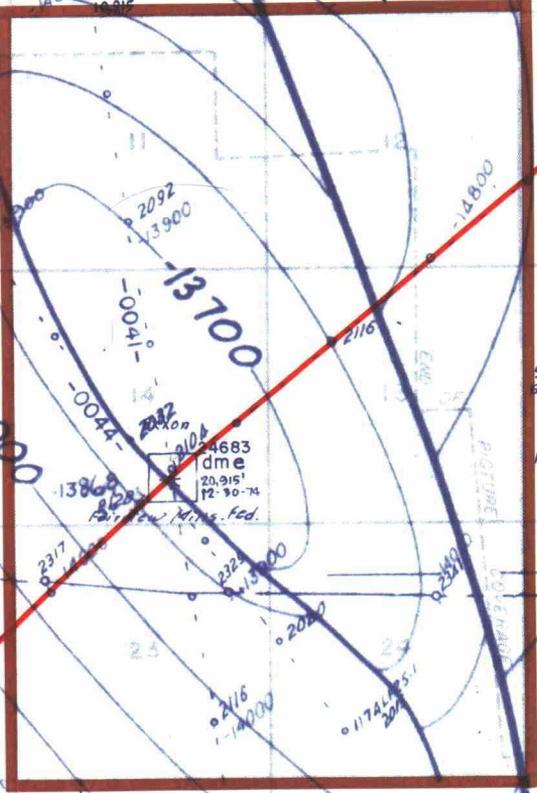


PROPOSED UNIT OUTLINE



BEFORE EXAMINER STAMETS
 OIL CONSERVATION COMMISSION
 EXHIBIT NO. 5660
 CASE NO. 5660
 Submitted by Exxon
 Hearing Date 3-31-76

EXXON COMPANY, U.S.A.
 SW Division North Delaware Project
 HUNTON STRUCTURE
 FAIRVIEW MILLS AREA
 Lea County, New Mexico

Datum - Sea Level
 Scale - 1"=4,000'
 C.I. - 100'

1-12-76

RWM

FAIRVIEW MILLS
UNIT AGREEMENT

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Exhibit A: Map of Unit Area

Exhibit B: Schedule of Lands and Leases

1	UNIT AGREEMENT	1
2	FOR THE DEVELOPMENT AND OPERATION	2
3	OF THE	3
4	FAIRVIEW MILLS UNIT AREA	4
5	COUNTY OF LEA	5
6	STATE OF NEW MEXICO	6
7	NO. _____	7
8	THIS AGREEMENT entered into as of the 23rd day of March, 1976,	8
9	by and between the parties subscribing, ratifying or consenting hereto, and	9
10	herein referred to as the "parties hereto".	10
11	WITNESSETH:	11
12	WHEREAS, the parties hereto are the owners of working, royalty,	12
13	or other oil and gas interests in the unit area subject to this agreement; and	13
14	WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat.	14
15	437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal Lessees	15
16	and their representatives to unite with each other or jointly or separately with	16
17	others, in collectively adopting and operating a cooperative or unit plan of	17
18	development or operation of any oil or gas pool, field, or like area, or any	18
19	part thereof for the purpose of more properly conserving the natural resources	19
20	thereof whenever determined and certified by the Secretary of the Interior to	20
21	be necessary or advisable in the public interest; and	21
22	WHEREAS, the Oil Conservation Commission of the State of New	22
23	Mexico is authorized by an Act of the Legislature (Article 3, Chapter 65, Vol.	23
24	9, Part 2, 1953 Statutes) to approve this agreement and the conservation pro-	24
25	visions hereof; and	25
26	WHEREAS, the parties hereto hold sufficient interests in the Fairview	26
27	Unit Area covering the land hereinafter described to give reasonably effective	27
28	control of operations therein; and	

1 WHEREAS, it is the purpose of the parties hereto to conserve natural 1
2 resources, prevent waste, and secure other benefits obtainable through de- 2
3 velopment and operation of the area subject to this agreement under the terms, 3
4 conditions and limitations herein set forth; 4

5 NOW, THEREFORE, in consideration of the premises and the promises 5
6 herein contained, the parties hereto commit to this agreement their respective 6
7 interests in the below-defined unit area, and agree severally among themselves 7
8 as follows: 8

9 1. ENABLING ACT AND REGULATIONS. The Mineral Lease Act of 9
10 February 25, 1920, as amended, supra, and all valid pertinent regulations, 10
11 including operating and unit plan regulations, heretofore issued thereunder or 11
12 valid, pertinent and reasonable regulations hereafter issued thereunder are 12
13 accepted and made a part of this agreement as to Federal lands, provided 13
14 such regulations are not inconsistent with the terms of this agreement; and 14
15 as to non-Federal lands, the oil and gas operating regulations in effect as 15
16 of the effective date hereof governing drilling and producing operations, not 16
17 inconsistent with the terms hereof or the laws of the State of which the non- 17
18 Federal land is located, are hereby accepted and made a part of this agreement. 18

19 2. UNIT AREA. The area specified on the map attached hereto marked 19
20 Exhibit "A" is hereby designated and recognized as constituting the unit area, 20
21 containing 3,840 acres, more or less. 21

22 Exhibit "A" shows, in addition to the boundary of the unit area, the 22
23 boundaries and identity of tracts and leases in said area to the extent known 23
24 to the Unit Operator. Exhibit "B" attached hereto is a schedule showing, to 24
25 the extent known to the Unit Operator, the acreage, percentage, and kind of 25
26 ownership of oil and gas interests in all land in the unit area. However, noth- 26
27 ing herein or in said schedule or map shall be construed as a representation 27
28 by any party hereto as to the ownership of any interest other than such interest 28
29 or interests as are shown in said map or schedule as owned by such party. 29

1 Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes 1
2 in the unit area render such revision necessary, or when requested by the Oil 2
3 and Gas Supervisor, hereinafter referred to as "Supervisor", and not less 3
4 than five copies of the revised exhibits shall be filed with the Supervisor, and 4
5 one copy with the New Mexico Oil Conservation Commission, hereinafter refer- 5
6 red to as "Commission". 6

7 The above-described unit area shall when practicable be expanded to 7
8 include therein any additional lands or shall be contracted to exclude lands 8
9 whenever such expansion or contraction is deemed to be necessary or advis- 9
10 able to conform with the purposes of this agreement. Such expansion or con- 10
11 traction shall be effected in the following manner: 11

12 (a) Unit Operator, on its own motion or on demand of the Director 12
13 of the Geological Survey, hereinafter referred to as "Director", after pre- 13
14 liminary concurrence by the Director, shall prepare a notice of proposed 14
15 expansion or contraction describing the contemplated changes in the bounda- 15
16 ries of the unit area, the reasons therefor, and the proposed effective date 16
17 thereof, preferably the first day of a month subsequent to the date of notice. 17

18 (b) Said notice shall be delivered to the Supervisor and the Commis- 18
19 sion, and copies thereof mailed to the last known address of each working 19
20 owner, lessee, and lessor whose interests are affected, advising that 30 days 20
21 will be allowed for submission to the Unit Operator of any objections. 21

22 (c) Upon expiration of the 30-day period provided in the preceding item 22
23 (b) hereof, Unit Operator shall file with the Supervisor and the Commission 23
24 evidence of mailing of the notice of expansion or contraction and a copy of any 24
25 objections thereto which have been filed with the Unit Operator, together with 25
26 an application in sufficient number, for approval of such expansion or contract- 26
27 ion and with appropriate joinders. 27

28 (d) After due consideration of all pertinent information, the expansion 28
29 or contraction shall, upon approval by the Supervisor and the Commission, 29

1 become effective as of the date prescribed in the notice thereof. 1

2 (e) All legal subdivisions of land (i. e. , 40 acres by Government 2

3 survey or its nearest lot or tract equivalent; in instances of irregular surveys 3

4 unusually large lots or tracts shall be considered in multiples of 40 acres or 4

5 the nearest aliquot equivalent thereof), no parts of which are entitled to be in 5

6 a participating area on or before the fifth anniversary of the effective date of 6

7 the first initial participating area established under this unit agreement, shall 7

8 be eliminated automatically from this agreement, effective as of said fifth 8

9 anniversary, and such lands shall no longer be a part of the unit area and 9

10 shall no longer be subject to this agreement, unless diligent drilling opera- 10

11 tions are in progress on unitized lands not entitled to participation on said 11

12 fifth anniversary, in which event all such lands shall remain subject hereto 12

13 so long as such drilling operations are continued diligently with not more 13

14 than 90 days' time elapsing between the completion of one such well and the 14

15 commencement of the next such well. All legal subdivisions of lands not 15

16 entitled to be in a participating area within 10 years after the effective date 16

17 of the first initial participating area approved under this agreement shall be 17

18 automatically eliminated from this agreement as of said tenth anniversary. 18

19 All lands proved productive by diligent drilling operations after the aforesaid 19

20 5-year period shall become participating in the same manner as during said 20

21 5-year period. However, when such diligent drilling operations cease, all 21

22 nonparticipating lands shall be automatically eliminated effective as of the 22

23 91st day thereafter. The Unit Operator shall, within 90 days after the effec- 23

24 tive date of any elimination hereunder, describe the area so eliminated to the 24

25 satisfaction of the Supervisor and promptly notify all parties in interest. 25

26 If conditions warrant extension of the 10-year period specified in this 26

27 subsection 2(e), a single extension of not to exceed 2 years may be accom- 27

28 plished by consent of the owners of 90% of the working interests in the current 28

1 nonparticipating unitized lands and the owners of 60% of the basic royalty inter- 1
2 ests (exclusive of the basic royalty interests of the United States) in nonparticipi- 2
3 pating unitized lands with approval of the Director, provided such extension 3
4 application is submitted to the Director not later than 60 days prior to the ex- 4
5 piration of said 10-year period. 5

6 Any expansion of the unit area pursuant to this section which embraces 6
7 lands theretofore eliminated pursuant to this subsection 2(e) shall not be con- 7
8 sidered automatic commitment or recommitment of such lands. 8

9 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land com- 9
10 mitted to this agreement shall constitute land referred to herein as "unitized 10
11 land" or "land subject to this agreement". All oil and gas in any and all forma- 11
12 tions of the unitized land are unitized under the terms of this agreement and 12
13 herein are called "unitized substances". 13

14 4. UNIT OPERATOR. _____ 14
15 is hereby designated as Unit Operator and by signature hereto as Unit Operator 15
16 agrees and consents to accept the duties and obligations of Unit Operator for 16
17 the discovery, development, and production of unitized substances as herein 17
18 provided. Whenever reference is made herein to the Unit Operator, such 18
19 reference means the Unit Operator acting in that capacity and not as an owner 19
20 of interest in unitized substances, and the term "working interest owner" when 20
21 used herein shall include or refer to Unit Operator as the owner of a working 21
22 interest when such an interest is owned by it. 22

23 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator 23
24 shall have the right to resign at any time prior to the establishment of a partici- 24
25 pating area or areas hereunder, but such resignation shall not become effective 25
26 so as to release Unit Operator from the duties and obligations of Unit Operator 26
27 and terminate Unit Operator's rights as such for a period of 6 months after 27

1 notice of intention to resign has been served by Unit Operator on all working 1
2 interest owners and the Supervisor and the Commission, and until all wells 2
3 then drilled hereunder are placed in a satisfactory condition for suspension 3
4 or abandonment, whichever is required by the Supervisor as to Federal lands, 4
5 and by the Commission as to privately owned lands, unless a new Unit Opera- 5
6 tor shall have been selected and approved and shall have taken over and assum- 6
7 ed the duties and obligations of Unit Operator prior to the expiration of said 7
8 period. 8

9 Unit Operator shall have the right to resign in like manner and subject 9
10 to like limitations as above provided at any time a participating area establish- 10
11 ed hereunder is in existence, but, in all instances of resignation or removal, 11
12 until a successor Unit Operator is selected and approved as hereinafter pro- 12
13 vided, the working interest owners shall be jointly responsible for performance 13
14 of the duties of Unit Operator, and shall, not later than 30 days before such 14
15 resignation or removal becomes effective, appoint a common agent to repre- 15
16 sent them in any action to be taken hereunder. 16

17 The resignation of Unit Operator shall not release Unit Operator from 17
18 any liability for any default by it hereunder occurring prior to the effective 18
19 date of its resignation. 19

20 The Unit Operator may, upon default or failure in the performance of 20
21 its duties or obligations hereunder, be subject to removal by the same per- 21
22 centage vote of the owners of working interests as herein provided for the 22
23 selection of a new Unit Operator. Such removal shall be effective upon notice 23
24 thereof to the Supervisor. 24

25 The resignation or removal of Unit Operator under this agreement 25
26 shall not terminate its rights, title or interest as the owner of a working inter- 26
27 est or other interest in unitized substances, but upon the resignation or removal 27
28 of Unit Operator becoming effective, such Unit Operator shall deliver possession 28

1 of all wells, equipment, materials and appurtenances used in conducting the 1
2 unit operations to the new duly qualified successor Unit Operator or to the 2
3 common agent, if no such new Unit Operator is elected, to be used for the 3
4 purposes of conducting unit operations hereunder. Nothing herein shall be 4
5 construed as authorizing removal of any materials, equipment and appurte- 5
6 nances needed for the preservation of any wells. 6

7 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall 7
8 tender his or its resignation as Unit Operator or shall be removed as herein- 8
9 above provided, or a change of Unit Operator is negotiated by working interest 9
10 owners, the owners of the working interests in the participating area or areas 10
11 according to their respective acreage interests in such participating area or 11
12 areas, or, until a participating area shall have been established, the owners 12
13 of the working interests according to their respective acreage interests in all 13
14 unitized land, shall by majority vote select a successor Unit Operator: Pro- 14
15 vided, That, if a majority, but less than 75 percent of the working interests 15
16 qualified to vote are owned by one party to this agreement, a concurring vote 16
17 of one or more additional working interest owners shall be required to select 17
18 a new operator. Such selection shall not become effective until 18

19 (a) a Unit Operator so selected shall accept in writing the duties and 19
20 responsibilities of Unit Operator, and 20

21 (b) the selection shall have been approved by the Supervisor. 21

22 If no successor Unit Operator is selected and qualified as herein pro- 22
23 vided, the Director at his election may declare this Unit Agreement terminated. 23

24 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. 24

25 If the Unit Operator is not the sole owner of working interest, costs and expenses 25
26 incurred by Unit Operator in conducting unit operations hereunder shall be paid 26
27 and apportioned among and borne by the owners of working interests, all in 27
28 accordance with the agreement or agreements entered into by and between the 28

1 Unit Operator and the owners of working interests, whether one or more, 1
2 separately or collectively. Any agreement or agreements entered into 2
3 between the working interest owners and the Unit Operator as provided in 3
4 this section, whether one or more, are herein referred to as the "Unit 4
5 Operating Agreement". Such Unit Operating Agreement shall also provide 5
6 the manner in which the working interest owners shall be entitled to receive 6
7 their respective proportionate and allocated share of the benefits accruing 7
8 hereto in conformity with their underlying operating agreement, leases, or 8
9 other independent contracts, and such other rights and obligations as between 9
10 Unit Operator and the working interest owners as may be agreed upon by Unit 10
11 Operator and the working interest owners; however, no such Unit Operating 11
12 Agreement shall be deemed either to modify any of the terms and conditions 12
13 of this Unit Agreement or to relieve the Unit Operator of any right or obliga- 13
14 tion established under this Unit Agreement, and in case of any inconsistency 14
15 or conflict between this Unit Agreement and the Unit Operating Agreement, 15
16 this Unit Agreement shall govern. Three true copies of any Unit Operating 16
17 Agreement executed pursuant to this section should be filed with the Super- 17
18 visor and one true copy with the Commission, prior to approval of this unit 18
19 agreement. 19

20 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as 20
21 otherwise specifically provided herein, the exclusive right, privilege, and 21
22 duty of exercising any and all rights of the parties hereto which are necessary 22
23 or convenient for prospecting, for producing, storing, allocating, and dis- 23
24 tributing the unitized substances are hereby delegated to and shall be exer- 24
25 cised by the Unit Operator as herein provided. Acceptable evidence of title 25
26 to said rights shall be deposited with said Unit Operator and, together with 26
27 this agreement, shall constitute and define the rights, privileges and obliga- 27
28 tions of Unit Operator. Nothing herein however, shall be construed to transfer 28

1 title to any land or to any lease or operating agreement, it being understood 1
2 that under this agreement the Unit Operator, in its capacity as Unit Operator, 2
3 shall exercise the rights of possession and use vested in the parties hereto only 3
4 for the purposes herein specified. 4

5 9. DRILLING TO DISCOVERY. Within 6 months after the effective 5
6 date hereof, the Unit Operator shall begin to redrill the Fairview Mills Federal 6
7 No. 1 well located in the Southeast Quarter (SE/4) of Section 14, Township 25 7
8 South, Range 34 East, N. M. P. M., Lea County, New Mexico, by re-entering 8
9 the said Fairview Mills Federal No. 1 well and by directional drilling methods, 9
10 commencing in the Morrow shales, drill diligently until a new bottom hole loca- 10
11 tion in the Silurian formation has been tested or until at a lesser depth unitized 11
12 substances shall be discovered which can be produced in paying quantities 12
13 (to-wit: quantities sufficient to repay the costs of drilling, completing, and 13
14 producing operations, with a reasonable profit) or the Unit Operator shall at 14
15 any time establish to the satisfaction of the Supervisor if located on Federal 15
16 lands, or the Commission if located on fee lands, that further drilling of said 16
17 well would be unwarranted or impracticable, provided, however, that Unit 17
18 Operator shall not in any event be required to drill said well to a depth in excess 18
19 of 17,700 feet. Until the discovery of a deposit of unitized substances capable 19
20 of being produced in paying quantities, the Unit Operator shall continue drill- 20
21 ing one well at a time, allowing not more than 6 months between the completion 21
22 of one well and the beginning of the next well, until a well capable of producing 22
23 unitized substances in paying quantities is completed to the satisfaction of said 23
24 Supervisor if on Federal land, or the Commission if on fee land, or until it is 24
25 reasonably proved that the unitized land is incapable of producing unitized sub- 25
26 stances in paying quantities in the formations drilled hereunder. Nothing in 26
27 this section shall be deemed to limit the right of the Unit Operator to resign 27
28 as provided in Section 5 hereof, or as requiring Unit Operator to commence 28

1 or continue any drilling during the period pending such resignation becoming 1
2 effective in order to comply with the requirements of this section. The Super- 2
3 visor may modify the drilling requirements of this section by granting reason- 3
4 able extensions of time when, in their opinion, such action is warranted. 4

5 Upon failure to commence any well provided for in this section within 5
6 the time allowed, including any extension of time granted by the Supervisor, 6
7 this agreement will automatically terminate; upon failure to continue drilling 7
8 diligently any well commenced hereunder, the Supervisor may, after 15 days 8
9 notice to the Unit Operator, declare this unit agreement terminated. 9

10 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 10
11 6 months after completion of a well capable of producing unitized substances in 11
12 paying quantities, the Unit Operator shall submit for the approval of the Super- 12
13 visor an acceptable plan of development and operation for the unitized land, 13
14 which, when approved by the Supervisor, shall constitute the further drilling 14
15 and operating obligations of the Unit Operator under this agreement for the 15
16 period specified therein. Thereafter, from time to time before the expiration 16
17 of any existing plan, the Unit Operator shall submit for the approval of the 17
18 Supervisor a plan for an additional specified period for the development and 18
19 operation of the unitized land. 19

20 Any plan submitted pursuant to this section shall provide for the 20
21 exploration of the unitized area and for the diligent drilling necessary for 21
22 determination of the area or areas thereof capable of producing unitized sub- 22
23 stances in paying quantities in each and every productive formation and shall 23
24 be as complete and adequate as the Supervisor may determine to be necessary 24
25 for timely development and proper conservation of the oil and gas resources 25
26 of the unitized area and shall: 26

- 27 (a) specify the number and locations of any wells 27
28 to be drilled and the proposed order and time 28

1 for such drilling; and 1

2 (b) to the extent practicable, specify the operating 2
3 practices regarded as necessary and advisable 3
4 for proper conservation of natural resources. 4

5 Separate plans may be submitted for separate productive zones, subject to 5
6 the approval of the Supervisor. 6

7 Plans shall be modified or supplemented when necessary to meet 7
8 changed conditions or to protect the interests of all parties to this agree- 8
9 ment. Reasonable diligence shall be exercised in complying with the obli- 9
10 gations of the approved plan of development. The Supervisor is authorized 10
11 to grant a reasonable extension of the 6-month period herein prescribed for 11
12 submission of an initial plan of development where such action is justified 12
13 because of unusual conditions or circumstances. After completion hereunder 13
14 of a well capable of producing any unitized substances in paying quantities, 14
15 no further wells, except such as may be necessary to afford protection against 15
16 operations not under this agreement and such as may be specifically approved 16
17 by the Supervisor shall be drilled except in accordance with a plan of develop- 17
18 ment approved as herein provided. 18

19 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a 19
20 well capable of producing unitized substances in paying quantities or as soon 20
21 thereafter as required by the Supervisor, the Unit Operator shall submit for 21
22 approval by the Supervisor a schedule, based on subdivisions of the public 22
23 land survey or aliquot parts thereof, of all land then regarded as reasonably 23
24 proved to be productive in paying quantities; all lands in said schedule on 24
25 approval of the Supervisor to constitute a participating area, effective as of 25
26 the date of completion of such well or the effective date of this Unit Agreement, 26
27 whichever is later. The acreages of both Federal and non-Federal lands shall 27
28 be based upon appropriate computations from the courses and distances shown 28

1 on the last approved public land survey as of the effective date of each initial 1
2 participating area. Said schedule shall also set forth the percentage of uni- 2
3 tized substances to be allocated as herein provided to each tract in the partici- 3
4 pating area so established, and shall govern the allocation of production com- 4
5 mencing with the effective date of the participating area. A separate partici- 5
6 pating area shall be established for each separate pool or deposit of unitized 6
7 substances or for any group thereof which is produced as a single pool or 7
8 zone, and any two or more participating areas so established may be combined 8
9 into one, on approval of the Supervisor. When production from two or more 9
10 participating areas, so established, is subsequently found to be from a common 10
11 pool or deposit said participating areas shall be combined into one effective as 11
12 of such appropriate date as may be approved or prescribed by the Supervisor. 12
13 The participating area or areas so established shall be revised from time to 13
14 time, subject to like approval, to include additional land then regarded as 14
15 reasonably proved to be productive in paying quantities or necessary for unit 15
16 operations, or to exclude land then regarded as reasonably proved not to be 16
17 productive in paying quantities and the schedule of allocation percentages shall 17
18 be revised accordingly. The effective date of any revision shall be the first 18
19 day of the month in which is obtained the knowledge or information on which 19
20 such revision is predicated, provided, however, that a more appropriate effec- 20
21 tive date may be used if justified by the Unit Operator and approved by the 21
22 Supervisor. No land shall be excluded from a participating area on account of 22
23 depletion of the unitized substances, except that any participating area estab- 23
24 listed under the provisions of this Unit Agreement shall terminate automati- 24
25 cally whenever all completions in the formation on which the participating area 25
26 is based are abandoned. 26

27 It is the intent of this section that a participating area shall represent 27
28 the area known or reasonably estimated to be productive in paying quantities, 28

1 but, regardless of any revision of the participating area, nothing herein con- 1
2 tained shall be construed as requiring any retroactive adjustment for produc- 2
3 tion obtained prior to the effective date of the revision of the participating area. 3

4 In the absence of agreement at any time between the Unit Operator and 4
5 the Supervisor as to the proper definition or redefinition of a participating area, 5
6 or until a participating area has, or areas have, been established as provided 6
7 herein, the portion of all payments affected thereby shall be impounded in a 7
8 manner mutually acceptable to the owners of working interests and the Super- 8
9 visor. Royalties due the United States, which shall be determined by the 9
10 Supervisor for Federal land and the amount thereof shall be deposited, as 10
11 directed by the Supervisor, to be held as unearned money until a participating 11
12 area is finally approved and then applied as earned or returned in accordance 12
13 with a determination of the sum due as Federal royalty on the basis of such 13
14 approved participating area. 14

15 Whenever it is determined, subject to the approval of the Supervisor 15
16 as to wells drilled on Federal land, that a well drilled under this agreement 16
17 is not capable of production in paying quantities and inclusion of the land on 17
18 which it is situated in a participating area is unwarranted, production from 18
19 such well shall, for the purposes of settlement among all parties other than 19
20 working interest owners, be allocated to the land on which the well is located 20
21 unless such land is already within the participating area established for the 21
22 pool or deposit from which such production is obtained. Settlement for work- 22
23 ing interest benefits from such a well shall be made as provided in the Unit 23
24 Operating Agreement. 24

25 12. ALLOCATION OF PRODUCTION. All unitized substances pro- 25
26 duced from each participating area established under this agreement, except 26
27 any part thereof used in conformity with good operating practices within the 27
28 unitized area for drilling, operating, camp and other production or development 28

1 purposes, for repressuring or recycling in accordance with a plan of develop- 1
2 ment approved by the Supervisor, or unavoidably lost, shall be deemed to be 2
3 produced equally on an acreage basis from the several tracts of unitized land 3
4 of the participating area established for such production and, for the purpose 4
5 of determining any benefits accruing under this agreement, each such tract 5
6 of unitized land shall have allocated to it such percentage of said production 6
7 as the number of acres of such tract included in said participating area bears 7
8 to the total acres of unitized land in said participating area, except that allo- 8
9 cation of production hereunder for purposes other than for settlement of the 9
10 royalty, overriding royalty, or payment out of production obligations of the 10
11 respective working interest owners, shall be on the basis prescribed in the 11
12 Unit Operating Agreement whether in conformity with the basis of allocation 12
13 herein set forth or otherwise. It is hereby agreed that production of unitized 13
14 substances from a participating area shall be allocated as provided herein 14
15 regardless of whether any wells are drilled on any particular part or tract of 15
16 said participating area. If any gas produced from one participating area is 16
17 used for repressuring or recycling purposes in another participating area, 17
18 the first gas withdrawn from such last-mentioned participating area for sale 18
19 during the life of this agreement shall be considered to be the gas so trans- 19
20 ferred until an amount equal to that transferred shall be so produced for sale 20
21 and such gas shall be allocated to the participating area from which initially 21
22 produced as such area was last defined at the time of such final production. 22

23 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND 23
24 OR FORMATIONS. Any party hereto owning or controlling the working interest 24
25 in any unitized land having thereon a regular well location may with the approval 25
26 of the Supervisor as to Federal land, and the Commission as to privately owned 26
27 land, at such party's sole risk, cost and expense, drill a well to test any forma- 27
28 tion for which a participating area has not been established or to test any forma- 28
29 tion for which a participating area has been established if such location is not 29

1 within said participating area, unless within 90 days of receipt of notice from 1
2 said party of his intention to drill the well, the Unit Operator elects and com- 2
3 mences to drill such a well in like manner as other wells are drilled by the 3
4 Unit Operator under this agreement. 4

5 If any well drilled as aforesaid by a working interest owner results in 5
6 production such that the land upon which it is situated may properly be included 6
7 in a participating area, such participating area shall be established or enlarged 7
8 as provided in this agreement and the well shall thereafter be operated by the 8
9 Unit Operator in accordance with the terms of this agreement and the Unit 9
10 Operating Agreement. 10

11 If any well drilled as aforesaid by a working interest owner obtains 11
12 production in quantities insufficient to justify the inclusion of the land upon 12
13 which such well is situated in a participating area, such well may be operated 13
14 and produced by the party drilling the same subject to the conservation require- 14
15 ments of this agreement. The royalties in amount or value of production from 15
16 any such well shall be paid as specified in the underlying lease and agreements 16
17 affected. 17

18 14. ROYALTY SETTLEMENT. The United States and any other 18
19 royalty owner who, under existing contract, is entitled to take in kind a share 19
20 of the substances now unitized hereunder shall hereafter be entitled to the right 20
21 to take in kind its share of the unitized substances, and the Unit Operator, or 21
22 the working interest owner in case of the operation of a well by a working inter- 22
23 est owner as herein provided for in special cases, shall make deliveries of 23
24 such royalty share taken in kind in conformity with the applicable contracts, 24
25 laws and regulations. Settlement for royalty interest not taken in kind shall 25
26 be made by working interest owners responsible therefor under existing con- 26
27 tracts, laws and regulations, or by the Unit Operator, on or before the last 27
28 day of each month for unitized substances produced during the preceding 28

1 calendar month; provided, however, that nothing herein contained shall operate 1
2 to relieve the lessees of any land from their respective lease obligations for 2
3 the payment of any royalties due under their leases. 3

4 If gas obtained from lands not subject to this agreement is introduced 4
5 into any participating area hereunder, for use in repressuring, stimulation or 5
6 production, or increasing ultimate recovery, in conformity with a plan of 6
7 operations approved by the Supervisor, a like amount of gas, after settlement 7
8 as herein provided for any gas transferred from any other participating area 8
9 and with appropriate deduction for loss from any cause, may be withdrawn 9
10 from the formation in which the gas is introduced, royalty free as to dry gas, 10
11 but not as to any products which may be extracted therefrom; provided that 11
12 such withdrawal shall be at such time as may be provided in the approved plan 12
13 of operations or as may otherwise be consented to by the Supervisor, as con- 13
14 forming to good petroleum engineering practice; and provided further, that 14
15 such right of withdrawal shall terminate on the termination of this Unit Agree- 15
16 ment. 16

17 Royalty due the United States shall be computed as provided in the 17
18 operating regulations and paid in value or delivered in kind as to all unitized 18
19 substances on the basis of the amounts thereof allocated to unitized Federal 19
20 land as provided herein at the rate specified in the respective Federal leases, 20
21 or at such lower rate or rates as may be authorized by law or regulation; 21
22 provided, that for leases on which the royalty rate depends on the daily average 22
23 production per well, said average production shall be determined in accordance 23
24 with the operating regulations as though each participating area were a single 24
25 consolidated lease. 25

26 Royalty due on account of privately owned land shall be computed and 26
27 paid on the basis of all unitized substances allocated to such lands. 27

28 15. RENTAL SETTLEMENT. Rental or minimum royalties due on 28
29 leases committed hereto shall be paid by working interest owners responsible 29

1 therefore under existing contracts, laws and regulations, provided that noth- 1
2 ing herein contained shall operate to relieve the lessees of any land from their 2
3 respective lease obligations for the payment of any rental or minimum royalty 3
4 due under their leases. Rental or minimum royalty for lands of the United 4
5 States subject to this agreement shall be paid at the rate specified in the re- 5
6 spective leases from the United States unless such rental or minimum royalty 6
7 is waived, suspended or reduced by law or by approval of the Secretary or his 7
8 duly authorized representative. 8

9 With respect to any lease on non-Federal land containing provisions 9
10 which would terminate such lease unless drilling operations are commenced 10
11 upon the land covered thereby within the time therein specified or rentals are 11
12 paid for the privilege of deferring such drilling obligations, the rentals requir- 12
13 ed thereby shall, notwithstanding any other provisions of this agreement, be 13
14 deemed to accrue and become payable during the term thereof as extended by 14
15 this agreement and until the required drilling operations are commenced upon 15
16 the land covered thereby or until some portion of such land is included within 16
17 a participating area. 17

18 16. CONSERVATION. Operations hereunder and production of uni- 18
19 tized substances shall be conducted to provide for the most economical and 19
20 efficient recovery of said substances without waste, as defined by or pursuant 20
21 to State or Federal laws or regulations. 21

22 17. DRAINAGE. The Unit Operator shall take such measures as 22
23 the Supervisor deems appropriate and adequate to prevent drainage of unitized 23
24 substances from unitized land by wells on land not subject to this agreement. 24

25 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The 25
26 terms, conditions and provisions of all leases, subleases and other contracts 26
27 relating to exploration, drilling, development or operations for oil or gas on 27
28 lands committed to this agreement are hereby expressly modified and amended 28

1 to the extent necessary to make the same conform to the provisions hereof, but 1
2 otherwise to remain in full force and effect; and the parties hereto hereby con- 2
3 sent that the Secretary as to Federal leases shall and by his approval hereof, 3
4 or by the approval hereof by his duly authorized representative, do hereby 4
5 establish, alter, change or revoke the drilling, producing, rental minimum 5
6 royalty and royalty requirements of Federal leases committed hereto and the 6
7 regulations in respect thereto to conform said requirements to the provisions 7
8 of this agreement, and, without limiting the generality of the foregoing, all 8
9 leases, subleases, and contracts are particularly modified in accordance with 9
10 the following: 10

11 (a) The development and operation of lands subject to this agreement 11
12 under the terms hereof shall be deemed full performance of all 12
13 obligations for development and operation with respect to each 13
14 and every separately owned tract subject to this agreement, re- 14
15 gardless of whether there is any development of any particular 15
16 tract of the unit area. 16

17 (b) Drilling and producing operations performed hereunder upon any 17
18 tract of unitized land will be accepted and deemed to be perform- 18
19 ed upon and for the benefit of each and every tract of unitized 19
20 land, and no lease shall be deemed to expire by reason of failure 20
21 to drill or produce wells situated on the land therein embraced. 21

22 (c) Suspension of drilling or producing operations on all unitized 22
23 lands pursuant to direction or consent of the Secretary or his 23
24 duly authorized representatives shall be deemed to constitute 24
25 such suspension pursuant to such direction or consent as to each 25
26 and every tract of unitized land. A suspension of drilling or pro- 26
27 ducing operations limited to specified lands shall be applicable 27
28 only to such lands. 28

1 (d) Each lease, sublease or contract relating to the exploration, 1
2 drilling, development or operation for oil or gas of lands other 2
3 than those of the United States committed to this agreement, 3
4 which, by its terms might expire prior to the termination of 4
5 this agreement, is hereby extended beyond any such term so 5
6 provided therein so that it shall be continued in full force and 6
7 effect for and during the term of this agreement. 7

8 (e) Any Federal lease for a fixed term of twenty (20) years or any 8
9 renewal thereof or any part of such lease which is made subject 9
10 to this agreement shall continue in force beyond the term provid- 10
11 ed therein until the termination hereof. Any other Federal lease 11
12 committed hereto shall continue in force beyond the term so pro- 12
13 vided therein or by law as to the land committed so long as such 13
14 lease remains subject hereto, provided that production is had in 14
15 paying quantities under this Unit Agreement prior to the expira- 15
16 tion date of the term of such lease, or in the event actual drilling 16
17 operations are commenced on unitized lands, in accordance with 17
18 the provisions of this agreement, prior to the end of the primary 18
19 term of such lease and are being diligently prosecuted at that time, 19
20 such lease shall be extended for two years and so long thereafter 20
21 as oil or gas is produced in paying quantities in accordance with 21
22 the provisions of the Mineral Leasing Act Revision of 1960. 22

23 (f) Each sublease or contract relating to the operation and development 23
24 of unitized substances from lands of the United States committed to 24
25 this agreement, which by its terms would expire prior to the time 25
26 at which the underlying lease, as extended by the immediately pre- 26
27 ceding paragraph, will expire, is hereby extended beyond any such 27
28 term so provided therein so that it shall be continued in full force 28

1 and effect for and during the term of the underlying lease as such 1
2 term is herein extended. 2

3 (g) The segregation of any Federal lease committed to this agreement 3
4 is governed by the following provisions in the fourth paragraph of 4
5 Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of 5
6 September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease here- 6
7 tofore or hereafter committed to any such (unit) plan embracing 7
8 lands that are in part within and in part outside of the area cover- 8
9 ed by any such plan shall be segregated into separate leases as to 9
10 lands committed and the lands not committed as of the effective 10
11 date of unitization: Provided, however, That any such lease as 11
12 to the non-unitized portion shall continue in force and effect for 12
13 the term thereof but for not less than two years from the date of 13
14 such segregation and so long thereafter as oil or gas is produced 14
15 in paying quantities." 15

16 19. COVENANTS RUN WITH LAND. The covenants herein shall be 16
17 construed to be covenants running with the land with respect to the interest of 17
18 the parties hereto and their successors in interest until this agreement termi- 18
19 nates, and any grant, transfer, or conveyance of interest in land or leases 19
20 subject hereto shall be and hereby is conditioned upon the assumption of all 20
21 privileges and obligations hereunder by the grantee, transferee or other suc- 21
22 cessor in interest. No assignment or transfer of any working interest, royalty, 22
23 or other interest subject hereto shall be binding upon Unit Operator until the 23
24 first day of the calendar month after Unit Operator is furnished with the origi- 24
25 nal, photostatic, or certified copy of the instrument of transfer. 25

26 20. EFFECTIVE DATE AND TERM. This agreement shall become 26
27 effective upon approval by the Secretary or his duly authorized representative 27
28 and shall terminate five years from said effective date unless: 28

- 1 (a) such date of expiration is extended by the Director, or 1
- 2 (b) it is reasonably determined prior to the expiration of the fixed 2
- 3 term or any extension thereof that the unitized land is incapable 3
- 4 of production of unitized substances in paying quantities in the 4
- 5 formations tested hereunder and after notice of intention to termi- 5
- 6 nate the agreement on such ground is given by the Unit Operator 6
- 7 to all parties in interest at their last known addresses, the agree- 7
- 8 ment is terminated with the approval of the Supervisor, or 8
- 9 (c) a valuable discovery of unitized substances has been made or 9
- 10 accepted on unitized land during said initial term or any extension 10
- 11 thereof, in which event the agreement shall remain in effect for such 11
- 12 term and so long as unitized substances can be produced in quan- 12
- 13 tities sufficient to pay for the cost of producing same from wells 13
- 14 on unitized land within any participating area established here- 14
- 15 under and, should production cease, so long thereafter as dili- 15
- 16 gent operations are in progress for the restoration of production 16
- 17 or discovery of new production and so long thereafter as unitized 17
- 18 substances so discovered can be produced as aforesaid, or 18
- 19 (d) it is terminated as heretofore provided in this agreement. 19

20 This agreement may be terminated at any time by not less 75 per centum, 20

21 on an acreage basis, of the working interest owners signatory hereto, with 21

22 the approval of the Supervisor; notice of any such approval to be given by the 22

23 Unit Operator to all parties hereto. 23

24 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. 24

25 The Director is hereby vested with authority to alter or modify from time to 25

26 time in his discretion the quantity and rate of production under this agreement 26

27 when such quantity and rate is not fixed pursuant to Federal or State law or 27

28 does not conform to any state-wide voluntary conservation or allocation pro- 28

29 gram, which is established, recognized and generally adhered to by the 29

1 majority of operators in such State, such authority being hereby limited to 1
2 alteration or modification in the public interest, the purpose thereof and the 2
3 public interest to be served thereby to be stated in the order of alteration or 3
4 modification. Without regard to the foregoing, the Director is also hereby 4
5 vested with authority to alter or modify from time to time in his discretion 5
6 the rate of prospecting and development and the quantity and rate of pro- 6
7 duction under this agreement when such alteration or modification is in the 7
8 interest of attaining the conservation objectives stated in this agreement and 8
9 is not in violation of any applicable Federal or State law; provided, further, 9
10 that no such alteration or modification shall be effective as to any privately 10
11 owned lands subject to this agreement as to the quantity and rate of produc- 11
12 tion in the absence of specific written approval thereof by the Commission. 12

13 Powers in this section vested in the Director shall only be exercised 13
14 after notice to Unit Operator and opportunity for hearing to be held not less 14
15 than 15 days from notice. 15

16 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor 16
17 the working interest owners nor any of them shall be subject to any forfeiture, 17
18 termination or expiration of any rights hereunder or under any leases or con- 18
19 tracts subject hereto, or to any penalty or liability on account of delay or 19
20 failure in whole or in part to comply with any applicable provision thereof to 20
21 the extent that the Unit Operator, working interest owners or any of them are 21
22 hindered, delayed or prevented from complying therewith by reason of failure 22
23 of the Unit Operator to obtain in the exercise of due diligence, the concurrence 23
24 of proper representatives of the United States in and about any matters or 24
25 things concerning which it is required herein that such concurrence be obtain- 25
26 ed. The parties hereto, including the Commission, agree that all powers and 26
27 authority vested in the Commission in and by any provisions of this agreement 27
28 are vested in the Commission and shall be exercised by it pursuant to the 28

1 provisions of the laws of the State of New Mexico and subject in any case to 1
2 appeal or judicial review as may now or hereafter be provided by the laws 2
3 of the State of New Mexico. 3

4 23. APPEARANCES. Unit Operator shall, after notice to other 4
5 parties affected, have the right to appear for and on behalf of any and all 5
6 interests affected hereby before the Department of the Interior and the New 6
7 Mexico Oil Conservation Commission and to appeal from orders issued under 7
8 the regulations of said Department or the Commission and to apply for relief 8
9 from any of said regulations or in any proceedings relative to operations 9
10 before the Department of the Interior or Commission, or any other legally 10
11 constituted authority; provided however, that any other interested party shall 11
12 also have the right at his own expense to be heard in any such proceeding. 12

13 24. NOTICES. All notices, demands or statements required here- 13
14 under to be given or rendered to the parties hereto shall be deemed fully 14
15 given if given in writing and personally delivered to the party or sent by post- 15
16 paid registered or certified mail, addressed to such party or parties at their 16
17 respective addresses set forth in connection with the signatures hereto or to 17
18 the ratification or consent hereof or to such other address as any such party 18
19 may have furnished in writing to party sending the notice, demand or state- 19
20 ment. 20

21 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement 21
22 contained shall be construed as a waiver by any party hereto of the right to 22
23 assert any legal or constitutional right or defense as to the validity or invalid- 23
24 ity of any law of the State wherein said unitized lands are located, or of the 24
25 United States, or regulations issued thereunder in any way affecting such 25
26 party, or as a waiver by any such party of any right beyond his or its authority 26
27 to waive. 27

28 26. UNAVOIDABLE DELAY. All obligations under this agreement 28
29 requiring the Unit Operator to commence or continue drilling or to operate on 29

1 or produce unitized substances from any of the lands covered by this agree- 1
2 ment shall be suspended while the Unit Operator, despite the exercise of due 2
3 care and diligence, is prevented from complying with such obligations, in 3
4 whole or in part, by strikes, acts of God, Federal, State or municipal law 4
5 or agencies, unavoidable accidents, uncontrollable delays in transportation, 5
6 inability to obtain necessary materials in open market, or other matters 6
7 beyond the reasonable control of the Unit Operator whether similar to matters 7
8 herein enumerated or not. No unit obligation which is suspended under this 8
9 section shall become due less than thirty (30) days after it has been determin- 9
10 ed that the suspension is no longer applicable. Determination of creditable 10
11 "Unavoidable Delay" time shall be made by the Unit Operator subject to 11
12 approval of the Supervisor. 12

13 27. NONDISCRIMINATION. In connection with the performance of 13
14 work under this agreement, the operator agrees to comply with all of the 14
15 provisions of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 15
16 12319), as amended, which are hereby incorporated by reference in this 16
17 agreement. 17

18 28. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATION. 18
19 Nothing in this agreement shall modify the special Federal-lease stipulations 19
20 relating to surface and environmental protection, attached to and made a part 20
21 of, Oil and Gas Leases covering lands within the Unit Area. 21

22 29. LOSS OF TITLE. In the event title to any tract of unitized land 22
23 shall fail and the true owner cannot be induced to join in this unit agreement, 23
24 such tract shall be automatically regarded as not committed hereto and there 24
25 shall be such readjustment of future costs and benefits as may be required on 25
26 account of the loss of such title. In the event of a dispute as to title to any 26
27 royalty, working interest or other interests subject thereto, payment or de- 27
28 livery on account thereof may be withheld without liability for interest until 28

1 the dispute is finally settled; provided, that, as to Federal land or leases, no 1
2 payments of funds due the United States should be withheld, but such funds of 2
3 the United States shall be deposited as directed by the Supervisor to be held 3
4 as unearned money pending final settlement of the title dispute, and then ap- 4
5 plied as earned or returned in accordance with such final settlement. 5
6 Unit Operator as such is relieved from any responsibility for any defect 6
7 or failure of any title hereunder. 7
8 30. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of 8
9 any substantial interest in a tract within the unit area fails or refuses to sub- 9
10 scribe or consent to this agreement, the owner of the working interest in that 10
11 tract may withdraw said tract from this agreement by written notice delivered 11
12 to the Supervisor and the Unit Operator prior to the approval of this agreement 12
13 by the Supervisor. Any oil or gas interests in lands within the unit area not 13
14 committed hereto prior to submission of this agreement for final approval may 14
15 thereafter be committed hereto by the owner or owners thereof subscribing or 15
16 consenting to this agreement, and, if the interest is a working interest, by the 16
17 owner of such interest also subscribing to the Unit Operating Agreement. After 17
18 operations are commenced hereunder, the right of subsequent joinder, as pro- 18
19 vided in this section, by a working interest owner is subject to such requirements 19
20 or approvals, if any, pertaining to such joinder, as may be provided for in the 20
21 Unit Operating Agreement. After final approval hereof, joinder by a non-work- 21
22 ing interest owner must be consented to in writing by the working interest owner 22
23 committed hereto and responsible for the payment of any benefits that may accrue 23
24 hereunder in behalf of such non-working interest. A non-working interest may 24
25 not be committed to this Unit Agreement unless the corresponding working inter- 25
26 est is committed hereto. Joinder to the Unit Agreement by a working interest 26
27 owner, at any time, must be accompanied by appropriate joinder to the Unit 27
28 Operating Agreement, if more than one committed working interest owner is 28

1 involved, in order for the interest to be regarded as committed to this Unit 1
2 Agreement. Except as may otherwise herein be provided, subsequent join- 2
3 ders to this agreement shall be effective as of the first day of the month fol- 3
4 lowing the filing with the Supervisor of duly executed counterparts of all or 4
5 any papers necessary to establish effective commitment of any tract to this 5
6 agreement unless objection to such joinder is duly made within 60 days by 6
7 the Supervisor. 7

8 31. COUNTERPARTS. This agreement may be executed in any 8
9 number of counterparts, no one of which needs to be executed by all parties 9
10 or may be ratified or consented to by separate instruments in writing specifi- 10
11 cally referring hereto and shall be binding upon all those parties who have 11
12 executed such counterpart, ratification, or consent hereto with the same 12
13 force and effect as if all such parties had signed the same document and re- 13
14 gardless of whether or not it is executed by all other parties owning or claim- 14
15 ing an interest in the lands within the above described unit area. 15

16 32. NO PARTNERSHIP. It is expressly agreed that the relation of 16
17 the parties hereto is that of independent contractors and nothing in this agree- 17
18 ment contained, expressed or implied, nor any operations conducted here- 18
19 under, shall create or be deemed to have created a partnership or association 19
20 between the parties hereto or any of them. 20

21 IN WITNESS WHEREOF, the parties hereto have caused this agreement 21
22 to be executed and have set opposite their respective names the date of execu- 22
23 tion. 23

UNIT OPERATOR

Date _____

By: _____

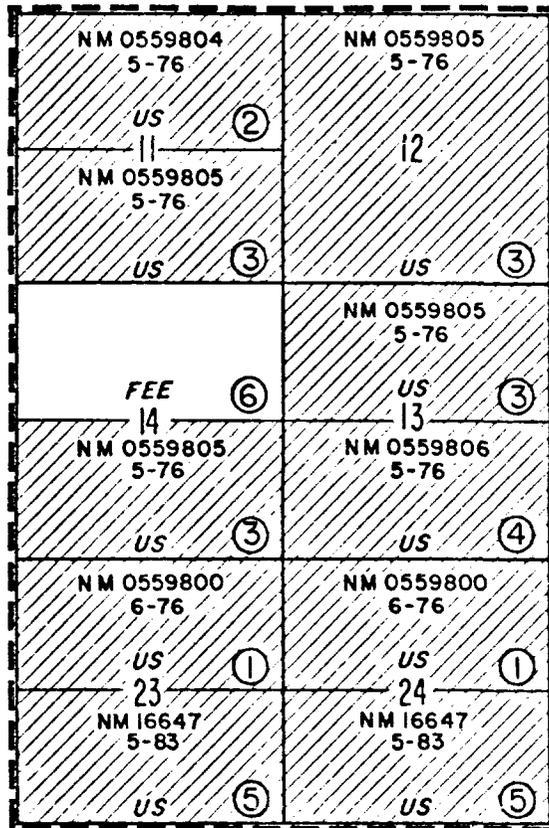


EXHIBIT A

FAIRVIEW MILLS UNIT AREA

LEA COUNTY, NEW MEXICO

T 25 S - R 34 E

PROPOSED UNIT AREA	320 ACRES	
FEE LAND	3520 ACRES	
USA		
UNIT AREA	3840 ACRES	
TRACT		

EXHIBIT "B" - FAIRVIEW MILLS UNIT AREA - LEA COUNTY, NEW MEXICO

All in T-25-S, R-34-E
FEDERAL LANDS

TRT. NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS	WORKING INTEREST OWNERS AND PERCENTAGE
1	Sec. 23: N/2 Sec. 24: N/2	640	NM 0559800 6-1-76	USA-12 $\frac{1}{2}$ %	Getty Oil Company - 1/3 Atlantic Richfield Company-1/3 Tenneco Oil Company - 1/3	Octavie Collins Carthel-5% ORI 1/2 of 25% of 6.5% - Robert E. Lawson, Jr. 1/2 of 25% of 6.5% - Monty J. Gist 1/2 of 9.643335% of 6.5% - R. C. Bennett 1/2 of 40.35665% of 6.5% - Jack L. Russell	Exxon Corporation Getty Oil Company Atlantic Richfield Co. Tenneco Oil Company 50% 16-2/3% 16-2/3% 16-2/3%
2	Sec. 11: N/2	320	NM 0559804 5-1-76	USA-12 $\frac{1}{2}$ %	Skelly Oil Company - All	Elaine Drukman and husband Mason Drukman -----3% ORI F. J. Bradshaw-----1% ORI Alice D. Farrington-----1% ORI 1/2 of 25% of 6.5% - Robert E. Lawson, Jr. 1/2 of 25% of 6.5% - Monty J. Gist 1/2 of 9.643335% of 6.5% - R. C. Bennett 1/2 of 40.35665% of 6.5% - Jack L. Russell	Exxon Corporation Skelly Oil Company 50% 50%
3	Sec. 11: S/2 Sec. 12: All Sec. 13: N/2 Sec. 14: S/2	1600	NM 0559805 5-1-76	USA-12 $\frac{1}{2}$ %	Getty Oil Company-1/3 Atlantic Richfield Co.-1/3 Tenneco Oil Company - 1/3	Sandia Production Company a limited partnership 6.25% PPI*(in amt. of \$1,880,120.00) As to S/2 Sec. 11, Sec. 12 and N/2 Sec. 13: 1/2 of 25% of 5.25% - Robert E. Lawson, Jr. 1/2 of 25% of 5.25% - Monty J. Gist 1/2 of 9.643335% of 5.25% - R. C. Bennett 1/2 of 40.35665% of 5.25% - Jack L. Russell As to S/2 Sec. 14: 15.238663% of 1/16 = .00952 - Atlantic Richfield Co. 20.834109% of 1/16 = .01302 - Getty Oil Company 15.238663% of 1/16 = .00952 - Tenneco Oil Company 5.714499% of 1/16 = .00357 - Skelly Oil Company .019075 - Jack L. Russell .002577 - R. C. Bennett	Exxon Corporation insofar as lease covers S/2 Sec.1 Remainder of lands covered by lease: Exxon Corporation Getty Oil Company Atlantic Richfield Co. Tenneco Oil Company 50% 16-2/3% 16-2/3% 16-2/3%

EXHIBIT "B" - PATRIEVE MILLS UNIT AREA - IFA COUNTY, NEW MEXICO

TRT. NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS	WORKING INTEREST OWNERS AND PERCENTAGE
4	Sec. 13: S/2	320	NM 0559806 5-1-76	USA-12 $\frac{1}{2}$ %	Getty Oil Company - 1/3 Atlantic Richfield Co.-1/3 Tenneco Oil Company - 1/3	J. Hiram Moore and wife Betty Moore-----6.25% ORI As to S/2 Sec. 11, Sec. 12 and N/2 Sec. 13: 1/2 of 25% of 5.25% - Robert E. Lawson, Jr. 1/2 of 25% of 5.25% - Monty J. Gist 1/2 of 9.64335% of 5.25% - R. C. Bennett 1/2 of 40.35665% of 5.25% - Jack L. Russell	Exxon Corporation Getty Oil Company Atlantic Richfield Co. Tenneco Oil Company 50% 16-2/3% 16-2/3% 16-2/3%
5	Sec. 23: S/2 Sec. 24: S/2	640	NM 16647 5-1-83	USA-12 $\frac{1}{2}$ %	Jack L. Russell - 1/2 R. C. Bennett - 1/2	R. C. Semple, Jr. and wife Helen W. Semple - 3% ORI Ezra M. Thompson and Rosaria R. Thompson - 1% ORI 19.2867% of 7.5% - R. C. Bennett 80.7133% of 7.5% - Jack L. Russell	Exxon Corporation Jack L. Russell R. C. Bennett 50% 25% 25%

Total: 5 Tracts Federal Land - 3,520 Acres, 91.667% of the Unit Area

TRT. NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	ORI OR PPI	WI OWNERS AND PERCENTAGE
6	Sec. 14: N/2	320	1-8-78	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	ORI OR PPI	WI OWNERS AND PERCENTAGE
				Lucille Chisum Bates-145/1440 (of 3/16) Wilma Chisum Lain - 145/1440 (of 3/16) Norma Chisum McCarthy-145/1440 (of 3/16) Mary Louise Nommensen-45/1440 (of 3/16) Theodosia G. Bates - 112/1440 (of 3/16) Kenneth C. Bates and wife, Lucille Chisum Bates - 32/1440 (of 3/16) Warren J. Bates and wife, Helene H. Bates - 32/1440 (of 3/16) James Ray Bates and wife, Swan Lou Bates - 32/1440 (of 3/16)	Exxon Corporation		Exxon Corporation - 100

The above ORR interests apply to all leases in this Tract

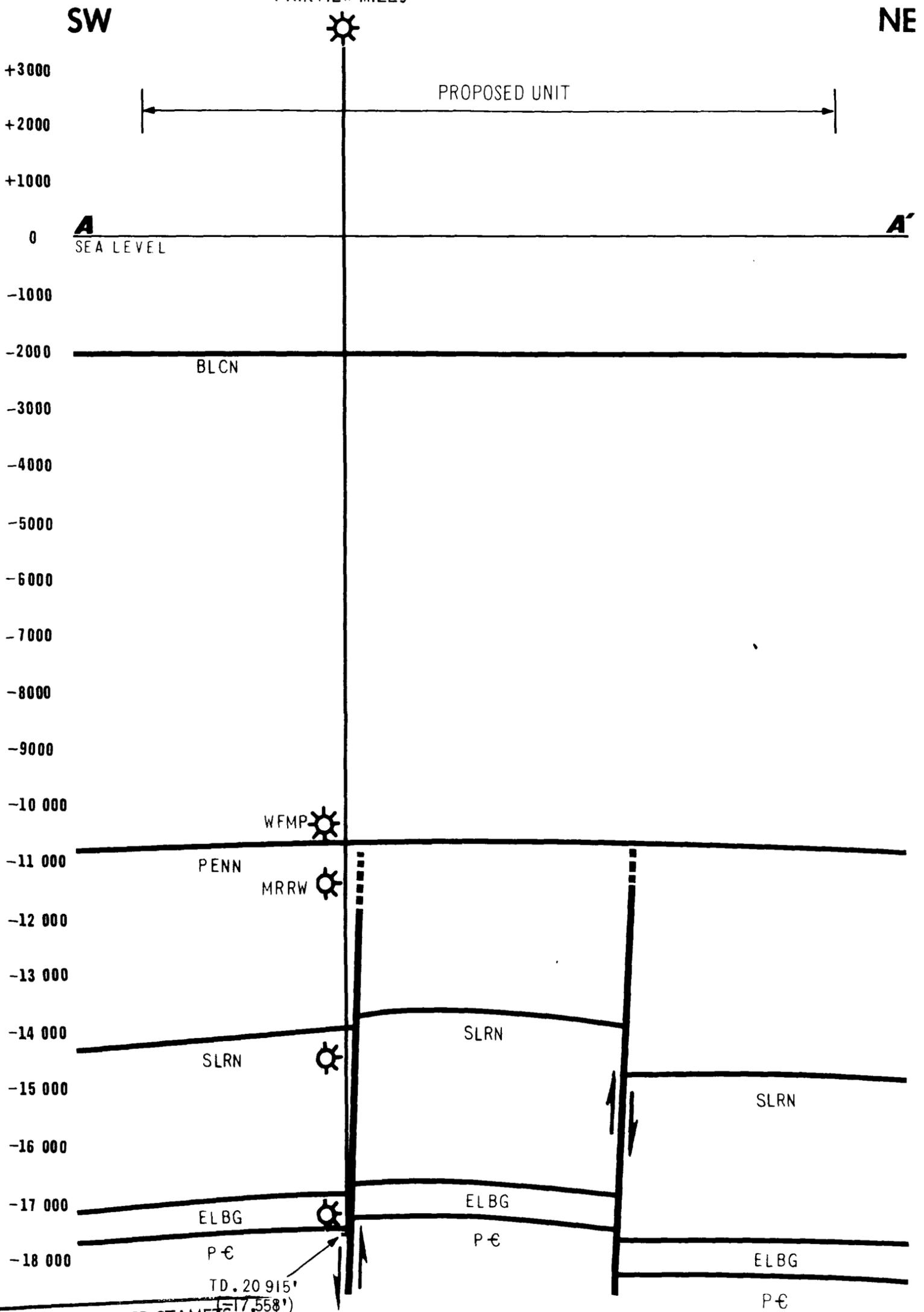
EXHIBIT "B" - FAIRVIEW MILLS UNIT AREA - LEA COUNTY, NEW MEXICO

TRKT. NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE		LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS	ORI OR PPI	WI OWNERS AND PERCENTAGE
				ROYALTY & PERCENTAGE	LESSEE OF RECORD				
			1-27-76*			Exxon Corporation			Exxon Corporation 100%
			(60-day rework clause)			Exxon Corporation			Exxon Corporation 100%
			1-5-76*			Exxon Corporation			Exxon Corporation 100%
			(60-day rework clause)			Exxon Corporation			Exxon Corporation 100%
			*Fairview Mills Federal No. 1 Well ceased production March 12, 1976. When 60-day rework clause is applied, these leases will expire May 11, 1976						
			Unleased			Unleased		None	PAWN Enterprises, a limited partnership - 70/1440
			Unleased			Unleased		None	Margaret Fleet Kalmar-80/1440
			Unleased			Unleased		None	Arlene Rae Fleet-10/1440
			Unleased			Unleased		None	Frank T. Fleet - 80/1440

Total: 1 Tract Fee Land - 320 Acres, 8.33333% of Unit Area

TOTAL: 6 Tracts comprising 3,840 Acres in Unit Area.

EXXON #1-1
FAIRVIEW MILLS



TD. 20 915'
(=17,558')

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

EXHIBIT NO. 3

CASE NO. 5660

Submitted by: Exxon

Hearing Date: 3-31-76

HORIZONTAL SCALE

EXXON #1-1 FAIRVIEW MILLS
LEA COUNTY
NEW MEXICO
SW-NE STRUCTURAL CROSS-SECTION
D.J. EIMERS
3-76

BEFORE EXAMINER STAMETS
 OIL CONSERVATION COMMISSION
 G.W. EXHIBIT NO. 4
 CASE NO. 5660
 Submitted by Ervin
 Hearing Date 3-31-76

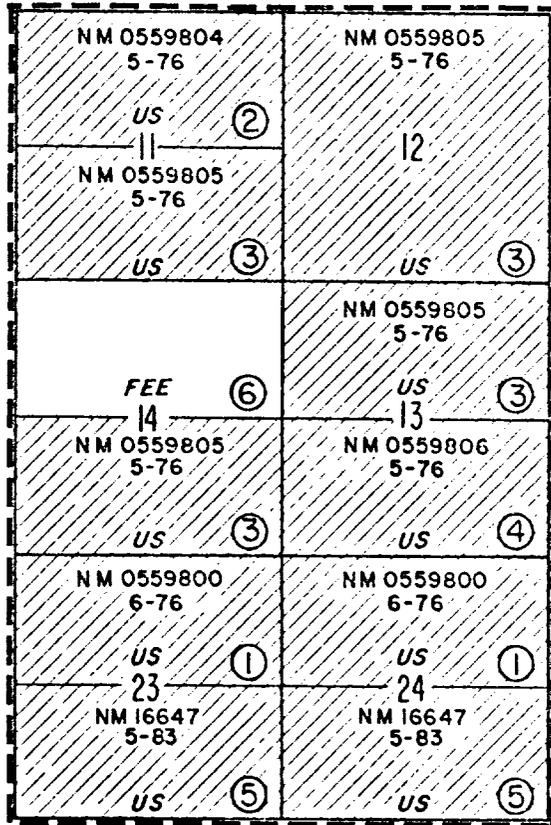


EXHIBIT A

FAIRVIEW MILLS UNIT AREA

LEA COUNTY, NEW MEXICO

T 25 S - R 34 E

PROPOSED UNIT AREA	-----	
FEE LAND	320 ACRES	
USA	3520 ACRES	
UNIT AREA	3840 ACRES	
TRACT		

SEE ATTACHED SCHEDULE OF LEASES FOR
 OWNERSHIP OF LEASES WITHIN TRACTS
 SET FORTH ABOVE

Ervin - No 4

SCHEDULE OF LEASES
FAIRVIEW MILLS AREA
LEA COUNTY, NEW MEXICO

<u>TRACT NO.</u>	<u>LEASE NUMBER</u>	<u>DESCRIPTION OF LAND</u> (ALL IN T-25-S, R-34-E)	<u>EXPIRATION DATE</u>	<u>OWNERSHIP OF LEASE</u> (WORKING INTEREST AND PERCENTAGE)
	<u>FEDERAL LEASES</u>			
1	NM 0559800	N/2 Section 23 N/2 Section 24	6-1-76	Exxon Corporation Getty Oil Company Atlantic Richfield Company Tenneco Oil Company 50% 16-2/3% 16-2/3% 16-2/3%
2	NM 0559804	N/2 Section 11	5-1-76	Exxon Corporation Skelly Oil Company 50% 50%
3	NM 0559805	S/2 Section 11 Section 12 N/2 Section 13 S/2 Section 14	5-1-76	Exxon Corporation Remainder of lands covered by lease: Exxon Corporation Getty Oil Company Atlantic Richfield Company Tenneco Oil Company 100% insofar as lease covers S/2 Sec.
4	NM 0559806	S/2 Section 13	5-1-76	Exxon Corporation Getty Oil Company Atlantic Richfield Company Tenneco Oil Company 50% 16-2/3% 16-2/3% 16-2/3%
5	NM 16647	S/2 Sec. 23	5-1-83	Exxon Corporation Jack L. Russell R. C. Bennett 50% 25% 25%
6		Lucille Chism Bates et al 720/1440	1-8-78	Exxon Corporation 100%
	<u>NAME OF LESSOR</u> <u>THE LEASES</u>			
	Catherine L. Dumraese 240/1440		1-27-76 *	Exxon Corporation 100%
	Lignum Oil Company 240/1440		(60-day rework clause) 1-5-76 * (60-day rework clause)	Exxon Corporation 100%

SCHEDULE OF LEASES
 FAIRVIEW MILLS AREA
 IEA COUNTY, NEW MEXICO

<u>TRACT NO.</u>	<u>LEASE NUMBER</u>	<u>DESCRIPTION OF LAND (ALL IN T-25-S, R-34-E)</u>	<u>EXPIRATION DATE</u>	<u>OWNERSHIP OF LEASE (WORKING INTEREST AND PERCENTAGE)</u>
	<u>MINERAL FEE OWNER</u>			
	Pawn Enterprises 70/1440			
	Margaret Fleet Kalmar 80/1440			
	Arlene Fleet Kalmar 10/1440			
	Frank T. Fleet 80/1440			

*Fairview Mills Federal No. 1 Well ceased production March 12, 1976. When 60-day rework clause is applied, these leases will expire May 11, 1976.

EHM:lpj
 3-24-76



IN REPLY REFER TO:

United States Department of the Interior

GEOLOGICAL SURVEY

Box 25046

Denver Federal Center

Denver, Colorado 80225

RECEIVED
MIDLAND

MAR 4 1976

February 26, 1976 EXXON
Land Section

Exxon Company, U.S.A.
Attention: Mr. Marvin L. Wigley
P. O. Box 1600
Midland, Texas 79701

Gentlemen:

Your application of February 26, 1976, filed with the Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Fairview Mills unit area embracing 3,840 acres, more or less, Lea County, New Mexico as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226 the land requested as outlined on your plat marked "Exhibit A, Proposed Fairview Mills Unit, Lea County, New Mexico" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for the reentry of the Fairview Mills Federal No. 1 well located in the SE $\frac{1}{4}$ of sec. 14, T. 25S., R. 34E., N.M.P.M., with directional drilling commencing in the Morrow shales to a new bottom hole location in the Silurian or to a depth of 17,700 feet. You should use the Federal Form of Agreement for Unproved Areas with the modification for the inclusion of Fee lands and the modification as follows:

Add the words "as amended" after (30 F.R. 12319) in Section 26, Nondiscrimination.

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

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved



BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	5
CASE NO.	5660
Submitted by	Exxon
Hearing Date	3-31-76

EXHIBIT No 5

if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

Sincerely yours,

William H. Anderson
Asst Regional Conservation Manager
For the Director