. 1 located 694 feet from the South line and 996 feet from the West line (Unit M) of Section 16, Township 29 North, Range 13 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 8488:

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit J. E. Amenda and all other interested parties to appear and show cause why the Vergie Schenck Well No. 1, aka Schenckland Well No. 1, located 350 feet from the North line and 660 feet from the East line (Unit A) of Section 14, Township 29 North, Range 13 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 8489:

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Animas Oil Company and all other interested parties to appear and show cause why the John C. Sutton Well No. 1 located 304 feet from the North line and 2242 feet from the West line (Unit C) of Section 12, Township 29 North, Range 13 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 8490:

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Farmington Syndicate and all other interested parties to appear and show cause why the Blake Well No. 1 located in the SW/4 SE/4 (Unit O) of Section 16, Township 29 North, Range 13 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 8491:

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Basin Company and all other interested parties to appear and show cause why the Ted White Well No. 78 located 1850 feet from the North line and 790 feet from the East line (Unit H) of Section 18, Township 29 North, Range 13 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 8492:

Application of Gulf Oil Corporation for a unit agreement, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North Hoshpah Federal-State Unit Area comprising 1,280 acres, more or less, of Federal and State lands in Township 19 North, Range 8 West.

CASE 8493: Application of J. M. Huber Corporation for salt water disposal, Lea County, New Mexico.

Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the perforated interval from approximately 4630 feet to 6050 feet in the Cabot "Q" State Well No. 1 located 1980 feet from the South line and 560 feet from the West line of Section 7, Township 15 South, Range 35 East.

CASE 8494: Application of TXO Production Corp. for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in all formations from 4,825 feet beneath the surface through the base of the Bone Spring formation underlying the NW/4 NW/4 of Section 26, Township 18 South, Range 32 East, Querecho Plains-Lower and Upper Bone Spring Pools, to form a standard 40-acre oil spacing and proration unit, to be dedicated to a well to be drilled at a standard oil well location 660 feet from the North and West lines of said Section 26. Applicant further seeks an order pooling all mineral interests from the base of the Bone Spring formation to the base of the Morrow formation underlying the N/2 of said Section 26, to form a standard 320-acre gas spacing and proration unit also to be dedicated to the above-described well which is an unorthodox gas well location for the N/2, 320-acre gas spacing and proration unit in said Section 26. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.CASE 8450: (Continued from February 13, 1985, Examiner Hearing)

Application of Robert E. Chandler Corporation for compulsory pooling and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Blinbry formation underlying a non-standard oil proration unit, consisting of approximately 25.9 acres, comprising Lot 4 of Section 29, Township 18 South, Range 39 East, NMPM, East Hobbs-Blinbry Pool, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8495: Application of J. F. Herbig for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Drinkard and Abo formations underlying the NE/4 NE/4 of Section 11, Township 20 South, Range 38 East, House-Abo and House-Drinkard Pools, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.CASE 8496: Application of Chaveroo Operating Co., Inc. for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to 4,400 feet underlying the NE/4 NE/4 of Section 25, Township 7 South, Range 32 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.CASE 8497: Application of Chaveroo Operating Co., Inc. for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to 4,400 feet underlying the NW/4 NW/4 of Section 25, Township 7 South, Range 32 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

- CASE 8498: Application of Pennzoil Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 990 feet from the South line and 660 feet from the East line of Section 35, Township 16 South, Range 34 East, to test all formations from the top of the Wolfcamp formation to the base of the Pennsylvanian formation, the E/2 of said Section 35 to be dedicated to the well.
- CASE 8499: Application of Pennzoil Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 990 feet from the South line and 660 feet from the West line of Section 36, Township 16 South, Range 34 East, to test all formations from the top of the Wolfcamp formation to the base of the Pennsylvanian formation, the W/2 of said Section 36 to be dedicated to the well.
- CASE 8500: Application of Pennzoil Company for an unorthodox gas well location, Lea County, New Mexico. Applicant in the above-styled cause, seeks approval of an unorthodox gas well location 510 feet from the South line and 990 feet from the East line of Section 30, Township 19 South, Range 34 East, to test various formations from the top of the Queen formation to the base of the Pennsylvanian formation. The above-described well is an unorthodox gas well location for any and all formations or pools dedicated to either 160-acre or 320-acre spacing and proration units. The SW/4 of said Section 30 is to be dedicated to the well if the gas produced is subject to 160-acre spacing and the S/2 of said Section 30 is to be dedicated to the well if the gas produced is subject to 320-acre spacing.
- CASE 8501: Application of Harben-Davis, a Partnership, for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Abo formation (approximate depth 8500 feet) underlying the SW/4 SW/4 (Unit M) of Section 22, Township 16 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 8502: Application of Yates Drilling Company for a pressure maintenance project, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project in the Southeast Chaves Queen Gas Area Associated Pool by the injection of water into the Queen formation through the perforated interval from approximately 2991 feet to 2997 feet in its Doyal Well No. 3 located 1980 feet from the South line and 990 feet from the East line (Unit I) of Section 27, Township 12 South, Range 31 East.
- CASE 8503: Application of Yates Petroleum Corporation for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location 990 feet from the South line and 2310 feet from the East line (Unit O) of Section 35, Township 15 South, Range 36 East, Dean-Permo Pennsylvanian Pool, the W/2 SE/4 of said Section 35 to be dedicated to the well.
- CASE 8472: (Continued from February 13, 1985, Examiner Hearing)
- Application of Inexco Oil Company for compulsory pooling and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in all formations from the surface to the top of the Strawn formation underlying the NW/4 SE/4 of Section 13, Township 17 South, Range 37 East, to form a standard 40-acre oil proration unit to be dedicated to a well to be drilled at a standard oil well location 1980 feet from the South and East lines of said Section 13. Applicant further seeks an order pooling all mineral interests in the Strawn formation underlying the NE/4 SW/4 and NW/4 SE/4 of said Section 13, to form a non-standard 80-acre oil proration unit also to be dedicated to the above-described well. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 8504: Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Pennsylvanian formation underlying the S/2 of Section 12, Township 19 South, Range 28 East, to be dedicated to a well to be drilled at a standard gas well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 8478: (Continued from February 13, 1985, Examiner Hearing)
- Application of BTA Oil Producers for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the NE/4 of Section 25, Township 20 South, Range 34 East, Lea-Pennsylvanian Gas Pool, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8505: Application of Chama Petroleum Company for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the top of the Wolfcamp formation and from the top of the Pennsylvanian to the base of the Morrow formation underlying the NE/4 of Section 25, Township 20 South, Range 34 East, to form a standard gas spacing and proration unit for any and all formations and/or pools dedicated on 160-acre spacing, to be dedicated to a well to be drilled at a standard gas well location 660 feet from the North line and 1980 feet from the East line of said Section 25. Applicant further seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the top of the Pennsylvanian formation underlying the E/2 of said Section 25, to form a standard 320-acre gas spacing and proration unit within said vertical limits also to be dedicated to the above-described well which is an unorthodox gas well location for an E/2, 320-acre gas spacing and proration unit in said Section 25. IN THE ALTERNATIVE, the applicant further seeks an order pooling all mineral interests from the surface to the top of the Wolfcamp formation for any and all formations and/or pools dedicated on 160-acre spacing and proration units, underlying the NE/4 of said Section 25, to be dedicated to the above-described well to be drilled at a standard gas well location for a 160-acre spacing and proration unit. Applicant further seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation for any and all formations and/or pools dedicated on 320-acre spacing and proration units, underlying the E/2 of said Section 25, also to be dedicated to the above-described well which is an unorthodox gas well location for an E/2, 320-acre, gas spacing and proration unit in said Section 25. Also to be considered, in either case, will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8506: Application of Amoco Production Company for salt water disposal, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Menefee formation in the perforated interval from 3904 feet to 4106 feet in its Johnson Gas Com "E" Well No. 1 located 1100 feet from the North line and 990 feet from the West line of Section 15, Township 30 North, Range 12 West.

CASE 8507: Application of Amoco Production Company for an unorthodox well location and dual completion, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location in the Basin Dakota Pool and an unorthodox oil well location in the Pinon Gallup Oil Pool for a well to be drilled 850 feet from the South line and 100 feet from the West line of Section 11, Township 28 North, Range 12 West, to be dually completed in both pools, the previously approved 366.46-acre non-standard gas proration unit comprising Lots 1, 2, 3, and 4, the SE/4 SW/4, and the S/2 SE/4 of partial Section 10, Township 28 North, Range 12 West, plus Lots 3 and 4, and the S/2 SW/4 of said partial Section 11 to be dedicated to the well in the Basin Dakota Pool and the S/2 SW/4 of said partial Section 11 forming a standard 80-acre proration unit to be dedicated to the well in the Pinon Gallup Pool.

CASE 8468: (Continued and Readvertised)

Application of Damson Oil Corporation for certain findings for an infill well in San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order determining that the Getty Oil Company (Texaco Inc.) operated Mexico Federal "K" Well No. 1-E located 1190 feet from the South line and 2020 feet from the West line of Section 8, Township 28 North, Range 10 West, NMPM, Basin-Dakota Pool, the previously approved 319.67-acre non-standard gas proration unit comprising Lots 1, 2, and 3, the SE/4 SW/4 and the S/2 SE/4 of partial Section 8 and Lots 3 and 4 and the S/2 SW/4 of partial Section 9, both in Township 28 North, Range 10 West, dedicated to the subject well in which Damson Oil Corporation owns an interest; is an authorized "infill well" within a designated pool where a second well on an established gas proration and drilling unit is necessary to recover additional gas from the pool; was drilled for the purpose of increasing the recovery of gas from the pool; and the operator has done nothing to restrict the ability of the original well in the above-described proration unit to produce into the pipeline; and, further, that said well is exempt from the provisions of the New Mexico Natural Gas Pricing Act (62-7-1 through 62-7-10, NMSA, 1978) pursuant to Laws of 1984, Chapter 123, Section 13.B.



CASE 8469: (Continued and Readvertised)

Application of Damson Oil Corporation for certain findings for an infill well in San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order determining that the Mesa Petroleum Co. operated McLeod Well No. 2-E located 1530 feet from the North line and 930 feet from the West line of Section 34, Township 28 North, Range 10 West, NMPM, Basin-Dakota Pool, the S/2 of said Section 34 dedicated to the subject well in which Damson Oil Corporation owns an interest; is an authorized "infill well" within a designated pool where a second well on an established gas proration and drilling unit is necessary to recover additional gas from the pool; was drilled for the purpose of increasing the recovery of gas from the pool; and the operator has done nothing to restrict the ability of the original well in the above-described proration unit to produce into the pipeline; and, further, that said well is exempt from the provisions of the New Mexico Natural Gas Pricing Act (62-7-1 through 62-7-10, NMSA, 1978) pursuant to laws of 1984, Chapter 123, Section 13.8.

CASE 8508: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and assigning discovery allowable and extending certain pools in Chaves and Lea Counties, New Mexico:

- (a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Northwest Antelope Ridge-Bone Spring Pool. The discovery well is the Curry Resources Pronghorn State Well No. 1 located in Unit J of Section 9, Township 23 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM

Section 9: SE/4

- (b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Arkansas Junction-Bone Spring Pool. The discovery well is the Gulf Oil Corporation Lea ACF State Well No. 1 located in Unit A of Section 35, Township 18 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM

Section 35: NE/4

- (c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Bradley-Bone Spring Pool. The discovery well is the Gulf Oil Corporation Wilson C Federal Well No. 1 located in Unit E of Section 29, Township 26 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 34 EAST, NMPM

Section 29: NW/4

- (d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Strawn production and designated as the Langley-Strawn Pool. Further, assign approximately 186,400 barrels of discovery allowable to the discovery well, the ARCO Oil & Gas Company Langley Griffin Well No. 1 located in Unit J of Section 28, Township 22 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM

Section 28: SE/4

- (e) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Mississippian production and designated as the Lowe Ranch-Mississippian Gas Pool. The discovery well is the Kimbark Oil and Gas Company M. F. Walker Well No. 2 located in Unit J of Section 27, Township 12 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 37 EAST, NMPM

Section 27: SE/4

- (f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Grayburg production and designated as the Mescalero Escarpe-Grayburg Pool. The discovery well is the Cities Service Oil and Gas Corporation State DW Well No. 5 located in Unit P of Section 12, Township 18 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM

Section 12: SE/4

- (g) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the Red Hills-Atoka Gas Pool. The discovery well is the HNG Oil Company Vaca 13 Federal Well No. 1 located in Unit C of Section 13, Township 25 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 33 EAST, NMPM

Section 13: N/2

- (h) EXTEND the Anderson Ranch-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM

Section 32: S/2

- (i) EXTEND the lower vertical limits of the Bagley-Lower Pennsylvanian Gas Pool in Lea County, New Mexico, to 5700 feet subsea.
- (j) EXTEND the Northeast Caudill-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 36 EAST, NMPM

Section 1: NW/4

- (k) EXTEND the Cedar Point-Strawn Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM

Section 26: SW/4

- (l) EXTEND the Double X-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 32 EAST, NMPM

Section 14: SE/4

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

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 1: Lots 11, 12, 13, and 14

Section 2: Lots 9, 15, and 16

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

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM

Section 36: NE/4

- (o) EXTEND the West Hume-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM

Section 14: SW/4

- (p) EXTEND the Pearl-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM

Section 26: NE/4

Section 28: SE/4

- (q) EXTEND the Pitchfork Ranch-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM

Section 30: W/2  
Section 31: W/2

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

TOWNSHIP 14 SOUTH, RANGE 33 EAST, NMPM

Section 12: SW/4

- (s) EXTEND the North Young-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM

Section 1: SW/4  
Section 2: SE/4

Dockets Nos. 9-85 and 10-85 are tentatively set for March 27 and April 10, 1985. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 13, 1985

8:00 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Gilbert P. Quintana, Examiner, or Michael E. Stogner, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for April, 1985, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for April, 1985, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 8492: (Continued and Readvertised)

Application of Gulf Oil Corporation for a unit agreement, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North Hospah Federal-State Unit Area comprising 1439.01 acres, more or less, of Federal and State lands in Townships 18 and 19 North, Range 8 West.

CASE 8509: Application of TXO Production Corporation for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Strawn formation underlying the E/2 of Section 14, Township 22 South, Range 27 East, to form a standard 320-acre gas spacing and production unit, to be dedicated to a well to be drilled at an unorthodox gas well location 990 feet from the North line and 1980 feet from the East line of said Section 14. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8461: (Continued from January 30, 1985, Examiner Hearing)

Application of Alpha Twenty-One Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Grayburg formation underlying the SE/4 NE/4 of Section 32, Township 18 South, Range 37 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8462: (Continued from January 30, 1985, Examiner Hearing)

Application of Alpha Twenty-One Production Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the perforated interval from approximately 3700 feet to 4000 feet in the existing Sun Exploration and Production Company Gregory "A" Well No. 3 located 660 feet from the North and West lines (Unit D) of Section 33, Township 25 South, Range 37 East.

CASE 8510: Application of Santa Fe Energy Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 990 feet from the North line and 660 feet from the West line (Unit D) of Section 25, Township 22 South, Range 27 East, to test the Wolfcamp, Strawn and Morrow formations, the W/2 of said Section 25 to be dedicated to the well.

CASE 8511: Application of Santa Fe Energy Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 1570 feet from the South line and 990 feet from the East line (Unit I) of Section 22, Township 22 South, Range 27 East, to test the Wolfcamp, Strawn and Morrow formations, the S/2 of said Section 22 to be dedicated to the well.

CASE 8512: Application of Gary-Williams Oil Producer for an unorthodox oil well location, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location 1789 feet from the North line and 2107 feet from the West line of Section 32, Township 21 North, Range 3 West, the SE/4 NW/4 of said Section 32 to be dedicated to the well, Rio Puerco-Mancos Oil Pool.

Dockets Nos. 9-85 and 10-85 are tentatively set for March 27 and April 10, 1985. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 13, 1985

8:00 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Gilbert P. Quintana, Examiner, or Michael E. Stogner, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for April, 1985, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for April, 1985, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 8492: (Continued and Readvertised)

Application of Gulf Oil Corporation for a unit agreement, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North Hospah Federal-State Unit Area comprising 1439.01 acres, more or less, of Federal and State lands in Townships 18 and 19 North, Range 8 West.

CASE 8509: Application of TXO Production Corporation for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Strawn formation underlying the E/2 of Section 14, Township 22 South, Range 27 East, to form a standard 320-acre gas spacing and production unit, to be dedicated to a well to be drilled at an unorthodox gas well location 990 feet from the North line and 1980 feet from the East line of said Section 14. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8461: (Continued from January 30, 1985, Examiner Hearing)

Application of Alpha Twenty-One Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Grayburg formation underlying the SE/4 NE/4 of Section 32, Township 18 South, Range 37 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8462: (Continued from January 30, 1985, Examiner Hearing)

Application of Alpha Twenty-One Production Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the perforated interval from approximately 3700 feet to 4000 feet in the existing Sun Exploration and Production Company Gregory "A" Well No. 3 located 660 feet from the North and West lines (Unit D) of Section 33, Township 25 South, Range 37 East.

CASE 8510: Application of Santa Fe Energy Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 990 feet from the North line and 660 feet from the West line (Unit D) of Section 25, Township 22 South, Range 27 East, to test the Wolfcamp, Strawn and Morrow formations, the W/2 of said Section 25 to be dedicated to the well.

CASE 8511: Application of Santa Fe Energy Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 1570 feet from the South line and 990 feet from the East line (Unit I) of Section 22, Township 22 South, Range 27 East, to test the Wolfcamp, Strawn and Morrow formations, the S/2 of said Section 22 to be dedicated to the well.

CASE 8512: Application of Gary-Williams Oil Producer for an unorthodox oil well location, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location 1789 feet from the North line and 2107 feet from the West line of Section 32, Township 21 North, Range 3 West, the SE/4 NW/4 of said Section 32 to be dedicated to the well, Rio Puerco-Mancos Oil Pool.

- CASE 8513: Application of Amoco Production Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Undesignated Gallup and Basin-Dakota production in the wellbore of its Rosa Unit Well No. 59 located 1120 feet from the South line and 1560 feet from the West line (Unit N) of Section 25, Township 31 North, Range 6 West.
- CASE 8514: Application of Amoco Production Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Undesignated Gallup and Basin-Dakota production in the wellbore of its Rosa Unit Well No. 98 located 1840 feet from the South line and 790 feet from the West line (Unit L) of Section 23, Township 31 North, Range 6 West.
- CASE 8515: Application of Amoco Production Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Undesignated Gallup and Basin-Dakota production in the wellbore of its Rosa Unit Well No. 99Y located 855 feet from the South line and 1790 feet from the West line (Unit N) of Section 26, Township 31 North, Range 6 West.
- CASE 8516: Application of Amoco Production Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Undesignated Gallup and Basin-Dakota production in the wellbore of its Rosa Unit Well No. 100 located 890 feet from the South line and 1850 feet from the West line (Unit N) of Section 21, Township 31 North, Range 6 West.
- CASE 8517: Application of Amoco Production Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Undesignated Gallup and Basin-Dakota production in the wellbore of its Rosa Unit Well No. 101 located 1760 feet from the South line and 1850 feet from the West line (Unit K) of Section 24, Township 31 North, Range 6 West.
- CASE 8518: Application of Amoco Production Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Undesignated Gallup and Basin-Dakota production in the wellbore of its Rosa Unit Well No. 102 located 1790 feet from the South line and 900 feet from the East line (Unit I) of Section 30, Township 31 North, Range 5 West.
- CASE 8504: (Continued and Readvertised) (This case will be dismissed.)
- Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Pennsylvanian formation underlying the S/2 of Section 12, Township 19 South, Range 28 East, to be dedicated to a well to be drilled at a standard gas well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 8445: (Continued from February 13, 1985, Examiner Hearing)
- Application of GeoEngineering, Inc. for an exception to General Rules 104-F and 104 C.I., McKinley County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rules 104-F and 104 C.I. of the Division's General Rules and Regulations within portions of Sections 20, 21, 22, 27, 28, 29, and 30, all in Township 20 North, Range 9 West, to provide for Mesaverde oil wells to be located not nearer than 10 feet to the quarter-quarter section line nor nearer than 165 feet to lands owned by an offset operator and to also permit applicant to develop the Mesaverde formation within said area with more than four wells on each 40-acre tract.
- CASE 8519: Application of ARCO Oil and Gas Co. for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Upper Pennsylvanian production comprising the E/2 NW/4 of Section 35, Township 17 South, Range 29 East, and the promulgation of temporary special pool rules therefor including a provision for 80-acre well spacing and proration units and special well location requirements.
- CASE 8520: Application of ARCO Oil and Gas Co. for amendment of Division Order No. R-638-B, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-638-B, as amended, to delete that portion requiring proration units to consist of either the E/2 or W/2 of each governmental quarter section.



- CASE 8521: Application of Cavalcade Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the NW/4 SW/4 of Section 18, Township 12 South, Range 38 East, to form a standard 40-acre oil spacing and proration unit, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 8502: (Continued from February 27, 1985, Examiner Hearing)
- Application of Yates Drilling Company for a pressure maintenance project, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project in the Southeast Chaves Queen Gas Area Associated Pool by the injection of water into the Queen formation through the perforated interval from approximately 2991 feet to 2997 feet in its Doyal Well No. 3 located 1980 feet from the South line and 990 feet from the East line (Unit I) of Section 27, Township 12 South, Range 31 East.
- CASE 8522: Application of Yates Petroleum Corporation for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the top of the Pre-Cambrian formation underlying the S/2 of Section 33, Township 3 South, Range 30 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 8450: (Continued from February 27, 1985, Examiner Hearing) (This case will be dismissed.)
- Application of Robert E. Chandler Corporation for compulsory pooling and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Blinbry formation underlying a non-standard oil proration unit, consisting of approximately 25.9 acres, comprising Lot 4 of Section 29, Township 18 South, Range 39 East, NMPM, East Hobbs-Blinbry Pool, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 8495: (Continued from February 27, 1985, Examiner Hearing)
- Application of J. F. Herbig for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Drinkard and Abo formations underlying the NE/4 NE/4 of Section 11, Township 20 South, Range 38 East, House-Abo and House-Drinkard Pools, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 8523: Application of Union Texas Petroleum Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation in the perforated interval from approximately 12,729 feet to 12,802 feet in its Post Well No. 1 located 990 feet from the South line and 1650 feet from the West line (Unit N) of Section 1, Township 14 South, Range 37 East.
- CASE 8524: Application of Coastal Oil & Gas Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Bough "C" formation in the perforated interval from 9738 feet to 9800 feet in its Federal "20" Well No. 1 located 660 feet from the South and East lines (Unit P) of Section 20, Township 13 South, Range 33 East.
- CASE 8101: In the matter of Division Case No. 8101 being reopened on the motion of the Oil Conservation Division and pursuant to the provisions of Division Order No. R-7473, as amended, which order promulgated temporary special rules and regulations for the East Tanney Hill-Fusselman Pool in Roosevelt County, New Mexico, including a provision for 80-acre proration and spacing units. Operators in said pool may appear and show cause why said pool should not be developed on 40-acre proration units.
- CASE 7936: (Continued and Readvertised)
- In the matter of Division Case No. 7936 being reopened on the motion of the Oil Conservation Division and pursuant to the provisions of Division Order No. R-7364, as amended, which order promulgated temporary special rules and regulations for the Cedar Point-Strawn Pool in Chaves County, New Mexico, including a provision for 80-acre proration and spacing units. Operators in said pool may appear and show cause why said pool should not be developed on 40-acre proration units.

- CASE 8525: Application of Hicks Oil & Gas, Inc. for salt water disposal, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Cha Cha-Gallup Oil Pool in the perforated interval from 5492 feet to 5824 feet in its Southeast Cha Cha Unit Well No. 37 located 550 feet from the South line and 2100 feet from the East line (Unit O) of Section 15, Township 28 North, Range 13 West.
- CASE 8526: Application of Phillips Petroleum Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Lower San Andres and Glorieta formations in the perforated interval from approximately 3370 feet to 3975 feet in its proposed Artesia Plant SWD Well No. 1 located 330 feet from the South line and 2310 feet from the East line of Section 7, Township 18 South, Range 28 East.
- CASE 8527: Application of Conoco Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Cruz-Delaware Pool in its Marshall Well No. 2 located 1980 feet from the South line and 1910 feet from the West line (Unit K) of Section 19, Township 23 South, Range 33 East, or IN THE ALTERNATIVE, to convert from a shut-in oil well to a salt water disposal well in the same pool, its Marshall Well No. 1 located 660 feet from the South and West lines of said Section 19.
- CASE 8528: Application of Conoco Inc. for HARDSHIP GAS WELL CLASSIFICATION, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Bell Lake Unit 2 Well No. 6 located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 6, Township 23 South, Range 34 East, North Bell Lake-Devonian Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

218100

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