



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

RECEIVED OCT 17 1960

Case 2179

OCT 13 1960

Mr. Foster Morrell
Petroleum Consultant
Nickson Hotel Building
Roswell, New Mexico

Dear Mr. Morrell:

Your application of September 23 filed with the Oil and Gas Supervisor, Roswell, New Mexico, in behalf of Drilling and Exploration Company, Inc. requests the designation of 7,521.08 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to the unit plan regulations of December 22, 1950 (30 CFR 226.3), the land outlined on your plat marked "Exhibit A, Mescalero Ridge unit area, Lea County, New Mexico" is hereby designated as a logical unit area.

The proposed initial unit well to test formations of Mississippian age or to 14,000 feet is acceptable. Your proposed form of unit agreement which substantially follows the standard form of unit agreement (June 1957 reprint) with the addition of the modifications required by the State of New Mexico, and the recently revised language of Section 11 (Participation After Discovery) will be acceptable, provided the "except" phrase on lines 3 and 4 and the paragraph commencing on line 28 of page 4 are deleted, as it is deemed inappropriate to have the automatic elimination provisions of section 2(e) applicable to all but State lands and a different automatic elimination provision applicable to State lands only. This would lead to undesirable results and tend to render certain agreements unstable. We think it advisable to have any automatic elimination provision uniformly applicable to all lands.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed unit agreement conformed to the foregoing will be approved if submitted in approvable status within a reasonable period of time. When the executed agreement is submitted to the Oil and Gas Supervisor for approval, include the latest status of all acreage ownerships. All options should be indicated on exhibit B, explained as to type, and accompanied by a promise to exercise promptly after approval of the unit agreement. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have the full commitment of sufficient lands to assure effective control of unit operations.

Sincerely yours,


Acting Director



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|-----------------------------|------|
| BEFORE EXAMINER NUTTER | |
| OIL CONSERVATION COMMISSION | |
| EXHIBIT NO. _____ | 1 |
| CASE NO. _____ | 2179 |

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Sincerely yours,

A. H. ...
Acting Director



