

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
EAST RED LAKE UNIT AREA  
EDDY COUNTY, NEW MEXICO

4754

I N D E X

*rec'd 5/23/70*

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UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
EAST RED LAKE UNIT AREA  
EDDY COUNTY, NEW MEXICO  
NO. \_\_\_\_\_

THIS AGREEMENT entered into as of the 1st day of May, 1969, 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 or gas interests in the unit area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Ch. 88, Laws 1943, as amended by Sec. 1, Ch. 176, Laws of 1961) (Sec. 7-11-39 N.M.S.A., 1953 Comp.), 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. 3, Ch. 88, Laws 1943 as amended by Sec. 1, Ch. 162, Laws 1951) (Sec. 7-11-41 N.M.S.A., 1953 Comp.), 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

1 of part or all of any oil or gas pool, field or area; and

2 WHEREAS, the Oil Conservation Commission of the State  
3 of New Mexico (hereinafter referred to as the "Commission") is  
4 authorized by an Act of the Legislature (Sec. 12, Ch. 72, Laws  
5 1935, as amended, Sec. 65-3-14 N.M.S.A., 1953 Comp.) to approve  
6 this agreement and the conservation provisions hereof; and

7 WHEREAS, the parties hereto hold sufficient interests  
8 in the East Red Lake Unit Area covering the land hereinafter  
9 described to give reasonably effective control of operations  
10 therein; and

11 WHEREAS, it is the purpose of the parties hereto to  
12 enable institution and consummation of secondary recovery opera-  
13 tions, to conserve natural resources, prevent waste and secure  
14 other benefits obtainable through development and operation  
15 of the Penrose sand subject to this agreement under the terms,  
16 conditions and limitations herein set forth;

17 NOW, THEREFORE, in consideration of the premises and  
18 the promises herein contained, the parties hereto commit to  
19 this agreement their respective interests in the Penrose sand  
20 in the below defined unit area, and agree severally among them-  
21 selves as follows:

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

24 Township 16 South, Range 28 East, N.M.P.M.

25 Section 35 -  $SE\frac{1}{4}SE\frac{1}{4}$

Section 36 -  $SW\frac{1}{4}$

26 Township 17 South, Range 28 East, N.M.P.M.

Section 1 - Lots 3 and 4 ( $N\frac{1}{2}NW\frac{1}{4}$ ),  $S\frac{1}{2}NW\frac{1}{4}$

Section 2 - Lots 1 and 2 ( $N\frac{1}{2}NE\frac{1}{4}$ ),  $S\frac{1}{2}NE\frac{1}{4}$

27 containing 517.68 acres, more or less

28 Exhibit "A" attached hereto is a map showing the unit  
29 area and the boundaries and identity of tracts and leases in

1 said area to the extent known to the unit operator. Exhibit "B"  
2 attached hereto is a schedule showing to the extent known to the  
3 unit operator the acreage, percentage and kind of ownership of  
4 oil and gas interests in all lands in the unit area. However,  
5 nothing herein or in said schedule or map shall be construed as  
6 a representation by any party hereto as to the ownership of any  
7 interest other than such interest or interests as are shown on  
8 said map or schedule as owned by such party. Exhibits "A" and  
9 "B" shall be revised by the unit operator whenever changes in  
10 ownership in the unit area render such revisions necessary or  
11 when requested by the Commissioner of Public Lands, hereinafter  
12 referred to as "Commissioner".

13 2. UNITIZED LANDS AND UNITIZED SUBSTANCES: All oil  
14 and gas in the Penrose sand of the Queen formation underlying  
15 the unit area are herein called Unitized Substances and, to-  
16 gether with the surface rights incident to the ownership thereof,  
17 are unitized under the terms of this agreement. All land com-  
18 mitted to this agreement with respect to the Penrose sand of  
19 the Queen formation shall constitute land referred to herein  
20 as "Unitized Land" or "land subject to this agreement".

21 The Penrose sand of the Queen formation is defined to  
22 mean the sand and reservoir encountered between the subsurface  
23 depths of 1550 feet and 1585 feet, in the Kincaid & Watson  
24 Drilling Company, Resler and Sheldon No. 1 well located in the  
25 SE $\frac{1}{4}$ NE $\frac{1}{4}$  Section 2, Township 17 South, Range 28 East, N.M.P.M.

26 3. UNIT OPERATOR: Kincaid & Watson Drilling Company,  
27 a New Mexico corporation, whose address is 300 Booker Building,  
28 Artesia, New Mexico, is hereby designated as unit operator and  
29 by signature hereto commits to this agreement all interest in

1 Unitized Substances vested in it as set forth in Exhibit "B",  
2 and agrees and consents to accept the duties and obligations  
3 of unit operator for the discovery, development and production  
4 of Unitized Substances as herein provided. Whenever reference  
5 is made herein to the unit operator, such reference means the  
6 unit operator acting in that capacity and not as an owner of  
7 interests in Unitized Substances; and the term "working interest  
8 owner" when used herein shall include or refer to unit operator  
9 as the owner of a working interest when such an interest is  
10 owned by it.

11 4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit  
12 operator shall have the right to resign at any time but such  
13 resignation shall not become effective until a successor unit  
14 operator has been selected and approved in the manner provided  
15 for in Section 5 of this agreement. The resignation of the  
16 unit operator shall not release the unit operator from any  
17 liability or any default by it hereunder occurring prior to the  
18 effective date of its resignation.

19 Unit operator may, upon default or failure in the per-  
20 formance of its duties or obligations hereunder, be subject to  
21 removal by the same percentage vote of the owners of working  
22 interests determined in like manner as herein provided for the  
23 selection of a new unit operator. Such removal shall be effec-  
24 tive upon notice thereof to the Commissioner.

25 The resignation or removal of the unit operator under  
26 this agreement shall not terminate its right, title or interest  
27 as the owner of a working interest or other interest in Unitized  
28 Substances, but upon the resignation or removal of unit operator  
29 becoming effective, such unit operator shall deliver possession

1 of all equipment, materials and appurtenances used in conducting  
2 the unit operations and owned by the working interest owners to  
3 the new duly qualified successor unit operator, or to the owners  
4 thereof if no such new unit operator is elected, to be used for  
5 the purpose of conducting unit operations hereunder. Nothing  
6 herein shall be construed as authorizing removal of any material,  
7 equipment and appurtenances needed for the preservation of any  
8 wells.

9           5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator  
10 shall resign as unit operator or shall be removed as hereinabove  
11 provided, the owners of the working interests, according to  
12 their respective participating interests in all Unitized Land,  
13 shall, by a majority vote of the remaining owners of the working  
14 interest, select a successor unit operator; provided that, if  
15 a majority but less than seventy-five percent (75%) of the  
16 participating working interest qualified to vote is owned by  
17 one party to this agreement, a concurring vote of sufficient  
18 additional parties, so as to constitute in the aggregate not  
19 less than seventy-five percent (75%) of the total (excluding  
20 the unit operator) participating working interests, shall be  
21 required to select a new operator. Such selection shall not  
22 become effective until (a) a unit operator so selected shall  
23 accept in writing the duties and responsibilities of unit  
24 operator, and (b) the selection shall have been approved by  
25 the Commissioner. If no successor unit operator is selected  
26 and qualified as herein provided, the Commissioner at his  
27 election may declare this unit agreement terminated.

28           6. ACCOUNTING PROVISIONS†: The unit operator shall pay  
29 in the first instance all costs and expenses incurred in conducting

1 unit operations hereunder, and such costs and expenses and the  
2 working interest benefits accruing hereunder shall be apportioned,  
3 among the owners of the unitized working interests in accordance  
4 with an Operating Agreement entered into by and between the unit  
5 operator and the owners of such interests, whether one or more,  
6 separately or collectively. Any agreement or agreements entered  
7 into between the working interest owners and the unit operator  
8 as provided in this section, whether one or more, are herein  
9 referred to as the "Operating Agreement". No such agreement  
10 shall be deemed either to modify any of the terms and conditions  
11 of this unit agreement or to relieve the unit operator of any  
12 right or obligation established under this unit agreement and  
13 in case of any inconsistencies or conflict between this unit  
14 agreement and the Operating Agreement, this unit agreement shall  
15 prevail.

16 7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except  
17 as otherwise specifically provided herein, the exclusive right,  
18 privilege and duty of exercising any and all rights of the  
19 parties hereto which are necessary or convenient for prospecting  
20 for, producing, storing, allocating and distributing the Unitized  
21 Substances are hereby delegated to and shall be exercised by  
22 the unit operator as herein provided. Acceptable evidence of  
23 title to said rights shall be deposited with said unit operator  
24 and, together with this agreement, shall constitute and define  
25 the rights, privileges and obligations of unit operator. Nothing  
26 herein, however, shall be construed to transfer title to any  
27 land or to any lease or operating agreement, it being understood  
28 that under this agreement the unit operator, in its capacity as  
29 unit operator, shall exercise the rights of possession and use

1 vested in the parties hereto only for the purposes herein speci-  
2 fied.

3 8. PLAN OF OPERATIONS: The initial plan of operation  
4 shall be filed with the Commissioner and the Commission concu-  
5 rrently with the filing of this unit agreement for final approval.  
6 Said initial plan of operation and all revisions thereof shall  
7 be as complete and adequate as the Commissioner and the Commission  
8 may determine to be necessary for timely operation consistent  
9 herewith. Reasonable diligence shall be exercised in complying  
10 with the obligations of the approved plan of operation.

11 It is recognized and agreed by the parties hereto that  
12 all of the land subject to this agreement is reasonably proved  
13 to be productive of Unitized Substances in paying quantities  
14 and that the object and purpose of this agreement is to formu-  
15 late and to put into effect a secondary recovery project in  
16 order to effect additional recovery of Unitized Substances,  
17 prevent waste and conserve natural resources. The parties hereto  
18 agree that the unit operator may, subject to the consent and  
19 approval of a plan of operation by the working interest owners,  
20 the Commissioner and the Commission, inject into the unitized  
21 formation, through any well or wells completed therein, brine,  
22 water, air, gas, liquefied petroleum gases and any one or more  
23 other substances or combination of substances whether produced  
24 from the unit area or not, and that the location of input wells,  
25 the rates of injection therein and the rate of production shall  
26 be governed by standards of good geologic and petroleum engineer-  
27 ing practices and conservation methods. Subject to like approval  
28 the plan of operation may be revised as conditions may warrant.

29 9. TRACT PARTICIPATION: In Exhibit "B" attached hereto,

1 there are listed and numbered the various tracts within the  
2 unit area and set forth opposite each tract is a figure which  
3 represents the percentage of participation allocated to such  
4 tract calculated on one hundred percent tract commitment.

5 The percentage of participation of each tract was deter-  
6 mined in accordance with the following formula:

7 Percentage Participation of each Tract

8 EQUALS

9 75% X  $\frac{\text{Cumulative Oil Production from Tract to December 1, 1966}}{\text{Cumulative Oil Production from Unit Area to December 1, 1966}}$

11 PLUS

12 25% X  $\frac{\text{Surface Acres in Tract}}{517.68 \text{ Acres}}$

13  
14 10. ALLOCATION OF UNITIZED SUBSTANCES: All Unitized  
15 Substances produced and saved from the unit area (except any  
16 part of such Unitized Substances used in conformity with good  
17 operating practices on unitized land for drilling, operating,  
18 camp and other production or development purposes and for  
19 pressure maintenance or unavoidable loss) shall be apportioned  
20 among and allocated to the committed tracts within the unit  
21 area in accordance with the respective tract participation,  
22 as set forth in the schedule of participation in Exhibit "B"  
23 or any revision thereof. The amount of Unitized Substances so  
24 allocated to each tract, and only that amount (regardless of  
25 whether it be more or less than the amount of the actual pro-  
26 duction of Unitized Substances from the well or wells, if any,  
27 on such tract), shall for all intents and purposes be deemed  
28 to have been produced from such tract.

29 The Unitized Substances allocated to each tract shall

1 be distributed among, or accounted for to, the parties executing,  
2 consenting to or ratifying this agreement entitled to share in  
3 the production from such tract in the same manner, in the same  
4 proportions and upon the same conditions as they would have  
5 participated and shared in the production from such tract had  
6 this agreement not been entered into and with the same legal  
7 force and effect.

8 No tract committed to this agreement shall be subse-  
9 quently excluded from participation hereunder on account of  
10 depletion of Unitized Substances, and nothing herein contained  
11 shall be construed as requiring any retroactive adjustment for  
12 production obtained prior to the effective date of the joinder  
13 of any tract.

14 If the royalty, overriding or working interest in any  
15 tract are divided with respect to separate parcels or portions of  
16 such tract and owned severally by different persons, the per-  
17 centage participation assigned to such tract shall, in the  
18 absence of a recordable instrument executed by all owners and  
19 furnished to unit operator fixing the divisions of ownership,  
20 be divided among such parcels or portions in proportion to  
21 the number of surface acres in each.

22 The Unitized Substances allocated to each tract shall  
23 be delivered in kind to the working interest owners and parties  
24 entitled thereto by virtue of the ownership of oil and gas  
25 rights therein or by purchase from such owners. Each working  
26 interest owner and the parties entitled thereto shall have  
27 the continuing right to receive such production in kind at a  
28 common point within the unit area and to sell or dispose of  
29 the same as it sees fit. Any extra expenditure incurred by

1 unit operator by reason of the delivery in kind of any portion  
2 of the Unitized Substances shall be borne by the party receiving  
3 the same in kind. In the event any party hereto shall fail to  
4 take or otherwise adequately dispose of its proportionate share  
5 of the production from the unit area concurrently, as and when  
6 produced, then so long as such conditions continue, unit operator,  
7 for the account and at the expense of such party and in order to  
8 avoid curtailing the operation of the unit area, may sell or  
9 otherwise dispose of such production to itself or others on a  
10 day-to-day basis at not less than the prevailing market price  
11 in the area for like production, and the account of such party  
12 shall be charged therewith as having received such production.  
13 The net proceeds, if any, of the Unitized Substances so disposed  
14 of by unit operator shall be paid to the party entitled thereto.

15 Any party receiving in kind or separately disposing of  
16 all or any part of the Unitized Substances allocated to any  
17 tract, shall be responsible for the payment of all royalty on  
18 the lease or leases and tracts contributed by it and received  
19 into the unit.

20 If there are any tracts within the unit area not com-  
21 mitted hereto as of the effective date hereof but which are  
22 subsequently committed hereto under the provisions of Section  
23 22 (Subsequent Joinder), or if any tract is excluded from the  
24 unit area as provided for in Section 21 (Loss of Title), the  
25 schedule of participation as shown in Exhibit "B" shall be  
26 revised by the unit operator and distributed to the working  
27 interest owners and the Commissioner to show the new percentage  
28 participation of all the then effectively committed tracts;  
29 and the Revised Exhibit "B", upon approval by the Commissioner,

1 shall govern all the allocation of production from and after  
2 the effective date thereof until a new revised Exhibit "B"  
3 is filed and approved as hereinabove provided.

4 11. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING

5 ROYALTIES: All rentals due the State of New Mexico shall be  
6 paid by the respective lease owners in accordance with the terms  
7 of their leases.

8 All royalties due the State of New Mexico under the  
9 terms of the leases committed to this agreement shall be computed  
10 and paid on the basis of all Unitized Substances allocated to  
11 the respective tracts by the formula established by Section 9  
12 hereof; provided, however, the State shall be entitled to take  
13 in kind its share of the Unitized Substances allocated to the  
14 respective leases, and in such case the unit operator shall  
15 make deliveries of such royalty oil in accordance with the terms  
16 of the respective leases.

17 If any lease committed hereto is burdened with an over-  
18 riding royalty, payment out of production or other charge in  
19 addition to the usual royalty, the owner of each such lease  
20 shall bear and assume the same out of the Unitized Substances  
21 allocated to the lands embraced in each such lease as provided  
22 herein.

23 Each overriding royalty owner who ratifies this agree-  
24 ment represents and warrants that he is the owner of the interest  
25 in a tract or tracts within the unit area as his interest appears  
26 in Exhibit "B" attached hereto. If any such interest in a tract  
27 or tracts should be lost by title failure or otherwise in whole  
28 or in part during the term of this agreement then the overriding  
29 royalty interest of the party representing himself to be the

1 owner thereof shall be reduced proportionately and the interest  
2 of all parties shall be adjusted accordingly.

3           12. LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar  
4 AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA: The terms,  
5 conditions and provisions of all leases, subleases, operating  
6 agreements and other contracts relating to the exploration, drilling,  
7 development or operation for oil or gas of the lands committed  
8 to this agreement, shall as of the effective date hereof, be  
9 and the same are hereby expressly modified and amended insofar  
10 as they apply to lands within the unit area to the extent neces-  
11 sary to make the same conform to the provisions hereof and so  
12 that the respective terms of said leases and agreements will be  
13 extended insofar as necessary to coincide with the terms of this  
14 agreement and the approval of this agreement by the Commissioner  
15 and the respective lessees shall be effective to conform the  
16 provisions and extend the terms of each such lease as to lands  
17 within the unit area to the provisions and terms of this agree-  
18 ment; but otherwise to remain in full force and effect. Each  
19 lease, sublease or contract relating to the development and  
20 operation for oil and gas of the lands within the unit area,  
21 shall continue in force beyond the term provided therein as  
22 long as this agreement remains in effect. Termination of this  
23 agreement shall not affect any lease which pursuant to the terms  
24 thereof or any applicable laws would continue in full force and  
25 effect thereafter. Drilling, producing or secondary recovery  
26 operations performed hereunder upon any tract of the unitized  
27 lands shall be accepted and deemed to be performed on each of  
28 the tracts committed to this agreement and operations or produc-  
29 tion pursuant to this agreement shall be deemed to be operations

1 upon and production from each tract committed hereto. The  
2 development and operation of the unitized lands under the terms  
3 hereof shall be deemed full performance of all obligations for  
4 development and operation with respect to each and every part  
5 or separately owned tract within the unit area, regardless of  
6 whether there is any development of any part or tract of the  
7 unit area.

8           The leases embracing lands of the State of New Mexico  
9 having only a portion of the land committed hereto, shall be  
10 segregated as to that portion committed and that portion not com-  
11 mitted, and the terms of such leases shall apply separately  
12 to such segregated portions commencing as of the effective date  
13 hereof. Notwithstanding any of the provisions of this agreement  
14 to the contrary, any lease embracing lands of the State of New  
15 Mexico having only a portion of its land committed hereto shall  
16 continue in full force and effect beyond the term provided therein  
17 as to all lands embraced in such lease (whether within or without  
18 the unit area), (1) if, and for so long as oil or gas are capable  
19 of being produced in paying quantities from some part of the  
20 lands embraced in such lease committed to this agreement; or  
21 (2) if, and for so long as some part of the lands embraced in  
22 such lease committed to this agreement are allocated Unitized  
23 Substances; or (3) if, at the expiration of the secondary term  
24 the lessee or the unit operator is then engaged in bona fide  
25 drilling or reworking operations on some part of the lands em-  
26 braced therein and for so long as such operations are being  
27 diligently prosecuted, and if they result in the production of  
28 oil or gas said lease shall continue in full force and effect  
29 as to all the lands embraced therein so long thereafter as oil

1 or gas in paying quantities is being produced from any portion  
2 of said lands.

3 13. CONSERVATION: Operations hereunder and production  
4 of Unitized Substances shall be conducted to provide for the  
5 most economical and efficient recovery of said substances without  
6 waste, as defined by or pursuant to state laws or regulations.

7 14. DRAINAGE: In the event a well or wells producing  
8 oil or gas in paying quantities should be brought in on land  
9 adjacent to the unit area draining Unitized Substances from the  
10 lands embraced therein, unit operator shall drill such offset  
11 well or wells as a reasonably prudent operator would drill  
12 under the same or similar circumstances.

13 15. COVENANTS RUN WITH LAND: The covenants herein  
14 shall be construed to be covenants running with the land with  
15 respect to the interests of the parties hereto and their suc-  
16 cessors in interest until this agreement terminates, and any  
17 grant, transfer or conveyance of an interest in land or leases  
18 subject hereto shall be and hereby is conditioned upon the  
19 assumption of all privileges and obligations hereunder by the  
20 grantee, transferee or other successor in interest. No assign-  
21 ment or transfer of any working, royalty or other interest  
22 subject hereto shall be binding upon unit operator until the  
23 first day of the calendar month after the unit operator is  
24 furnished with the original photostatic or certified copy of  
25 the instrument of transfer.

26 16. EFFECTIVE DATE AND TERM: This agreement shall  
27 become effective at 7:00 a.m. on the first day of the month  
28 following approval by the Commissioner and shall remain in  
29 effect so long as Unitized Substances are capable of being

1 produced in quantities sufficient to pay the costs of operation  
2 and should production cease, so long thereafter as diligent  
3 drilling, reworking or other operations (including secondary  
4 recovery operations) are in progress on the unitized land and  
5 so long thereafter as Unitized Substances so established or  
6 restored can be produced as aforesaid. This agreement may  
7 also be terminated at any time by not less than seventy-five  
8 percent (75%) of the total participating working interests  
9 signatory hereto with the approval of the Commissioner.

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

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

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

1 signatures hereto or to the ratification or consent hereof or  
2 to such other address as any such party may have furnished in  
3 writing to party sending the notice, demand or statement.

4           20. UNAVOIDABLE DELAY: All obligations under this  
5 agreement requiring the unit operator to commence or continue  
6 secondary recovery operations or to operate on or produce  
7 Unitized Substances from any of the lands covered by this agree-  
8 ment shall be suspended while, but only so long as, the unit  
9 operator despite the exercise of due care and diligence, is  
10 prevented from complying with such obligations, in whole or in  
11 part, by strikes, war, acts of God, federal, state or municipal  
12 law or agencies, unavoidable accidents, uncontrollable delays  
13 in transportation, inability to obtain necessary materials in  
14 open market, or other matters beyond the reasonable control of  
15 the unit operator whether similar to matters herein enumerated  
16 or not.

17           21. LOSS OF TITLE: In the event title to any tract of  
18 unitized land or substantial interest therein shall fail and  
19 the true owner cannot be induced to join the unit agreement  
20 so that such tract is not committed to this agreement or the  
21 operation thereof hereunder becomes impracticable as a result  
22 thereof, such tract may be eliminated from the unitized area,  
23 and the interest of the parties readjusted as a result of such  
24 tract being eliminated from the unitized area. In the event of  
25 a dispute as to the title to any royalty, working or other  
26 interest subject hereto, the unit operator may withhold payment  
27 or delivery of the allocated portion of the Unitized Substances  
28 involved on account thereof without liability for interest until  
29 the dispute is finally settled, provided that no payments of

1 funds due the State of New Mexico shall be withheld. Unit  
2 operator as such is relieved from any responsibility for any  
3 defect or failure of any title hereunder.

4 22. SUBSEQUENT JOINDER. Joinder of any overriding  
5 royalty or other similar nonoperating interest owner, at any  
6 time, must be accompanied by joinder and consent of the corres-  
7 ponding working interest owner in order for such overriding  
8 royalty or other similar nonoperating interest to be regarded  
9 as effectively committed hereto. Joinder of any working interest  
10 owner, at any time, must be accompanied by his appropriate  
11 joinder to the Operating Agreement in order for such interest  
12 to be regarded as effectively committed hereto. A subsequent  
13 joinder shall be effective as of the first day of the month  
14 following the approval by the Commissioner and the filing with  
15 the Commission of duly executed counterparts of the instrument  
16 or instruments committing the interest of such owner to this  
17 agreement.

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

28 IN WITNESS WHEREOF, the undersigned parties hereto have  
29 caused this agreement to be executed as of the respective dates

1 set forth opposite their signatures.

ATTEST

KINCAID & WATSON DRILLING COMPANY

Nancy King  
Assistant Secretary

By J. C. Watson  
President

Date: November 5, 1969

Address: P. O. Box 498  
Artesia, New Mexico 88210

UNIT OPERATOR AND WORKING INTEREST  
OWNER

WORKING INTEREST OWNERS

ATTEST:

BOGLE & KEMPER OIL COMPANY, A JOINT VENTURE  
VENTURE COMPOSED OF BOGLE FARMS, INC. and  
LONNIE KEMPER

\_\_\_\_\_  
Secretary

By Lonnie Kemper  
President/Manager

Date: \_\_\_\_\_

Address: Box 744  
Roswell, New Mexico 88201

ATTEST:

PEARSON-SIBERT OIL COMPANY OF TEXAS

\_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

Date: \_\_\_\_\_

Address: \_\_\_\_\_

ATTEST:

A. F. GILMORE COMPANY

\_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

Date: \_\_\_\_\_

Address: \_\_\_\_\_

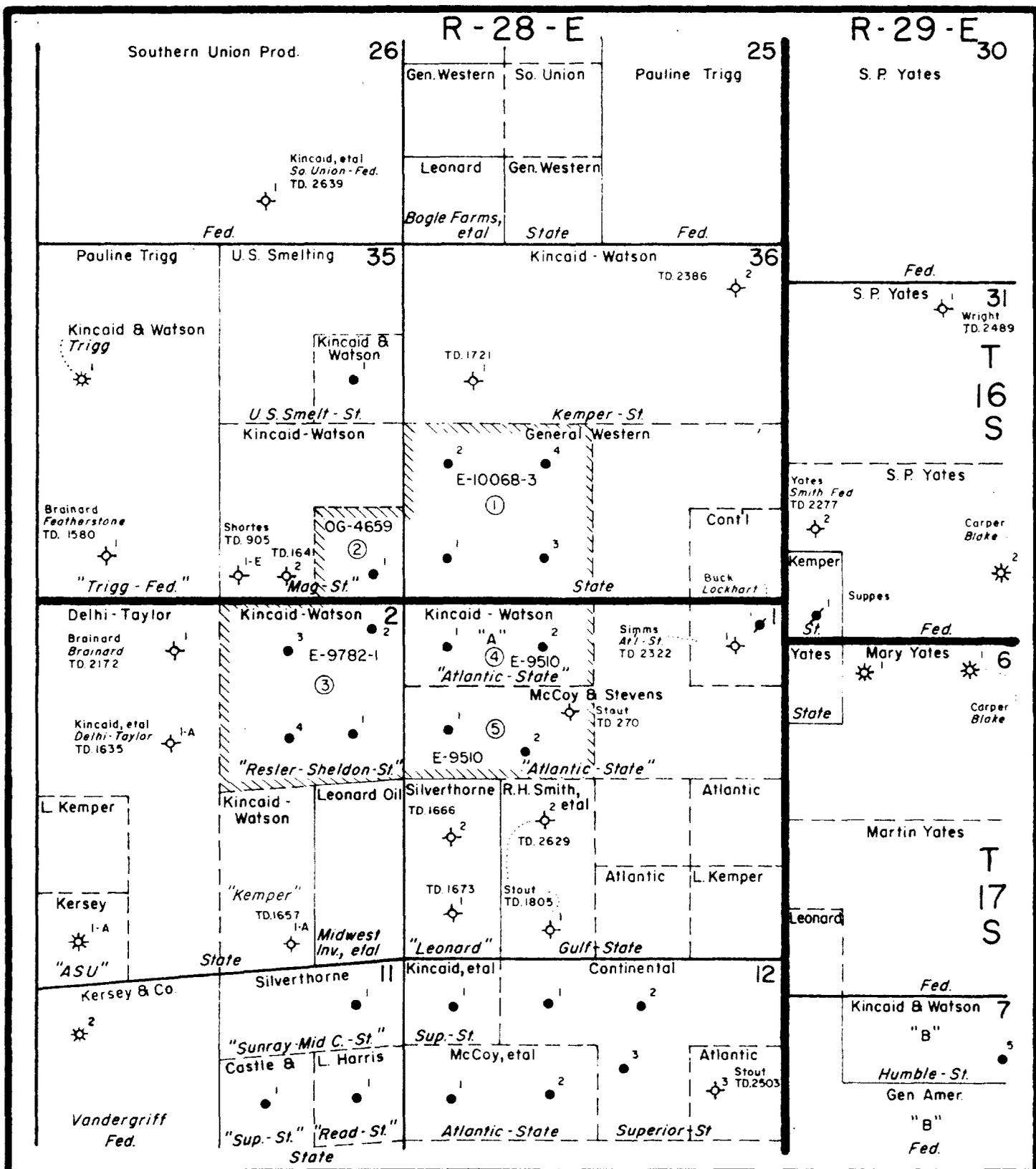
STATE OF NEW MEXICO )  
                                  : ss  
COUNTY OF Eddy )

The foregoing instrument was acknowledged before me this 5 day  
of November 1969 by J. C. Watson, \_\_\_\_\_ President  
of Kincaid & Watson Drilling Company, a New Mexico corporation, on  
behalf of said corporation.

My Commission Expires:  
8-8-72

Lois Langley  
Notary Public





EAST RED LAKE UNIT  
Eddy County, New Mexico

EXHIBIT "A"

- LEGEND—
- - Producing Oil Well
  - ☼ - Producing Gas Well
  - - Abandoned Producer
  - ◇ - Dry Hole
  - Unit Boundary
  - ② Tract Number
  - State Lands

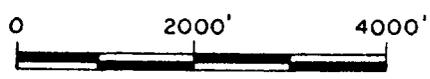


EXHIBIT "B" TO UNIT AGREEMENT  
 EAST RED LAKE UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No.	Description and Number of Acres	Lease No. & Date	Basic Royalty	Lessee of Record	Overriding Royalty and Production Payment		Working Interest Owner & Percentage	Participation of Tract	
					Owners & Percentage	Payment			
1	SW/4 Sec. 36, T. 16 S., R. 28 E. 160 acres	E-10068-3 5/15/56 HBP	State 12.5	General Western Petroleum Corp. Hinkle Development Company General Western Development Corp.	1.750000 5.468750 10.035163	Casex Hinkle Development Company General Western Development Corp.	Bogle & Kemper Oil Company Dalevco Oils A. F. Gilmore Co. L. C. Harris E. M. Jennings Kincaid & Watson Drilling Co. M. A. Kline W. H. Openshaw Pearson-Sibert Oil Co. of Texas C. B. Read C. A. Shuey N. L. Stevens	14.899 4.964 16.432 4.015 6.692 17.385 5.799 2.676 16.432 4.015 2.676 4.015	29.615259
2	SE/4SE/4 Sec. 35, T. 16 S., R. 28 E. 40 acres	OG-4659 10/21/58 HBP	State 12.5	Lonnie Kemper	3.5	Lonnie Kemper	Kincaid & Watson Drilling Co. Durham, Inc. Bogle & Kemper Oil Company Dalevco Oils	35.000 25.000 30.000 10.000	5.383838
3	Lots 1 and 2 (N/2NE/4), S/2NE/4 Sec. 2, T. 17 S., R. 28 E., 158.64 acres	E-9782-1 2/21/56 HBP	State 12.5	Dale Resler & Vilas P. Sheldon dba Resler & Sheldon	6.250 12.500 3.125	Dale Resler & Vilas P. Sheldon Up to 25 bpd Above 25 bpd Lonnie Kemper	Durham, Inc. Kincaid & Watson Drilling Co. Pearson-Sibert Oil Co. of Texas Dalevco Oils Bogle & Kemper Oil Company A. F. Gilmore Co. M. A. Kline	12.50 17.50 21.25 5.00 15.00 21.25 7.50	28.106353

Tract No.	Description and Number of Acres	Lease No. & Date	Basic Royalty	Lessee of Record	Overriding Royalty and Production Payment		Working Interest Owner & Percentage	Percent Participative of Tract
					Owners & Percentage	and Production Payment		
4	Lots 3 & 4 (N/2NW/4) Sec. 1, T. 17 S., R. 28 E. - 79.04 acres	E-9510 11/15/55 HBP	State 12.5	Atlantic Richfield Company	Atlantic Richfield Company	6.25000	Durham, Inc	12.50
					Bogle & Kemper Oil Company Joanne Garlinger Van Winkle	.46875 2.65825	Kincaid & Watson Drilling Co. Pearson-Sibert Oil Co. of Texas Dalevco Oils Bogle & Kemper Oil Company A. F. Gilmore Co. M. A. Kline	17.50 21.25 5.00 15.00 21.25 7.50
5	S/2NW/4 Sec. 1 T. 17 S., R. 28 E. - 80 acres	E-9510 11/15/55 HBP	State 12.5	Atlantic Richfield Company	Atlantic Richfield Company	12.5	L. C. Harris	12.500
							R. R. Boice E. M. Jennings W. G. McCoy W. H. Openshaw C. B. Read C. A. Shuey N. L. Stevens	12.500 20.834 12.500 8.333 12.500 8.333 12.500













CONSENT AND RATIFICATION  
EAST RED LAKE UNIT AGREEMENT AND  
UNIT OPERATING AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, together with a copy of the Unit Operating Agreement in connection therewith, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof and of the unit operating agreement exactly the same as if the undersigned had executed the original of said unit agreement and unit operating agreement or counterparts thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST: M. B. Hartman  
Feb 25, 1970  
Secretary

A. F. GILMORE COMPANY

By John B. Gostovich  
President

160 South Fairfax Avenue  
Los Angeles, California 90036

STATE OF CALIFORNIA )  
COUNTY OF LOS ANGELES : ss

En 1-3-7

The foregoing instrument was acknowledged before me this 25<sup>th</sup> day of February 1970 by John B. Gostovich, President of A. F. Gilmore Company, a California corporation, on behalf of said corporation.

My Commission Expires:  
2-4-73

Elizabeth Hansen  
Notary Public

My Commission Expires February 4, 1973

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) : ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 1969 by \_\_\_\_\_

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
 EAST RED LAKE UNIT AGREEMENT AND  
 UNIT OPERATING AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, together with a copy of the Unit Operating Agreement in connection therewith, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof and of the unit operating agreement exactly the same as if the undersigned had executed the original of said unit agreement and unit operating agreement or counterparts thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

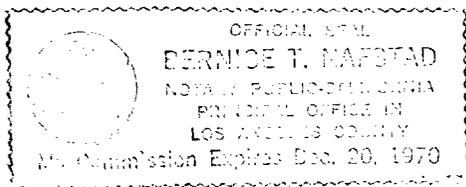
\_\_\_\_\_ Mortimer A. Kline  
 \_\_\_\_\_  
 J. 1-3-4

STATE OF CALIFORNIA )  
 : ss  
 COUNTY OF LOS ANGELES )

The foregoing instrument was acknowledged before me this 28th day of November, 1969 by Mortimer A. Kline

My Commission Expires: \_\_\_\_\_  
 \_\_\_\_\_  
 Notary Public

STATE OF \_\_\_\_\_ )  
 : ss  
 COUNTY OF \_\_\_\_\_ )



The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 1969 by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_  
 \_\_\_\_\_  
 Notary Public



CONSENT AND RATIFICATION  
 EAST RED LAKE UNIT AGREEMENT AND  
 UNIT OPERATING AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, together with a copy of the Unit Operating Agreement in connection therewith, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof and of the unit operating agreement exactly the same as if the undersigned had executed the original of said unit agreement and unit operating agreement or counterparts thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST: \_\_\_\_\_  
*J. H. Ripley*  
 Secretary-Treasurer

DURHAM, INC.  
 By: \_\_\_\_\_  
 President  
 2-2-70

STATE OF TEXAS )  
 : ss  
 COUNTY OF MIDLAND )

The foregoing instrument was acknowledged before me this 4th day of February 1969 by Lynn D. Durham, President of Durham, Inc., a Texas corporation, on behalf of said corporation.

My Commission Expires: June 1, 1971  
 \_\_\_\_\_  
*Telen G. Burton*  
 Notary Public

STATE OF \_\_\_\_\_ )  
 : ss  
 COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 1969 by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_  
 \_\_\_\_\_  
 Notary Public



CONSENT AND RATIFICATION  
 EAST RED LAKE UNIT AGREEMENT AND  
 UNIT OPERATING AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, together with a copy of the Unit Operating Agreement in connection therewith, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof and of the unit operating agreement exactly the same as if the undersigned had executed the original of said unit agreement and unit operating agreement or counterparts thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_ Norman L. Stevens  
 \_\_\_\_\_ Marianne S. Stevens  
 2-1-5

STATE OF NEW MEXICO )  
 : ss  
 COUNTY OF CHAVES )

The foregoing instrument was acknowledged before me this 27th day of February ~~1968~~<sub>70</sub> by Norman L. Stevens/Jr and Marianne S. Stevens, his wife.

My Commission Expires: \_\_\_\_\_  
June 26, 1972 \_\_\_\_\_  
 Notary Public

STATE OF \_\_\_\_\_ )  
 : ss  
 COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 1969 by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_  
 \_\_\_\_\_  
 Notary Public





CONSENT AND RATIFICATION  
 EAST RED LAKE UNIT AGREEMENT AND  
 UNIT OPERATING AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, together with a copy of the Unit Operating Agreement in connection therewith, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof and of the unit operating agreement exactly the same as if the undersigned had executed the original of said unit agreement and unit operating agreement or counterparts thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

W. Herbert Openshaw \_\_\_\_\_  
 x Florence M. Openshaw \_\_\_\_\_  
 2-1-5

STATE OF NEW MEXICO )  
 : ss  
 COUNTY OF CHAVES )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 1969 by W. Herbert Openshaw and Florence M. Openshaw, his wife.

My Commission Expires:  
Aug. 22, 1972

Marion H. Garcia  
 Notary Public

STATE OF \_\_\_\_\_ )  
 : ss  
 COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 1969 by \_\_\_\_\_

My Commission Expires:  
 \_\_\_\_\_

\_\_\_\_\_  
 Notary Public

CONSENT AND RATIFICATION  
EAST RED LAKE UNIT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold, royalty or interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
*Francis Kemper*  
\_\_\_\_\_

STATE OF New Mexico )  
COUNTY OF Chavez ) : ss

2-2-3

The foregoing instrument was acknowledged before me this 11th day of November 1969 by Francis Kemper a single man

My Commission Expires: June 1, 1971  
\_\_\_\_\_  
*Jean Day*  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) : ss

The foregoing instrument was acknowledged before me this \_\_\_ day of \_\_\_\_\_ 1969 by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_  
\_\_\_\_\_  
Notary Public



CONSENT AND RATIFICATION  
EAST RED LAKE UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the East Red Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 1st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of royalty or other interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said unit agreement as Exhibit "B", do hereby commit all of their said interests to the East Red Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said unit agreement or counterparts thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_ Jeanne D. Martinez Van Dinkle  
\_\_\_\_\_

STATE OF New Mexico )  
COUNTY OF Chaves ) : ss

The foregoing instrument was acknowledged before me this 12<sup>th</sup> day of November 1969 by Jeanne D. Martinez Van Dinkle

My Commission Expires: June 1, 1971 \_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) : ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 1969 by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_  
Notary Public





BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 4255  
Order No. R-3881

APPLICATION OF KINCAID & WATSON DRILLING  
COMPANY FOR A WATERFLOOD PROJECT, EDDY  
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 19, 1969, at Roswell, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 24th day of November, 1969, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Kincaid & Watson Drilling Company, seeks permission to institute a waterflood project in the East Red Lake Unit Area, East Red Lake Queen-Grayburg Pool, by the injection of water into the Queen formation through four injection wells in Section 36, Township 16 South, Range 28 East and Sections 1 and 2, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico.

(3) That the applicant further seeks an administrative procedure whereby said project could be expanded to include additional injection wells in said project as may be necessary in order to complete an efficient injection pattern; that said administrative procedure should provide for administrative

approval for conversion to water injection in exception to the well response requirements of Rule 701 E-5 of the Commission Rules and Regulations.

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

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

(6) That the subject application should be approved and the project should be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations, provided however, that the showing of well response as required by Rule 701 E-5 shall not be necessary before obtaining administrative approval for the conversion of additional wells to water injection.

IT IS THEREFORE ORDERED:

(1) That the applicant, Kincaid & Watson Drilling Company, is hereby authorized to institute a waterflood project in the East Red Lake Unit Area, East Red Lake Queen-Grayburg Pool, by the injection of water into the Queen formation through the following-described wells in Eddy County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM

Injection wells:

General Western Petroleum Corp. State Well No. 2 -  
Unit L - Section 36

General Western Petroleum Corp. State Well No. 3 -  
Unit N - Section 36

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM

Injection wells:

Kincaid & Watson Drilling Co. Atlantic State "A"  
Well No. 1 - Unit D - Section 1

Kincaid & Watson Drilling Co. Resler & Sheldon State  
Well No. 1 - Unit H - Section 2

(2) That the subject waterflood project is hereby designated the East Red Lake Unit Waterflood Project and shall be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations;

PROVIDED HOWEVER, that the Secretary-Director of the Commission may approve expansion of the East Red Lake Unit Waterflood Project to include such additional injection wells in said project as may be necessary to complete an efficient water injection pattern; that the showing of well response as required by Rule 701 E-5 shall not be necessary before obtaining administrative approval for the conversion of additional wells to water injection.

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

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

esr/

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 4254  
Order No. R-3880

APPLICATION OF KINCAID & WATSON DRILLING  
COMPANY FOR APPROVAL OF THE EAST RED LAKE  
UNIT AGREEMENT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 19, 1969, at Roswell, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 24th day of November, 1969, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Kincaid & Watson Drilling Company, seeks approval of the East Red Lake Unit Agreement covering 517.68 acres, more or less, of State lands described as follows:

EDDY COUNTY, NEW MEXICO  
TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM  
Section 35: SE/4 SE/4  
Section 36: SW/4

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 1: Lots 3 and 4 (N/2 NW/4) and  
S/2 NW/4  
Section 2: Lots 1 and 2 (N/2 NE/4) and  
S/2 NE/4

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

- (1) That the East Red Lake Unit Agreement is hereby approved.
- (2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.
- (3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.
- (4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.
- (5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

esr/

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

**EAST RED LAKE UNIT**  
**EDDY COUNTY, NEW MEXICO**

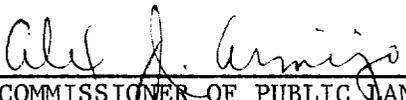
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There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated May 1, 1969, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, 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 area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, 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 said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 16th. day of March, 19 70.

  
\_\_\_\_\_  
COMMISSIONER OF PUBLIC LANDS  
of the State of New Mexico