

J. M. HERVEY 1874-1953

HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON

S. B. CHRISTY IV
J. PENROD TOLES

LAW OFFICES
HERVEY, DOW & HINKLE
FIRST NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO

November 2, 1955

#962

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New Mexico Oil Conservation Commission
Santa Fe, New Mexico

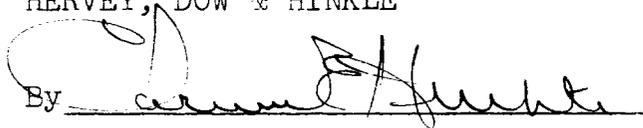
Re: (South Four Lakes Unit) Agreement

Gentlemen:

We hand you herewith an executed copy of the South Four Lakes Unit Agreement which you will note was approved by the Commissioner of Public Lands on October 20, 1955. This copy is filed with the Commission in conformity with the order of the Commission approving the unit agreement.

Yours very truly,

HERVEY, DOW & HINKLE

By 

CEH:mp
Encl.

cc - Mr. R. M. Richardson
Humble Oil & Refining Company
Roswell, New Mexico

cc - Mr. M. L. McMillan
Humble Oil & Refining Company
Midland, Texas

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
SOUTH FOUR LAKES UNIT AREA
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1 day of September, 1955, 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 or gas interests in the unit area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico (hereinafter referred to as Commissioner) is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N.M. Statutes 1953 Annotated), to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162, Laws of 1951; Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the Commission) is authorized by an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N.M. Statutes 1953 Annotated), to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the South Four Lakes Unit Area covering the land hereinafter described

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RECORDED

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. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

<u>T. 11 S., R. 34 E.</u>	<u>Acres</u>
Sec. 35: All	640.00
Sec. 36: W $\frac{1}{2}$	320.00
<u>T. 12 S., R. 34 E.</u>	
Sec. 1: Lots 3 and 4, S $\frac{1}{2}$ NW $\frac{1}{4}$	160.06
Sec. 2: All	640.40

containing 1,760.46 acres, more or less.

Exhibit A attached hereto is a map showing the unit area and 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 said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits A and B shall be revised by the Unit Operator whenever changes in ownership in the unit area render such revision necessary, or when requested by the Commissioner of Public Lands, hereinafter referred to as Commissioner.

All land committed to this agreement shall constitute land referred to herein as unitized land or land subject to this

agreement .

2. **UNITIZED SUBSTANCES.** All oil, gas, natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. **UNIT OPERATOR.** Humble Oil & Refining Company, a corporation, with offices at Houston, Texas, is hereby designated as Unit Operator and by signature hereto commits to this agreement all interests in unitized substances vested in it as set forth in Exhibit "B", and 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 interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

4. **RESIGNATION OR REMOVAL OF UNIT OPERATOR.** Unit Operator shall have the right to resign at any time but such resignation shall not become effective until a successor Unit Operator has been selected and approved in the manner provided for in Article 5 of this agreement. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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 determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the Unit Operator under this agreement shall not terminate his right, title or interest as the

owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor Unit Operator; provided that, if a majority but less than seventy-five (75%) percent of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five (75%) percent of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The Unit Operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with

an operating agreement by and between the Unit Operator and the other owners of such 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 Article, whether one or more, are herein referred to as the "Operating Agreement". No such 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 inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

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

3. DRILLING TO DISCOVERY. The Unit Operator shall, on or before November 1, 1955, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Devonian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of Unit

Operator, be determined that the further drilling of said well shall 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 13,000 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities, Unit Operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Failure to comply with the drilling provisions of this article shall automatically terminate this agreement as to all its terms, conditions and provisions and all rights, privileges and obligations granted by this unit agreement shall cease and terminate as of the date of any such default.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of

determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provision contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the Unit Operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

10. ALLOCATION OF PRODUCTION. All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

11. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES. All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be

entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the Unit Operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

If the Unit Operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operations consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

12. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, sub-leases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of the lands committed to this agreement, shall, upon approval hereof by the Commissioner be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the length of the secondary term as to lands within such area will be extended insofar as necessary to coincide with the term of this

agreement and the approval of this agreement by the Commissioner and the lessee shall, without further action of the Commissioner or the lessee, be effective to conform the provisions and extend the term of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein so long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws shall continue in full force and effect thereafter. The commencement, completion, operation or production of a well on any part of the unit area shall be respectively construed and considered as the commencement or completion or operation or production of a well within the terms and provisions of each of the oil and gas leases to the same extent as though such commencement, completion, operation or production was carried on, conducted on or obtained from any such leased tract.

Any lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and to the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. 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 unitized substances are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease committed

to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the 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 unitized substances, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as unitized substances in paying quantities are being produced from any portion of said lands.

13. 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 laws or regulations.

14. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized lands by wells on lands not subject to this agreement.

15. 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, 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.

16. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner or (b) a valuable discovery of

unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities, and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five (75%) percent on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, as provided in Article B hereof, the failure to comply with the drilling provisions of this unit agreement shall as of the date of any such default, automatically terminate this unit agreement.

17. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

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

19. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing and personally delivered to the party or sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or

consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

20. 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, but only so long as, 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, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

21. LOSS OF TITLE. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the Unit Operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

22. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission

of this agreement for final approval either by the Commission or Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. After operations are commenced hereunder, the right of subsequent joinder by a working interest owner shall be subject to all the requirements of any applicable operating agreement between the working interest owners relative to the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the filing with the Commissioner and the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to Unit Operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the Unit Operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenues.

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

IN WITNESS WHEREOF, the undersigned parties hereto have caused

this agreement to be executed as of the respective dates set opposite their signatures.

ATTEST:

Chas. Meyers
Secretary

HUMBLE OIL & REFINING COMPANY

By John T. Ferguson
VICE PRESIDENT

Notary Approved
Notary Public
State of Texas

Date: _____

UNIT OPERATOR AND WORKING INTEREST OWNER

ATTEST:

Ed Krueger
ASSISTANT SECRETARY

PHILLIPS PETROLEUM COMPANY

By John T. Ferguson
VICE PRESIDENT

Notary Approved
Notary Public
State of Texas

Date: 10-17-55

John T. Ferguson

STATE OF TEXAS
COUNTY OF HARRIS } 38

The foregoing instrument was acknowledged before me this 18 day of October, 1955, by H. W. FERGUSON, Vice President of Humble Oil & Refining Company, a Texas corporation, on behalf of said corporation.

J. DeLoach
Notary Public

My Commission Expires:

My Commission Expires June 1, 1957

NOTARY PUBLIC STATE OF TEXAS
HARRIS COUNTY, TEXAS

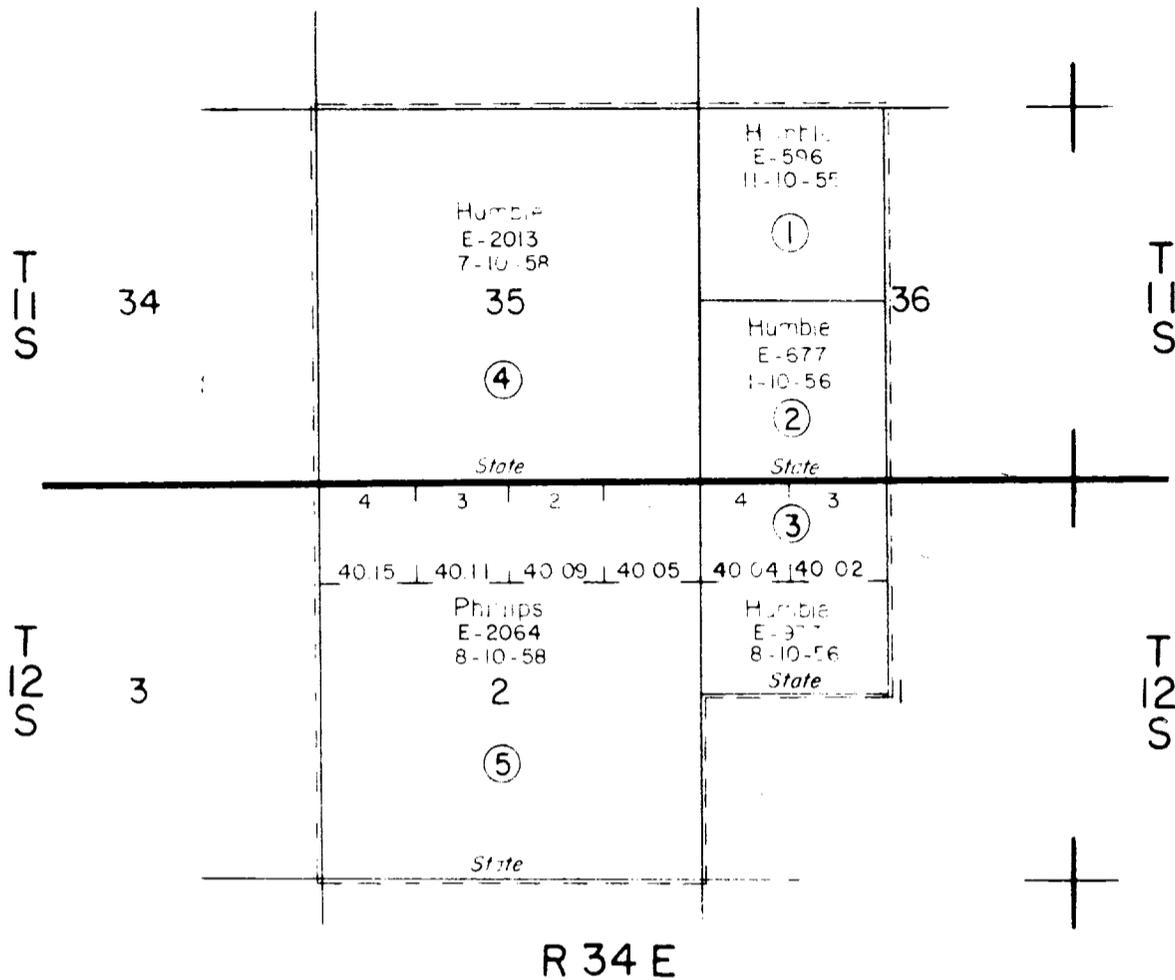
STATE OF Oklahoma
COUNTY OF Washington } 38

The foregoing instrument was acknowledged before me this 17th day of October, 1955, by B. F. Stradley, vice - President of Phillips Petroleum Company, a Delaware corporation, on behalf of said corporation.

Nadine Shelton
Notary Public

My Commission Expires:

12-29-57



SOUTH FOUR LAKES UNIT AREA
LEA COUNTY, NEW MEXICO

LEGEND

- Unit Outline
- Tract Number
- Total 1,760.46 Acres
- All owned by the State of New Mexico

EXHIBIT "A"

EXHIBIT B

SOUTH FOUR LAKES UNIT AREA, LEA COUNTY, NEW MEXICO
 TOWNSHIPS 11 AND 12 SECTORS, RANGE 34 EAST
 SCHEDULES SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND
 GAS INTERESTS IN ALL LANDS IN THE UNIT AREA

Tract No.	Description of Land	No. of Acres	State Lease No. and Date	Basic Royalty and Percent	Lessee of Record	Overriding	
						Royalty and Percent	Working Interest Owner
1.	<u>T-11-S, R-34-E</u> Sec. 36: NW 1	160.00	R-206 11-10-45	State - All	Humble Oil & Refining Company	None	Humble Oil & Refining Company
2.	<u>T-11-S, R-34-E</u> Sec. 36: SW 1	160.00	R-1077 1-10-46	State - All	Humble Oil & Refining Company	None	Humble Oil & Refining Company
3.	<u>T-12-S, R-34-E</u> Sec. 1: Lots 3, 4, 5 NW 1	160.00	R-237 8-10-46	State - All	Humble Oil & Refining Company	None	Humble Oil & Refining Company
4.	<u>T-11-S, R-34-E</u> Sec. 35: All	640.00	R-2013 7-10-43	State - All	Humble Oil & Refining Company	None	Humble Oil & Refining Company
5.	<u>T-12-S, R-34-E</u> Sec. 2: All	640.40	R-2064 8-10-45	State - All	Phillips Petroleum Company	None	Phillips Petroleum Company

TOTAL, 5 STATE TRACTS, CONTAINING 1,760.40 ACRES, SOUTH FOUR LAKES AREA, LEA COUNTY, NEW MEXICO

CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS,
STATE OF NEW MEXICO
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION
OF SOUTH FOUR LAKES UNIT AREA
LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the South Four Lakes Unit Area, Lea County, New Mexico, dated the 15th day of September, 1955, in which the Humble Oil & Refining Company is designated as Operator, and which has been executed by various parties owning and holding oil and gas leases embracing lands within the unit area, and upon examination of said Agreement, the Commissioner finds:

- (a) That such Agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said field;
- (b) That under the operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its land in the area affected;
- (c) That the Agreement is in other respects for the best interest of the State;
- (d) That the Agreement provides for the unit operation of the field, for the allocation of production, and the sharing of proceeds from a part of the area covered by the Agreement on an acreage basis as specified in the Agreement.

NOW THEREFORE, by virtue of the authority conferred upon me by the Laws of the State of New Mexico, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the above referred to South Four Lakes Unit Agreement as to the lands of the State of New Mexico committed thereto, and all oil and gas leases embracing lands of the State of New Mexico committed to said Agreement shall be and the same are hereby amended so that the provisions thereof will conform to the provisions of said Unit Agreement and so that the length of the secondary term of each such lease as to the lands within the unit area will be extended, insofar as necessary, to coincide with the terms of said Unit Agreement, and in the event the term of said Unit Agreement shall be extended as provided therein such extension shall also be effective to extend the term of each oil and gas lease embracing lands of the State of New Mexico committed to said Unit Agreement which would otherwise expire, so as to coincide with the extended term of such Unit Agreement.

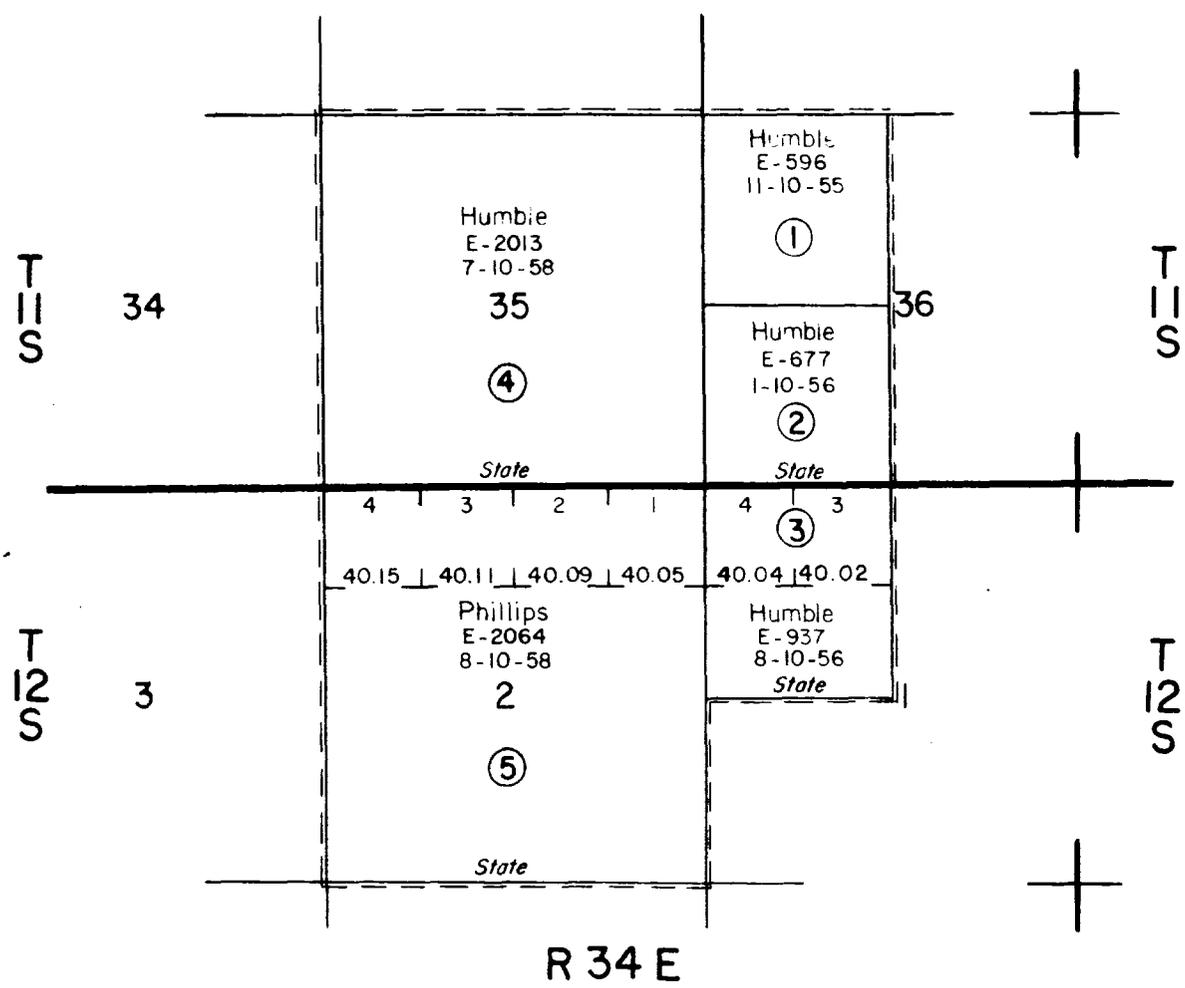
IN WITNESS WHEREOF, this certificate of approval is executed as of this the 20th day of September, 1955.



Commissioner of Public Lands of the
State of New Mexico

Report on the
SOUTH FOUR LAKES AREA
LEA COUNTY, NEW MEXICO
HUMBLE OIL & REFINING COMPANY
WEST TEXAS DIVISION
ROSWELL, NEW MEXICO
COMMISSION
SANTA FE, NEW MEXICO
EXHIBIT No. 1
CASE 947

BEFORE THE
OIL CONS. COMMISSION
SANTA FE, NEW MEXICO
Humble EXHIBIT No. 1
CASE 962



SOUTH FOUR LAKES UNIT AREA
LEA COUNTY, NEW MEXICO

LEGEND

----- Unit Outline

○ Tract Number

Total 1,760.46 Acres

All owned by the
State of New Mexico

EXHIBIT "A"

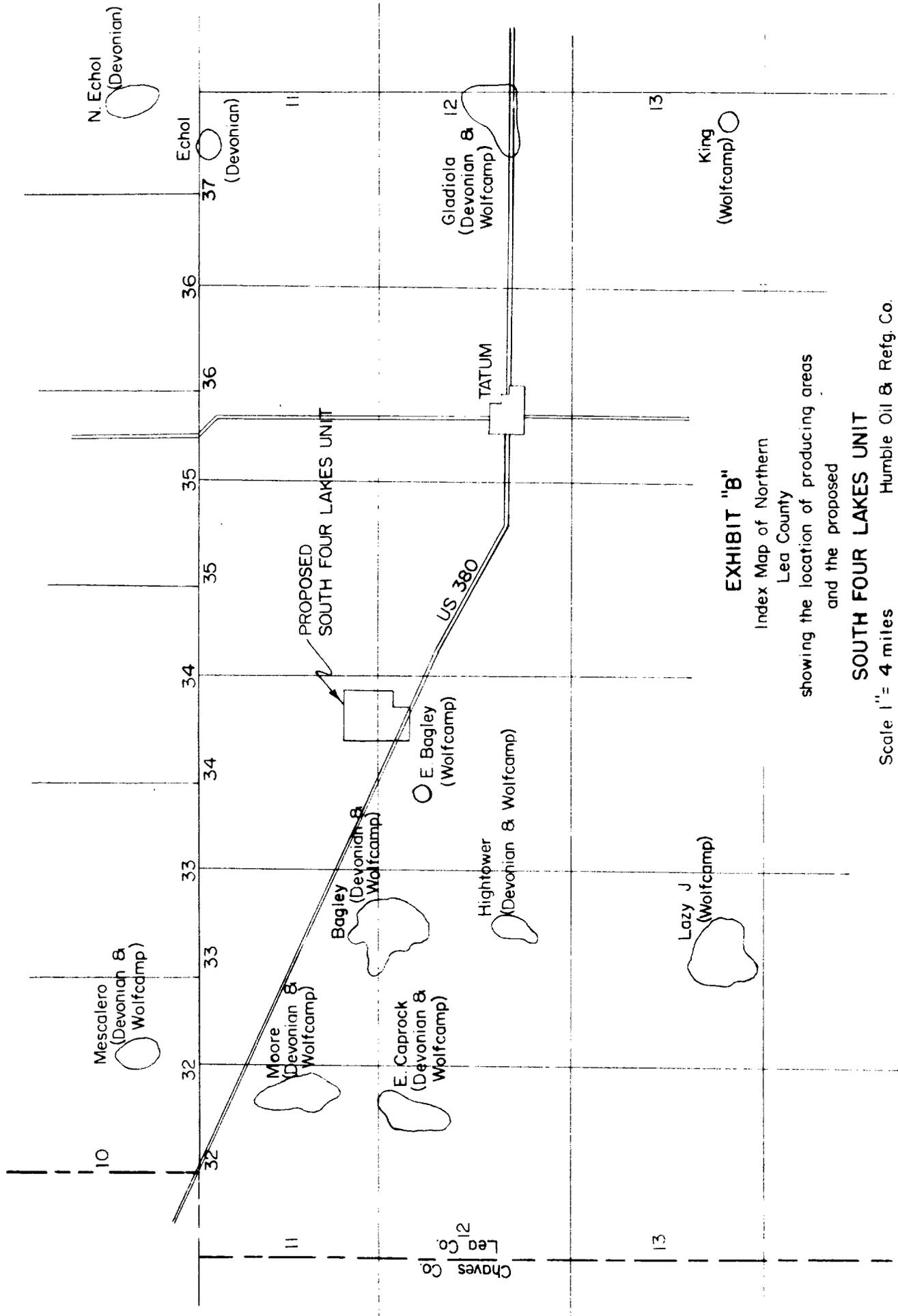


EXHIBIT "B"

Index Map of Northern
Lea County

showing the location of producing areas
and the proposed

SOUTH FOUR LAKES UNIT

Scale 1" = 4 miles Humble Oil & Refg. Co.

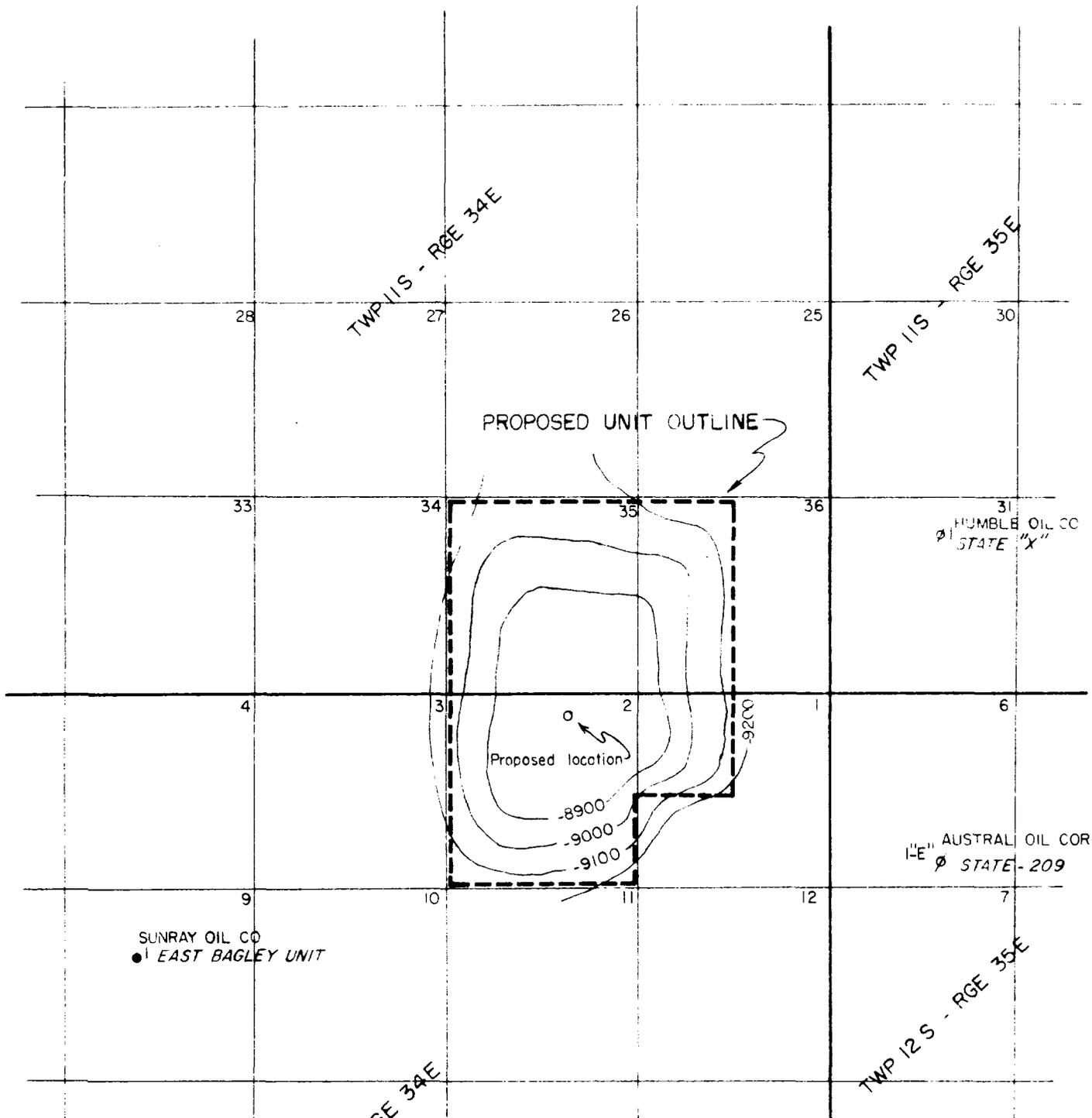


EXHIBIT "C"
 MAP OF THE PROPOSED
SOUTH FOUR LAKES UNIT
 TWPS. 10 & 11S RGE. 34 E
SEISMIC STRUCTURE MAP
 Contour Horizon = Devonian
 Contour Interval = 100 Feet

Scale 1" = 4000'

Humble Oil & Refg. Co.

Roswell, New Mexico
September 16, 1955

New Mexico Oil Conservation Commission
Commissioner of Public Lands
Santa Fe, New Mexico

The Humble Oil & Refining Company proposes to form a wildcat unit to be known as the "South Four Lakes Unit" in Townships 11 and 12 South, Range 34 East. Exhibit "B" shows the location of the proposed unit and its relationship to nearby fields and deep wildcats. This unit will cover a geologic structure delineated by reflection seismograph and subsurface geologic mapping. This structure, as mapped on the top of the Devonian by seismograph (Exhibit "C"), has a minimum of 200 feet of closure. Recent subsurface information has substantiated the existence of a structure in this area.

It is the intention of the Humble Oil & Refining Company, as Unit Operator, to drill a wildcat well of sufficient depth to test the Devonian formation. This well will be approximately 13,200 feet deep and should encounter the following formations at these approximate depths: San Andres, 4100 feet; Abo, 7800 feet; Wolfcamp, 9100 feet; Mississippian 12,300 feet; and Devonian, 13,000 feet.

Exhibit "A" shows the location, shape, and size of the proposed "South Four Lakes Unit," and the leases within the unit area. This unit will be five miles due east of the Bagley Wolfcamp and Devonian field and one and one-half miles northeast of the recently discovered East Bagley Wolfcamp field. This latter pool was discovered by the Sunray No. 1 East Bagley Unit, a Devonian wildcat drilled on a 1280 acre State of New Mexico Unit. The proposed wildcat location, 660 feet from the north line and 1980 feet from the east line, of Section 2, Township 12 South, Range 34 East, will fall midway between the Sunray No. 1 East Bagley Unit discovery well and the Humble No. 1 State "X", a Devonian wildcat abandoned in January, 1949.

The best chances of production in the proposed wildcat are believed to be from the Permian Wolfcamp formation and from the Devonian (Hunton) formation. The Devonian production probably will be limited to the structural closure that is believed to exist under the unit. Wolfcamp production in northern Lea County is not necessarily dependent upon structural closure and in several nearby fields extends over a considerably larger area than the deeper production. Because of this it is reasonable to expect that

Page 2
New Mexico Oil Conservation Commission
Santa Fe, New Mexico
September 16, 1955

within the proposed unit area the Wolfcamp production may extend over a somewhat greater area than the Devonian production.

The approval of the formation of the requested unit will be in the interests of conservation and of scientific and orderly development of the oil field should one be found on this structure.

Respectfully submitted,

R. W. Rybee

R. W. Rybee
Assistant Division Geologist
West Texas Division
Humble Oil & Refining Company

HBJ:jr

AMENDMENT OF UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
SOUTH FOUR LAKES UNIT AREA,
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, as of the 1st day of September, 1955, a unit agreement was made and entered into for the development and operation of the South Four Lakes Unit Area, Lea County, New Mexico, by and between the Humble Oil & Refining Company and the Phillips Petroleum Company, being the owners of oil and gas leases embracing lands of the State of New Mexico covering the following described lands constituting the unit area, to-wit:

Township 11 South, Range 34 East, N.M.P.M.

Section 35: All
Section 36: $\frac{1}{2}$

Township 12 South, Range 34 East, N.M.P.M.

Section 1: Lots 3 and 4, $\frac{1}{2}$ NW $\frac{1}{4}$
Section 2: All

containing 1,760.46 acres, more or less,

reference to which said unit agreement is hereby made and thereby made a part hereof; and,

WHEREAS, said unit agreement was approved by the New Mexico Oil Conservation Commission and by the Commissioner of Public Lands of the State of New Mexico on October 20, 1955; and,

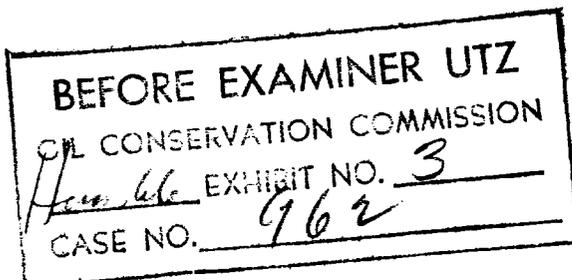
WHEREAS, the Humble Oil & Refining Company and the Phillips Petroleum Company, being all of the parties to said unit agreement, are the owners of the oil and gas lease covering the following described lands, to-wit:

Township 12 South, Range 34 East, N.M.P.M.

Section 1: NE $\frac{1}{4}$ SW $\frac{1}{4}$

containing 80 acres, more or less, and

are desirous, with the approval and consent of the Commissioner of



Public Lands of the State of New Mexico, of amending said unit agreement to expand the unit area to include said 80-acre tract; and,

WHEREAS, the expansion of said unit area to include said 80-acre tract is believed to be in the interest of conservation and the prevention of waste of unitized substances.

NOW THEREFORE, it is mutually agreed between the undersigned parties, subject to the consent and approval of the Commissioner of Public Lands of the State of New Mexico, that said unit agreement be and the same is hereby amended as follows:

1. That the following be substituted for Section 1 (Unit Area) of the unit agreement:

1. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

<u>T. 11 S., R. 34 E.</u>	<u>Acres</u>
Sec. 35: All	640.00
Sec. 36: $W\frac{1}{2}$	320.00
<u>T. 12 S., R. 34 E.</u>	
Sec. 1: Lots 3 and 4, $S\frac{1}{2}NW\frac{1}{4}$, $N\frac{1}{2}SW\frac{1}{4}$	240.00
Sec. 2: All	540.40

containing 1,840.40 acres, more or less.

Exhibit "A" attached hereto is a map showing the unit area and 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 said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in ownership in the unit area render such revision necessary, or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner."

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

The above described unit area may, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, such expansion to be made with the mutual consent of the parties hereto and the approval of the Commissioner.

2. That revised Exhibits "A" and "B" referred to in Section 1, as amended above, are attached hereto and made a part hereof.

3. This amendment shall be effective as of 7:00 A. M. the first day of the month following approval by the New Mexico Oil Conservation Commission and the Commissioner of Public Lands of the State of New Mexico.

4. That except as amended hereinabove, said unit agreement is hereby ratified and confirmed as to all of the terms and provisions hereof.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set opposite their signatures.

ATTEST:

Margaret W. Hatch
ASSISTANT SECRETARY
Date OCT 14 1958

HUMBLE OIL & REFINING COMPANY

By *Ed J. Hamner*
DIRECTOR IN CHARGE EXPLORATION DEPARTMENT

FORM APPROVED
Hervey, Dow & Hinkle

TRADE O. K.
W. A. MALEY

By *MWH*

ATTEST:

E. Schumaker
ASSISTANT SECRETARY
Date _____

PHILLIPS PETROLEUM COMPANY

By *Dean*
VICE PRESIDENT

PHW

STATE OF TEXAS }
COUNTY OF HARRIS } is

This foregoing instrument was acknowledged before me this 12 day of Oct, 1958, by ED J. HAMNER DIRECTOR IN CHARGE EXPLORATION DEPARTMENT of HUMBLE OIL & REFINING COMPANY, a TEXAS corporation, the owner of said corporation.

My commission expires:

My Commission Expires June 1, 1959

Lilla Smith
Notary Public
NOTARY PUBLIC IN AND FOR
HARRIS COUNTY, TEXAS

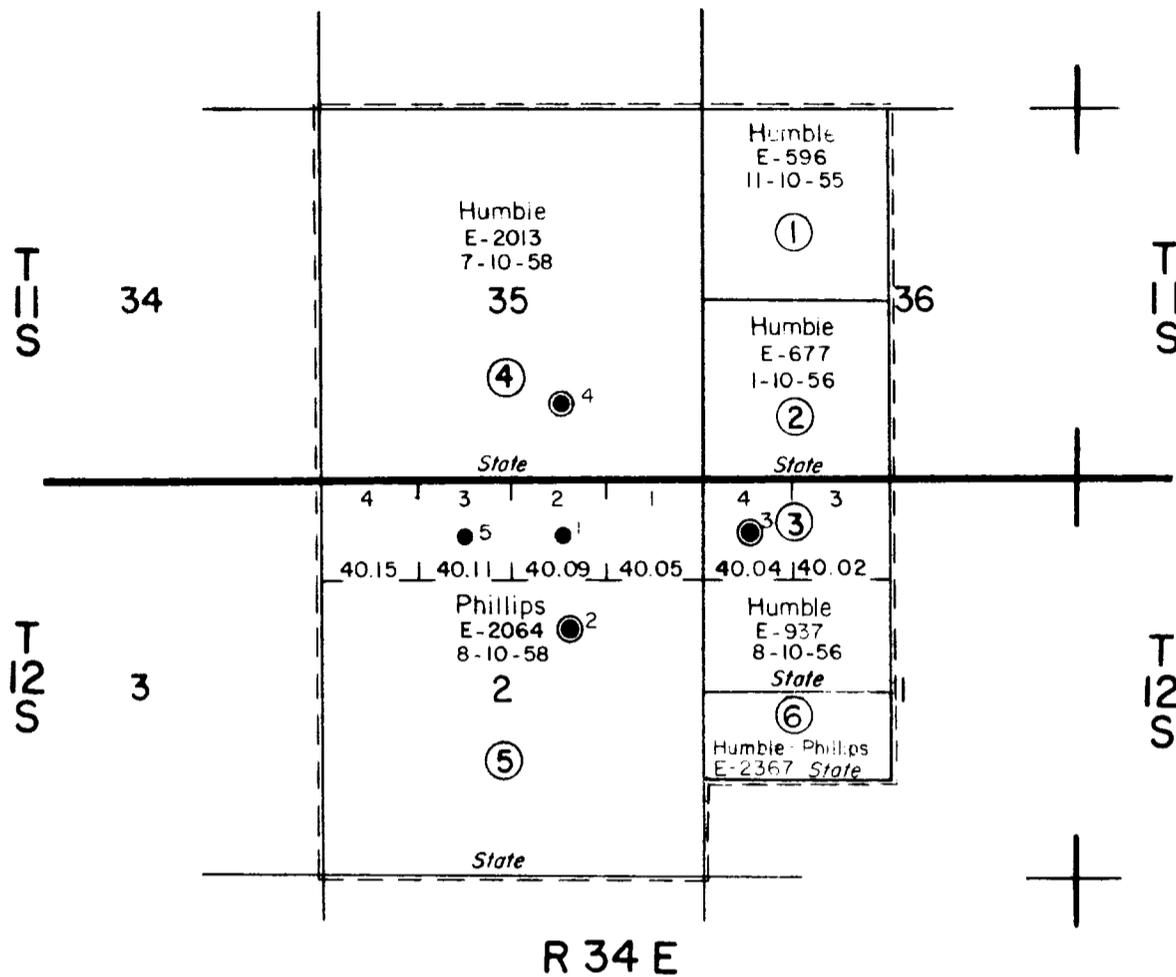
STATE OF Oklahoma
COUNTY OF Washington

23

The foregoing instrument was acknowledged before me this 15th
day of October, 1958, by C. O. Stark, Vice
President of PHILLIPS PETROLEUM COMPANY, a Delaware
corporation, on behalf of said corporation.

My commission expires:
6-21-62

Marilyn Liaboe
Notary Public



SOUTH FOUR LAKES UNIT AREA
LEA COUNTY, NEW MEXICO

LEGEND

- ==== Unit Outline
- Tract Number
- Total 1,760.46 Acres
- All owned by the State of New Mexico
- Devonian well
- Pennsylvanian well

SUPPLEMENTAL EXHIBIT "A"

SUPPLEMENTAL EXHIBIT "B"
SOUTH FOUR LAKES UNIT AREA, LEA COUNTY, NEW MEXICO
TOWNSHIPS 11 AND 12 SOUTH, RANGE 34 EAST
SCHEDULES SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND
GAS INTERESTS IN ALL LANDS IN THE UNIT AREA

Tract No.	Description of Land	No. of Acres	State Lease No. and Date	Basic Royalty and Percent	Lessee of Record	Overriding	
						Royalty and Percent	Working Interest Owner
1.	T-11-S, R-34-E Sec. 35: NW 1/4	160.00	E-956 11-10-45	State - All	Humble Oil & Refining Company	None	Humble Oil & Refining Company
	T-11-S, R-34-E Sec. 35: SW 1/4	160.00	E-977 1-10-46	State - All	Humble Oil & Refining Company	None	Humble Oil & Refining Company
3.	T-12-S, R-34-E Sec. 1: Lots 3, 4, SW 1/4	160.00	E-937 8-10-45	State - All	Humble Oil & Refining Company	None	Humble Oil & Refining Company
4.	T-11-S, R-34-E Sec. 35: All	540.00	E-2013 7-10-48	State - All	Humble Oil & Refining Company	None	Humble Oil & Refining Company
5.	T-12-S, R-34-E Sec. 2: All	540.40	E-9054 8-10-48	State - All	Phillips Petroleum Company	None	Phillips Petroleum Company
				Total, 5 Tracts, Original Unit Area, Containing 1,750.40 Acres, South Four Lakes Area, Lea County, New Mexico			
				Total, 6 Tracts, Revised Unit Area, Containing 1,810.45 Acres, South Four Lakes Unit Area, Lea County, New Mexico			
		80.00	E-2367 1-9-49	State - All	Humble Oil & Refining Company and Phillips Petroleum Company	Gordon M. and Humble Oil & Refining Company 1/16 of 7/8 up to 80,000 barrels oil & company 100,000 MCF gas	

By Assignment of Production
 Payments this interest may be
 commuted to the South Four
 Lakes Unit Agreement by Humble
 Oil & Refining Company.

CERTIFICATE OF APPROVAL OF
COMMISSIONER OF PUBLIC LANDS

That I, the undersigned Commissioner of Public Lands of the State of New Mexico, hereby approve the above and foregoing amendment to the unit agreement for the development and operation of the South Four Lakes Unit Area, Lea County, New Mexico, for the purpose of including the following described state land situated in Lea County, New Mexico, to-wit:

Township 12 South, Range 34 East, N.M.P.M.

Section 1: $N\frac{1}{2}SW\frac{1}{4}$

containing 80 acres, more or less,

and the oil and gas lease covering said land shall be and the same is hereby amended so that the provisions thereof will conform with the provisions of the said unit agreement as amended.

IN WITNESS WHEREOF this certificate of approval is executed this ____ day of October, 1958.

Commissioner of Public Lands
State of New Mexico

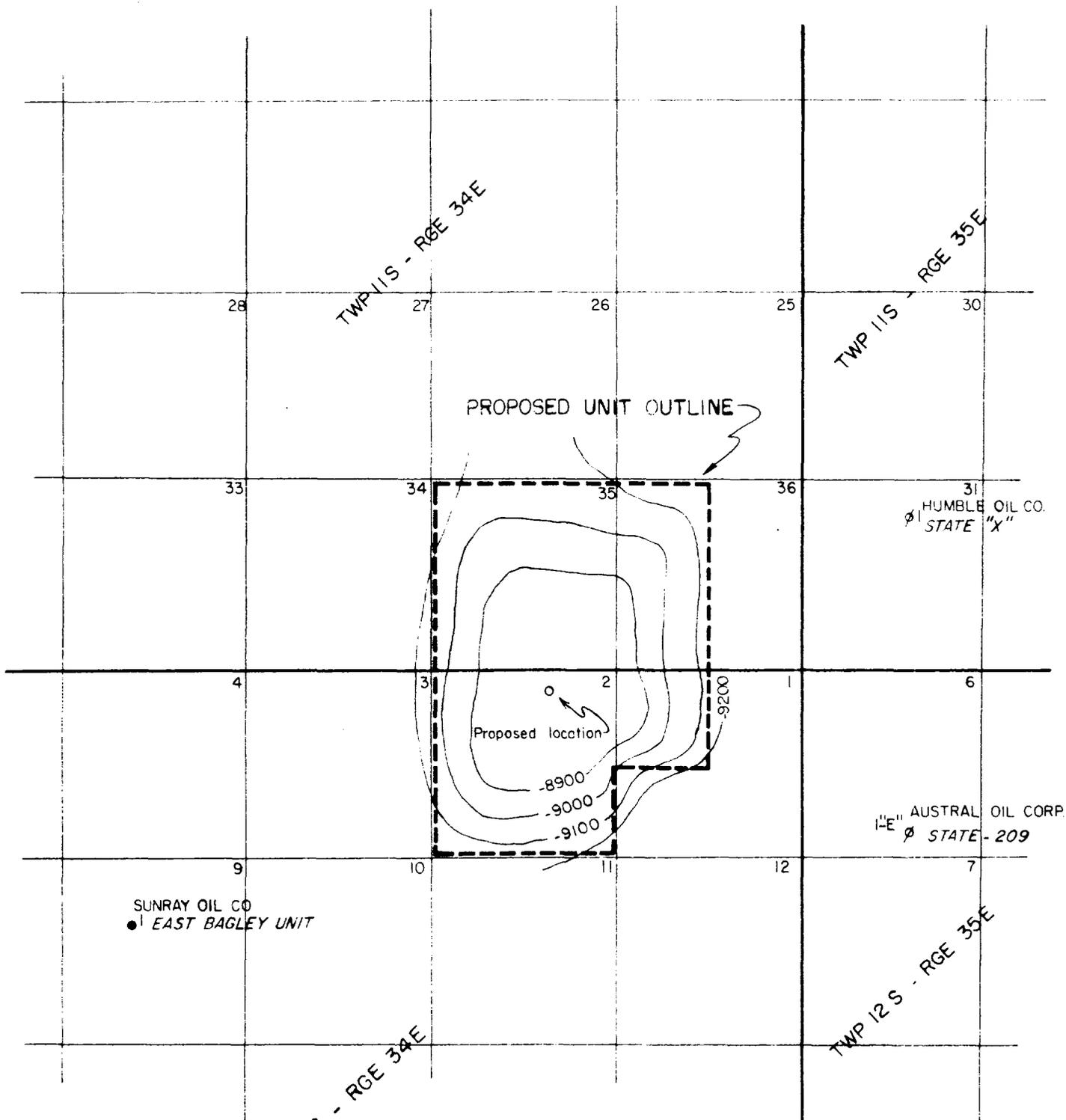
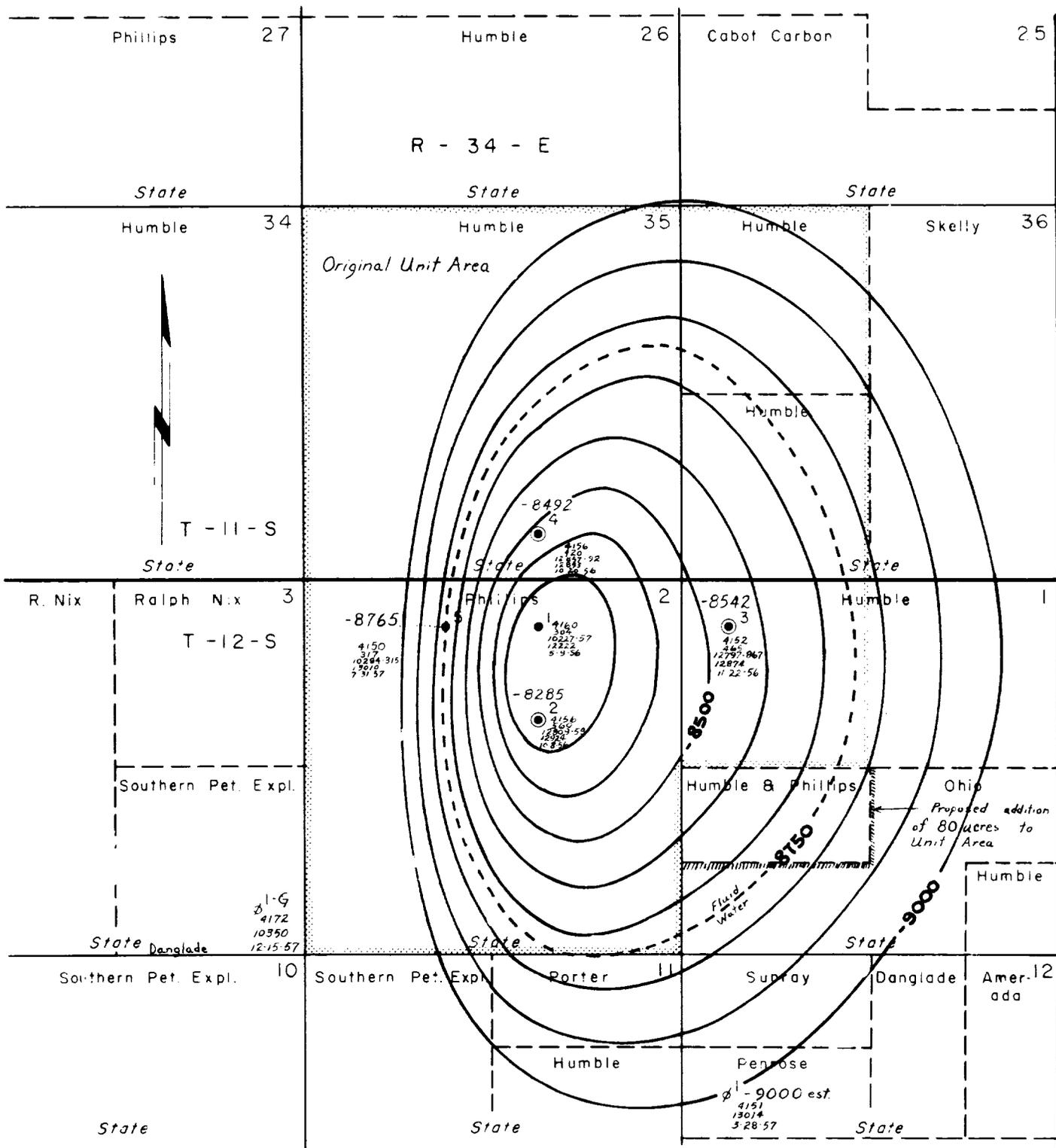


EXHIBIT "C"
 MAP OF THE PROPOSED
SOUTH FOUR LAKES UNIT
 TWPS. 10 & 11S RGE. 34 E
SEISMIC STRUCTURE MAP
 Contour Horizon = Devonian
 Contour Interval = 100 Feet

BEFORE EXAMINER UTZ
 OIL CONSERVATION COMMISSION
Humble EXHIBIT NO. 1
 CASE NO. 962

Scale 1" = 4000'

Humble Oil & Refg. Co.



BEFORE EXAMINER UTZ
 OIL CONSERVATION COMMISSION
 EXHIBIT NO. 2
 CASE NO. 962

Humble Oil & Refg. Co.
 Exploration Dept. Western Division
 DEVONIAN STRUCTURE
 MAP
 OF
 SOUTH FOUR LAKES UNIT
 Lea County, New Mexico
 Contour Horizon: Top of Devonian
 Contour Interval: 100 feet
 Scale 1" = 2000' Date: Oct. 16, 1958

Case 962

LAW OFFICES

HERVEY, DOW & HINKLE

FIRST NATIONAL BANK BUILDING

ROSWELL, NEW MEXICO

J. M. HERVEY 1874-1953

HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON

S. B. CHRISTY IV
J. PENROD TOLES

September 20, 1955

Mr. W. B. Macey
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Re: South Four Lakes Unit Agreement

Dear Bill:

We enclose original and two copies of application of Humble Oil & Refining Company for approval of the South Four Lakes Unit Agreement, which is an all-state land unit.

I have heretofore talked to Mr. Walker, Commissioner of Public Lands, concerning this unit and he indicated that it was satisfactory to him and we are filing with Mr. Walker an application for approval by the Commissioner. We also enclose three copies of the proposed form of unit agreement. You will note that under Section 8 of the unit, a test well is to be commenced on or before November 9th. This is to be a deep test projected to test the Devonian and will be approximately 13,500 feet in depth. Due to the short time in which the well has to be commenced, we would like to have this included, if possible, during the regular October hearing on the 13th.

Yours very truly,

HERVEY, DOW & HINKLE

By  _____

CEH:mp
Encl.