

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
BOGLE FLATS UNIT AREA
EDDY COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the _____ day of _____, 1964, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto",

W I T N E S S E T H:

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. Secs. 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 cooperative or unit plan of development or operation of any oil or 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 (Sec. 7-11-39 N.M. Statutes 1953 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 interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an act of the Legislature (Article 3, Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Bogle Flats 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 State of New Mexico and privately owned 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 of New Mexico, are hereby accepted and made a part of this agreement.

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

Township 22 South, Range 23 East, N.M.P.M.

Section 2: All	Section 17: All
Section 3: All	Section 18: All
Section 4: All	Section 19: All
Section 5: All	Section 20: All
Section 7: All	Section 29: All
Section 8: All	Section 30: All
Section 9: All	Section 31: All
Section 10: All	Section 32: All
Section 16: All	

containing 11,090.64 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 land 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 schedules as owned by such party.

Exhibits A and B shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner", and not less than six copies of the revised exhibits shall be filed with the Supervisor, and two copies thereof shall be filed with the Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

The above-described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is 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 his own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", or on demand of the Commissioner, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, the Commissioner and the Commission 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 Supervisor, the Commissioner and the Commission 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 sufficient number, 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 Director, the Commissioner and the Commission, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys, however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within five years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said five-year period diligent drilling operations are in progress on unitized lands not entitled to participation, 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, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director and the Commissioner. 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 Director and the Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2 (e), a single extension of not to exceed two years may be accomplished by consent of the owners of 90 percent of the current unitized working interests and 60 percent of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating-acreage basis, respectively, with approval of the Director and the Commissioner, provided such extension application is submitted to the Director and the Commissioner not later than 60 days prior to the expiration of said 10-year period.

Any expansion of the unit area pursuant to this section which embraces lands therefore eliminated pursuant to this subsection 2 (e) shall not be considered automatic commitment or recommitment of such lands.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land 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. California Oil Company, a California corporation whose address is Box 1249, Houston, Texas 77001, is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in it 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 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 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 six months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, the Commissioner and the Commission and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and by the Commission as to State 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 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 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 Director and the Commissioner.

The resignation or removal of Unit Operator under this agreement shall not terminate ~~its~~ 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.

6. SUCCESSOR 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 working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 percent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners 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 filed with the Supervisor and approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and the 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 the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Commissioner, prior to approval of this unit agreement by the Director.

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 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.

9. DRILLING TO DISCOVERY. Within six months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on Federal land or by the Commissioner if on State land unless on such effective date a well is being drilled conformably

with the terms hereof, and thereafter continue such drilling diligently until the Cisco Canyon formation of Pennsylvanian age 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 and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land or the Commissioner if on State land 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 8,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the 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 said Supervisor if on Federal land or of the Commissioner if on State 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 Director and the Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and the Commissioner may, after reasonable notice to the Unit Operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner an acceptable plan of development and operation for the unitized land

which, when approved by the Supervisor and the Commissioner, shall constitute the further drilling and operating 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 Supervisor and the Commissioner a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of 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) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Commissioner. Said plan or 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. The Supervisor and the Commissioner are authorized to grant a reasonable extension of the six month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and the Commissioner shall be drilled except in accordance with a plan of development approved as herein provided.

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 Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director and the Commissioner a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director and the Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the 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 the initial participating area. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated; provided, however, that a more appropriate effective

date may be used if justified by the Unit Operator and approved by the Director and the Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; 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 Director and the Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners or working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal lands and the Commissioner for State lands and the amount thereof deposited, as directed by the Supervisor and the Commissioner respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned 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 Supervisor as to wells drilled on Federal land and of the Commissioner as to wells drilled on State land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion 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 so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a 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, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor and the Commissioner, 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 and, 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 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 said 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 such last-mentioned 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 constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with approval of the Supervisor as to Federal land and the Commissioner as to State owned land, at such

party's sole risk, costs and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, 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 such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled as aforesaid by a working interest owner results in production 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 as aforesaid by a working interest owner obtains production in quantities insufficient to justify the inclusion in a participating area of the land upon which such well is situated, 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 all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, 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 on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that

nothing herein contained 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, which shall be in conformity with a plan first approved by the Supervisor and the Commissioner, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and 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 the plan of operations or as may otherwise be consented to by the Supervisor and the Commissioner 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 the operating regulations 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 herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulation; 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 working interest owners responsible therefor 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 in lieu thereof

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 were within the time therein specified commenced upon the land covered thereby or rentals 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 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 appropriate and adequate measures to prevent drainage of unitized substances from unitized lands by wells on land not subject to this agreement, or, with prior consent of the Director and the Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty, as determined by the Supervisor as to Federal lands and by the Commissioner as to State lands.

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 of 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 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 part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract or part of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(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 Secretary and the Commissioner, or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

(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 for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other 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 is had 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 the 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 two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(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 therein 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.

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

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest 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 Director and the Commissioner or their duly authorized representatives as of the date of approval by the Director and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Director and the 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 the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and the Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder 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; or

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and the Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director 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 is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or to 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 subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

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

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority vested in the Commission in

and by any provisions of this agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

23. 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 Department of the Interior, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the Commission or the Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the Commissioner or the Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

24. 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 or certified 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.

25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained 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 wherein said 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.

26. 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 land 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, 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.

27. NONDISCRIMINATION. In connection with the performance or work under this agreement, the Unit Operator agrees to comply with all of the provisions of Section 301 (1) to (7) inclusive, of Executive Order 10925, as amended (28 F. R. 6485), which are hereby incorporated by reference in this agreement.

28. 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 as 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 land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be directed by the 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.

29. NON-JOINDER AND SUBSEQUENT JOINDER. 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 said tract from this agreement by written notice to the Director, the Commissioner and the Unit Operator, prior to the approval of this

agreement by the Director and Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for 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 approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working 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 non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as 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, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director; provided, however, that as to State lands such subsequent joinder must be approved by the Commissioner.

30. 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.

31. SUCCESSORS AND ASSIGNS. This agreement shall be binding upon the parties hereto and respective heirs, personal representatives, successors, and assigns.

IN WITNESS WHEREOF, this agreement is executed by the undersigned parties hereto as of the day and year first hereinabove written.

CALIFORNIA OIL COMPANY

By _____
Attorney-in-Fact

DATE: _____ .

By _____
Attorney-in-Fact

UNIT OPERATOR AND WORKING INTEREST OWNER

WORKING INTEREST OWNERS:

ATTEST:

CONTINENTAL OIL COMPANY

Secretary

By _____

DATE: _____ .

Address: _____

ATTEST:

MONSANTO CHEMICAL COMPANY

Secretary

By _____

DATE: _____ .

Address: _____

ATTEST:

JOHN H. TRIGG COMPANY

Secretary

By _____

DATE: _____ .

Address: _____

ATTEST:

SUN OIL COMPANY

Secretary

By _____

DATE: _____ .

Address: _____

ATTEST:

Secretary

DATE: _____.

RALPH LOWE

By _____

Address: _____

ABBY CORPORATION

By _____

Address: _____

BEARD OIL COMPANY

By _____

Address: _____

MARATHON OIL COMPANY

By _____

Address: _____

SOCONY MOBIL OIL COMPANY, INCORPORATED

By _____

Address: _____

KERR-McGEE OIL INDUSTRIES, INC.

By _____

Address: _____

SOHIO PETROLEUM COMPANY

By _____

Address: _____

UNION OIL COMPANY OF CALIFORNIA

By _____

Address: _____

ATTEST:

TRANSMOUNTAIN PRODUCTION COMPANY

By _____

DATE: _____.

Address: _____

DATE: _____.

MRS. BONNIE ANDRIKOPOLIS

STATE OF _____)
COUNTY OF _____)

ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____ of Continental Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

_____.

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____ of Monsanto Chemical Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

_____.

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____ of John H. Trigg Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

_____.

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1964, by _____,
of Sun Oil Company, a _____ corporation, on behalf
of said corporation.

Notary Public

My Commission Expires:

_____.

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1964, by _____,
of Ralph Lowe, a _____ corporation, on behalf of
said corporation.

Notary Public

My Commission Expires:

_____.

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1964, by _____,
of Abby Corporation, a _____ corporation, on behalf
of said corporation.

Notary Public

My Commission Expires:

_____.

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1964, by _____,
of Beard Oil Company, a _____ corporation, on behalf
of said corporation.

Notary Public

My Commission Expires:

_____.

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1964, by _____,
of Marathon Oil Company, a _____ corporation, on behalf
of said corporation.

Notary Public

My Commission Expires:

_____.

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1964, by _____,
of Socony Mobil Oil Company, Incorporated, a _____ corporation,
on behalf of said corporation.

Notary Public

My Commission Expires:

_____.

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1964, by _____,
of Kerr-McGee Oil Industries, Inc., a _____ corporation, on
behalf of said corporation.

Notary Public

My Commission Expires:

_____.

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1964, by _____,
of Sohio Petroleum Company, a _____ corporation, on behalf
of said corporation.

Notary Public

My Commission Expires:

_____.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____ of Union Oil Company of California, a _____ corporation on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____ of Transmountain Production Company, a _____ corporation on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by Mrs. Bonnie Andrikopolis.

Notary Public

My Commission Expires:

STATE OF TEXAS
COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____ and _____, Attorneys in Fact for California Oil Company, a California corporation, on behalf of said corporation.

Notary Public

My Commission Expires

EXHIBIT "A"
BOGLE FLATS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

R 23 E



T
22
S

	FEDERAL	8969.92 AC.	80.88 %
	STATE	2120.77 AC.	19.12 %
	TOTAL	11090.69 AC.	100.00 %

BOGLE FLATS UNIT
EDDY COUNTY, NEW MEXICO
LAND OWNERSHIP MAP
SCALE: 1" = 4000'

EXHIBIT "B"
 SCHEDULE SHOWING ALL LANDS AND OWNERSHIP
 WITHIN THE UNIT AREA
BOGLE FLATS UNIT, EDDY COUNTY, NEW MEXICO

F E D E R A L L A N D

TRACT NO.	DESCRIPTION OF LAND	ACRES	LEASE NO. & EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTIES,	
						PRODUCTION PAYMENTS & PERCENTAGE	WORKING INTEREST & PERCENTAGE
1	T-22-S, R-23-E Sec 3: Lots 3,4, 2,097.73 S/2 NW/4, SE/4 NE/4, S/2 Sec. 4: Lots 1,2,3, 4, S/2 N/2, N/2 S/2, S/2 SE/4 Sec. 9: E/2 Sec.10: ALL		NM-045273 11-30-68	U.S.A. - 12.5%	California Oil Company	Neil H. Wills - \$500 per acre payable out of 3%	California Oil Company - All
2	T-22-S, R-23-E Sec. 4: S/2 SW/4 880 Sec. 8: E/2,E/2 W/2 Sec.20: N/2		NM-045272 11-30-68	U.S.A. - 12 5%	California Oil Company	Neil H. Wills - \$500 per acre payable out of 3%	California Oil Company - All
3	T-22-S, R-23-E Sec.30: S/2 SW/4, NW/4 SW/4 617.49 Sec 31: N/2, N/2 S/2		NM-012822 9-30-65	U.S.A. - 12 5%	California Oil Company	Ira D. Aten - 3%	California Oil Company - All
4	T-22-S, R-23-E Sec.18: Lots 3,4, E/2 SW/4, E/2 SE/4 Sec.19: Lots 1,2,3, E/2 NW/4, NE/4, NE/4 SW/4		NM-030225 1-31-67	U.S.A. - 12 5%	California Oil Company	Jana Haley -3/4ths of 1% Michael C. Haley - 3/4ths of 1% Charles E. Currier - 1-1/2%	California Oil Company - All

TRACT	DESCRIPTION OF LAND	ACRES	LEASE NO. & EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTIES,		WORKING INTEREST & PERCENTAGE
						PRODUCTION PAYMENTS & PERCENTAGE		
5	T-22-S, R-23-E Sec 7: Lots 1, 2, 3, 4, SE/4 NW/4, E/2 SW/4 E/2 Sec 8: W/2 NW/4, NW/4 SW/4	730.85	NM-04881 2-28-65	U.S.A. - 12.5%	California Oil Company	Lawrence English et ux Lucy M. - 3%	California Oil Company - All	
	Note: The validity of the lease covering Tract No. 5 is presently being litigated in the United States District Court for the District of New Mexico and unless and until the lease is finally judicially determined to be a valid existing lease, the lease and lands described as constituting Tract No. 5 shall not be effectively committed hereto, notwithstanding approval hereof by the Secretary.							
6	T-22-S, R-23-E Sec 5: Lots 2, 3, 4, S/2 N/2, S/2	627.82	LC-068721 H.B.P.	U.S.A. - 12.5%	Sun Oil Company	None	Sun Oil Company - All	
7	T-22-S, R-23-E Sec 9: W/2 W/2 Sec.17: NW/4	320	NM-033647-C 8-31-67	U.S.A. - 12.5%	Sun Oil Company	None	Sun Oil Company - All	
8	T-22-S, R-23-E Sec.17: S/2 Sec.20: S/2 Sec.29: ALL	1280	NM-0553710 3-30-66	U.S.A. - 12.5%	Socony-Mobil Oil Company	None	Socony-Mobil Oil Company All	
9	T-22-S, R-23-E Sec. 9: E/2 NW/4 Sec.17: W/2 NE/4	160	NM-033647-B 8-31-67	U.S.A. - 12.5%	Marathon Oil Company	None	Marathon Oil Company - All	
10	T-22-S, R-23-E Sec.19: SE/4 Sec.30: E/2, E/2 NW/4, NE/4 SW/4	600	NM-068030 2-28-65	U.S.A. - 12.5%	Kerr-McGee Oil Industries, Inc.	None	Kerr-McGee Oil Industries, Inc. - All	

TRACT NO.	DESCRIPTION OF LAND	ACRES	LEASE NO. & EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTIES,	
						PRODUCTION PAYMENTS & PERCENTAGE	WORKING INTEREST & PERCENTAGE
11	T-22-S, R-23-E Sec. 8: SW/4 SW/4	40	NM-056561 10-31-64	U.S.A. - 12.5%	Kerr-McGee Oil Industries, Inc.	None	Kerr-McGee Oil Industries Inc. - All
12	T-22-S, R-23-E Sec. 18: N/2, NW/4 SE/4	365.83	NM-0118224 2-1-71	U.S.A. - 12.5%	Continental Oil Company	None	Continental Oil Company All
13	T-22-S, R-23-E Sec. 7: NE/4 NW/4	40	NM-0372716 4-30-73	U.S.A. - 12.5%	Mrs. Bonnie Andrikopolis	None	Mrs. Bonnie Andrikopolis - All
14	T-22-S, R-23-E Sec. 30: SW/4 NW/4	43.33	NM-073223 4-30-65	U.S.A. - 12.5%	Trans-Mountain Production Co.	None	Trans-Mountain Production Company - All
15	T-22-S, R-23-E Sec. 31: S/2 SW/4	83.61	NM-0122609 4-30-66	U.S.A. - 12.5%	Union Oil Company of Calif.	None	Union Oil Company of California - All
16	T-22-S, R-23-E Sec. 31: SW/4 SE/4	40	NM-012822-A 10-1-65	U.S.A. - 12.5%	Union Oil Company of California	None	Union Oil Company of California - All
17	T-22-S, R-23-E Sec. 3: N/2 NE/4	98.19	NM-06953 H.B.P.	U.S.A. - 12.5%	John H. Trigg	None	John H. Trigg - All
18	T-22-S, R-23-E Sec. 3: SW/4 NE/4	40	NM-06953-A 4-22-66	U.S.A. - 12.5%	John H. Trigg	None	John H. Trigg - All

TRACT NO.	DESCRIPTION OF LAND	ACRES	LEASE NO. & EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTIES,		WORKING INTEREST & PERCENTAGE
						PRODUCTION PAYMENT & PERCENTAGE		
19	T-22-S, R-23-E Sec. 5: NE/4 NE/4	49.62	NM-033647 8-31-67	U.S.A. - 12.5%	Ralph Lowe	None		Ralph Lowe - All
20	T-22-S, R-23-E Sec. 9: E/2 SW/4 Sec. 17: E/2 NE/4	160	NM-033647 8-31-67	U.S.A. - 12.5%	Ralph Lowe & Beard Oil Co	None		Ralph Lowe - 25% Beard Oil Co. - 75%
21	T-22-S, R-23-E Sec. 18: SW/4 SE/4	40	NM-059253 12-1-64	U.S.A. - 12.5%	California Oil Company	Abby Corporation - 5%		California Oil Company All
TOTAL: 21 Federal Tracts - 8,969.92 Acres, 80.88% of Unit Area								
S T A T E L A N D								
22	T-22-S, R-23-E Sec. 2: NE/4 NE/4, SW/4 SE/4, E/2 SW/4	168.32	K-672 8-16-70	State - 12.5%	Continental Oil Company	None		Continental Oil Company - All
23	T-22-S, R-23-E Sec. 2: NW/4, W/2 SW/4, 832.45 S/2 NE/4, N/2 SE/4, SE/4 SE/4, NW/4 NE/4 Sec. 16: NW/4 NW/4, N/2 SE/4, SE/4 NE/4 Sec. 19: S/2 SW/4 Sec. 30: NW/4 NW/4 Sec. 31: SE/4 SE/4		E-10171 6-19-66	State - 12.5%	Monsanto Chemical Company	None		Monsanto Chemical Company - All

TRACT NO.	DESCRIPTION OF LAND	ACRES	LEASE NO. & EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTIES,		WORKING INTEREST & PERCENTAGE
						PRODUCTION PAYMENT & PERCENTAGE		
24	T-22-S, R-23-E Sec. 16: S ¹ / ₄ , S ² / ₂ SE ¹ / ₄ , 480 S ² / ₂ NW ¹ / ₄ , NE ¹ / ₄ NW ¹ / ₄ , W ¹ / ₂ NE ¹ / ₄ , NE ¹ / ₄ NE ¹ / ₄		OG-3628 5-20-68	State 12.5%	California Oil Company & Marathon Oil Company	None		California Oil Co. - 50% Marathon Oil Co. - 50%
25	T-22-S, R-23-E Sec. 32: N ¹ / ₂ NW ¹ / ₄ , 320 NW ¹ / ₄ SW ¹ / ₄ , SE ¹ / ₄ SW ¹ / ₄ , S ¹ / ₂ NE ¹ / ₄ , NW ¹ / ₄ SE ¹ / ₄ , SE ¹ / ₄ SE ¹ / ₄		E-8963 4-19-65	State - 12.5%	California Oil Company	None		California Oil Co. - All
26	T-22-S, R-23-E Sec. 32: S ¹ / ₂ NW ¹ / ₄ , 320 N ¹ / ₂ NE ¹ / ₄ , NE ¹ / ₄ SW ¹ / ₄ , SW ¹ / ₄ SW ¹ / ₄ , SW ¹ / ₄ SE ¹ / ₄ , NE ¹ / ₄ SE ¹ / ₄		K-852 10-18-70	State - 12.5%	Sohio Petroleum Company	None		Sohio Petroleum Company - All

TOTAL: 5 State Tracts - 2,120.77 Acres, 19.12% of Unit Area

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
BOGLE FLATS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Comes now the undersigned, California Oil Company (Standard Oil Company of Texas Division) with offices at Houston, Texas, and files herewith two copies of a proposed Unit Agreement for the development and operation of the Bogle Flats Unit Area, Eddy County, New Mexico, and respectfully requests that the said Unit Agreement be approved and in support thereof shows:

1. That the Unit Area comprises 11,090.69 acres, more or less, of which 2,120.77 acres, representing approximately 19.12%, is State lands and of which 8,969.92, representing approximately 80.88%, is Federal lands. The Unit Area is comprised of Sections 2, 3, 4, 5, 7, 8, 9, 10, 16, 17, 18, 19, 20, 29, 30, 31 and 32 of Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico.

2. That application is being made for the designation of said Unit Area and for the approval of the form of said Unit Agreement by the Commissioner of Public Lands of the State of New Mexico.

3. That all of the lands situated in the Unit Area are located upon the same geological structure as shown by the attached geological report, structure map and isopach map of the Unit Area and that, if approved, the Unit Agreement will give effective control of all, or substantially all, of the geological structure or feature involved.

4. That the undersigned applicant is designated as Unit Operator under the terms of said Unit Agreement and, as such Unit Operator, will have the right to carry on exploration and development work in accordance with the terms of said Unit Agreement and that applicant, as Unit Operator, proposes to commence, within six (6) months from the effective date of the Unit Agreement (probably prior to January 1, 1965)

a test well for oil and gas upon some part of Section 3, Township 22 South, Range 23 East, Eddy County, New Mexico, and to drill said well in accordance with the terms of said Unit Agreement to a depth sufficient to test the Cisco-Canyon formation of Pennsylvanian age, unless unitized substances in paying quantities shall be discovered at a lesser depth or to such a depth as further drilling would not be warranted, or in any event, to a depth not to exceed 8,000 feet.

5. That applicant believes that in the event oil or gas in paying quantities is discovered on the lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that the maximum recovery will be obtained of unitized substances, and that said Unit Agreement is in the interest of conservation and prevention of waste as contemplated by the New Mexico Oil Conservation Commission statutes and regulations.

6. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval thereof by the Commissioner of Public Lands of the State of New Mexico, an approved copy will be filed with the New Mexico Oil Conservation Commission.

Wherefore, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of the approval of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and the prevention of waste.

Dated this 30th day of October, 1964.

Respectfully submitted,

CALIFORNIA OIL COMPANY
(Standard Oil Company of Texas Division)

By:


E. Kirk Newman
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**GEOLOGICAL MEMORANDUM TO ACCOMPANY
SUPPORTING MAPS FOR THE
BOGLE FLATS UNIT
TWP. 22 S., RGE. 23 E.
Eddy County, New Mexico**

The accompanying maps cover the area of the Indian Basin Gas Field and the proposed Bogle Flats Unit. They are a structure map on the Cisco-Canyon massive Carbonate (limestone or dolomite, depending on the facies) and an isopach of the dolomite facies that is the primary producing formation in this field.

The dolomite facies represents a shelf edge reef (?) that grades westward into dense shelf type limestones and eastward into dense, thin, dark limestones and shales of basin type sediments. The gas is accumulated in the porous, fractured dolomite and is prevented from escaping updip (to the west) by a permeability barrier formed in the transition from dolomite to the limestone facies. Several wells have penetrated this limestone facies structurally higher than producing wells in the field, but found it lacked sufficient porosity and permeability to be productive. Good examples are the Odessa No. 1 Standard Federal, Section 8, Twp. 21 S., Rge. 23 E., and the Atlantic No. 1 AX, Section 32, Twp. 20 S., Rge. 24 E. An exception is the Williamson No. 1 Standard Federal, Section 19, Twp. 21 S., Rge. 23 E., which did potential 21 MCFGPD open flow from the limestone facies. The porosity in this well is primarily due to fracturing which may provide communications with the main portion of the field.

A tongue of the dolomite facies that trends from the Indian Basin Field to the southwest is controlled by data found in the Sun No. 1 Weaver, Section 6, Twp. 22 S., Rge. 23 E., and the Humble Huapache wells in Twp. 23 S., Rge. 22 E. The Ralph Lowe No. 1 Marathon Federal well in Section 28, Twp. 22 S., Rge. 23 E., penetrated a 400 foot section of Cisco-Canyon, but this zone was limestone (slightly dolomitic) and shale and non-productive. It is comparable to the equivalent section encountered in the Ralph Lowe No. 1 Staple well in Section 22, Twp. 21 S., Rge. 24 E., which defines the Indian Basin Gas Field on the northeast.

An accurate water level is difficult to establish in the field. Referring to the Top Carbonate Structure Map, water is produced below approximately -3900 feet. Gas and water can be produced together from -3900 to approximately -3700 feet or -3750 feet with the gas to water ratio increasing at the shallower elevations, then water free gas is produced above -3700 to -3750 feet. All the acreage included in the subject unit occurs above the -3700 foot contour.

A structural nose trending to the southwest from the field is mapped on the Cisco-Canyon Carbonate. This nose overlies the thickest portion of the dolomite facies in the Bogle Flats Area. As mentioned previously, wells encountering the limestone facies at elevations higher than -3700 feet have been non-productive due to lack of an adequate reservoir rock; therefore, since the

acreage included in the Unit is structurally higher, the shape of the Unit is controlled by the presence or absence of dolomite rather than structural position. The Unit as outlined will cover the most favorable stratigraphy at the optimum structural elevations.

The well to be drilled on the Unit is programmed to penetrate through the Cisco-Canyon dolomite facies, which is the primary producing horizon in the Indian Basin Field. The Atoka-Morrow sands are also found gas productive in the field, but commercial production is limited to those wells located along the north margin of the field. The productive sands in these wells are typical of the Atoka-Morrow, that is they are extremely erratic in occurrence and correlative sands cannot be found in adjacent wells. In general, they occur as lenticular or bar type sands and not blanket sands. In the Indian Basin Field the sands lose porosity and permeability to the south and the wells nearest the proposed Bogle Flats Unit found these zones very tight and non-productive or very limited in their capacity to produce. For example, the following is a list of wells located adjacent to the Unit that penetrated the Atoka-Morrow sands and results obtained from tests taken in these formations.

Ralph Lowe No. 1-C Indian Basin Unit, Sec. 26-21S-23E - Tight

John Trigg IB-1, Sec. 6-22S-24E - Tight

Atlantic No. 2 Walt Canyon Unit, Sec. 4-22S-24E - Tight

Sun No. 1 Weaver, Sec. 6-22S-23E - COP 102 MCF/GPD

Monsanto No. 1 Lowe State, Sec. 36-21S-23E - Not completed to date but all tests are unfavorable.

Due to the unpredictable occurrence and lack of reservoir characteristics of these sands, the risk involved in attempting to establish commercial production are too high to economically justify drilling the Bogle Flats Unit well to these deeper strata. In the future should additional data warrant the exploitation of these zones, wells could be drilled to develop any reserves that underlie the Unit.

It is anticipated that subsurface formations will be encountered by the Bogle Flats Unit well at the approximate elevations as follows:

San Andres	+3600'
Wolfcamp	-2200'
Cisco-Canyon	-3300'
Base of Cisco-Canyon Carbonate	-3700'


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