

CASE 4729: Appli. of AMERICAN
TRADING & PRODUCTION CORP. FOR
APPROVAL OF ROUND MOUNTAIN UNIT.

Case Number
4729

Application

Transcripts

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
June 7, 1972

EXAMINER HEARING

IN THE MATTER OF:

The Application of American Trading
and Production Corporation for a
unit agreement, Eddy County, New
Mexico.

CASE NO. 4729

BEFORE: Daniel Nutter
Examiner

TRANSCRIPT OF HEARING

1 MR. NUTTER: Call Case Number 4729.

2 MR. HATCH: Application of American Trading and
3 Production Corporation for a unit agreement, Eddy County, New
4 Mexico.

5 MR. RICHARDSON: Randolph M. Richardson, Roswell,
6 New Mexico, appearing on behalf of the Applicant, American
7 Trading and Production Corporation, a Roswell, New Mexico,
8 company.

9 A copy of the unit agreement has already been
10 furnished, and we have one copy of a geological record which
11 has not been marked. We would like to enter this into
12 evidence, at this time. It's one report from pools of
13 several different maps and sub-parts, and do you want to
14 mark the whole report at one time, or what?

15 MR. NUTTER: We'll mark it as Exhibit 1 and then
16 each one separately, okay?

17 MR. RICHARDSON: Fine.

18 (Whereupon, Applicant's Exhibits 1 through 6
19 were marked for identification.)

20 * * * * *

21 DOUGLAS E. MASTEN,

22 was called as a witness on behalf of the Applicant, having
23 been first duly sworn, testified as follows:
24
25

DIRECT EXAMINATION

BY MR. RICHARDSON:

Q Mr. Masten, will you please state your name, present occupation, and by whom you are employed?

A Douglas E. Masten, Directing Manager of American Trading and Production Corporation.

Q Would you please state your educational background and professional experience?

A Master of Science Degree in geology, from the University of Michigan; 20 years as a petroleum geologist in the Permian Basin area of New Mexico and Texas.

Q Are you familiar with the contents of the proposed unit area?

A Yes.

MR. RICHARDSON: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

Q (By Mr. Richardson, continuing.) Is the form of the unit agreement the same as prescribed by regulation?

A Yes.

Q Has the unit area been designated by the USGS, and is the area suitable for development under a plan of the department?

A Yes.

Q Please tell the Commission the total number of acres

dearnley, meier & mc cormick
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1216 FIRST NATIONAL BANK BLDG., EAST ALBUQUERQUE, NEW MEXICO 87108

1 within the unit area; the number and percent of Federal,
2 State and free land.

3 A Within the area, fifty-seven hundred and fifty-seven
4 acres, of which, forty-seven hundred and fifty-nine
5 acres -- I'm rounding off, or approximately 83 percent
6 of the area is Federal land, and 840 acres, or roughly,
7 14.6 percent is State land, and one hundred fifty-nine
8 acres, or approximately 3 percent is patented or free
9 land.

10 Q Would you tell the Commission the unit and township in
11 which the unit is located , relatively?

12 A The location is in Township 21 South, Range 25 East,
13 and it is located approximately eight miles northwest of
14 Carlsbad.

15 Q Please refer to the geographic report which has been
16 marked as Exhibits 2 through 6. Was this report prepared
17 by you or by another employee directly under your control
18 and supervision?

19 A Yes.

20 Q Would you please review the report, referring to the
21 maps by name, indicating the significance of such maps
22 and cross-section?

23 A Our basis for this area, a subsurface structural
24 interpretation of the area unit is well controlled.
25 We have no seismic interpretation. It is also modified

1 by aeromagnetic data. It's bound on the west and north
2 by faulting. Studies of the sand in the area, which
3 incorporates all the lower Morrow isopach indicate where
4 sand is present and the cross-section is a correlation
5 showing wells bounding on the northeast side and the
6 sand presently in those wells.

7 Q These maps and plats are also accompanied by a written
8 report which refers back to the map?

9 A That's correct.

10 Q Could you please tell the Commission, here, your
11 conclusion as to formation?

12 A We consider two formations the primary objective in the
13 unit agreement; the drilling of an initial test well at
14 a depth of approximately 8,000 feet and a Morrow sand
15 formation at a depth of approximately 10,500 feet, and
16 the approximate location will be 1,556 from the south
17 line and 725 feet from the east line of Section 29,
18 21 South, and 25 East.

19 MR. NUTTER: What's the location again?

20 MR. MASTEN: 725 feet from the east line, Section
21 29.

22 Q (By Mr. Richardson, continuing) Have other working
23 interests been contacted in the unit area?

24 A Yes.

25 Q Have you received any objection to the unit?

1 A No.

2 Q In your opinion, will the operation of this area under
3 the proposed unit plan of operation be in the interests
4 of conservation and prevention of waste?

5 A Yes.

6 Q And, in the event that a unitized substance is recovered,
7 in paying quantity, the State will receive its fair share
8 of the production, if established?

9 A Yes.

10 Q Will the correlative rights or unit rights of all
11 parties be protected?

12 A Yes.

13 MR. RICHARDSON: Do you have anything, Mr. Examiner?

14 MR. NUTTER: What percentage of the interests have
15 been committed to the unit?

16 MR. MASTEN: All of the working interest; 100 percent
17 of the working interest.

18 MR. NUTTER: How about royalties?

19 MR. MASTEN: They're not all, as yet, in. We expect
20 probably 95 to 100 percent royalty.

21 MR. NUTTER: You do have the U.S. Government, the
22 83 percent Federal, I presume?

23 MR. MASTEN: Yes.

24 MR. NUTTER: And the State?

25 MR. MASTEN: No, not yet.

1 MR. NUTTER: You have discussed it with them?

2 MR. MASTEN: We have submitted an Application for
3 approval, but haven't gotten anything back yet.

4 MR. NUTTER: You say the working interest is 100
5 percent committed?

6 MR. MASTEN: The last tract that feed tract, probably
7 25 or 30 feet owners, probably will not be committed.

8 MR. NUTTER: Where is that tract?

9 MR. MASTEN: It is in the Section 19, extreme
10 northwestern corner of the unit, tract 12 and 13 both.

11 MR. NUTTER: It probably will not be completed?

12 MR. MASTEN: Right, but other than that the entire
13 unit area will be 100 percent committed, both royalties and
14 working interest.

15 MR. NUTTER: I see. And the location of this
16 particular tract, where it is, you wouldn't expect that the
17 failure to commit tract 12 and 13 would affect the efficiency
18 of the operation?

19 MR. MASTEN: No.

20 MR. NUTTER: Are there any further questions of
21 the witness?

22 You may be excused.

23 (Witness excused.)

24 MR. NUTTER: Did you have anything further,
25 Mr. Richardson?

1 MR. RICHARDSON: No, sir, thank you.

2 We would like to offer Exhibits 1 through 6. The
3 unit agreement is Exhibit 1, and the geological report is
4 2 through 6.

5 MR. NUTTER: Does anyone have anything further?

6 (No response.)

7 MR. NUTTER: We'll take the case under advisement
8 and call the next case.

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1 STATE OF NEW MEXICO)
2) ss
3 COUNTY OF BERNALILLO)

4 I, ROSALIE E. CLAUSSEN, a Shorthand Reporter, in and
5 for the County of Bernalillo, State of New Mexico, do hereby
6 certify:

7 That the foregoing and attached Transcript of Hearing
8 before the New Mexico Oil Conservation Commission was reported
9 by me;

10 That the same is a true and correct record of the said
11 proceedings to the best of my knowledge, skill and ability.

12 

13 ROSALIE E. CLAUSSEN

14 Dated at Albuquerque, New Mexico,
15 this 31st day of July, 1972.

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22 I do hereby certify that the foregoing is
23 a true and correct record of the proceedings
24 of the hearing of case No. 4729
25 held on 6/7/72


New Mexico Oil Conservation Commission

mp

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9	<u>APPLICANT'S</u>	<u>OFFERED</u>	<u>ADMITTED</u>
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dearnley, meier & mc cormick recording services, inc.

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dearnley, meier & mc cormick

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dearnley, meier & mc cormick

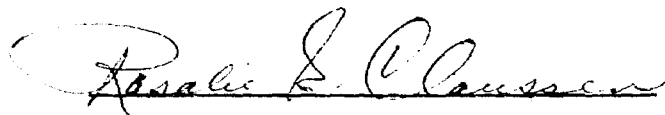
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1 STATE OF NEW MEXICO)
2) ss
3 COUNTY OF BERNALILLO)

4 I, ROSALIE E. CLAUSSEN, a Shorthand Reporter, in and
5 for the County of Bernalillo, State of New Mexico, do hereby
6 certify:

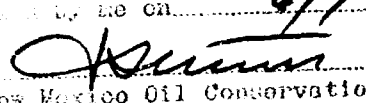
7 That the foregoing and attached Transcript of Hearing
8 before the New Mexico Oil Conservation Commission was reported
9 by me;

10 That the same is a true and correct record of the said
11 proceedings to the best of my knowledge, skill and ability.

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13 ROSALIE E. CLAUSSEN

14 Dated at Albuquerque, New Mexico,
15 this 31st day of July, 1972.

21 I do hereby certify that the foregoing is
22 a true and correct record of the hearing of the
23 New Mexico Oil Conservation Commission on 6/7 4729
24 1972
25  Secretary
New Mexico Oil Conservation Commission

mp

dearnley, meier & mc cormick

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Unit Name Round Mountain Unit (Exploratory)
 Operator American Trading & Production Corporation
 County Eddy

47129 acc

DATE	OCC CASE NO.	4729	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	MINIMUM-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO.	R-4323							
7/19/72	June 15, 1972		7-25-72	5,757.25	840.00	4,758.72	158.53	Yes	5yrs.

UNIT AREA

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM
 Section 19: All
 Section 20: All
 Section 21: All
 Section 28: All
 Section 29: All
 Section 30: All
 Section 31: All
 Section 32: All
 Section 33: All

TERMINATED
 2-23-73

Unit Name ROUND MOUNTAIN UNIT (EXPLORATORY)
Operator American Trading & Production Corporation
County Eddy

STATE TRACT NO.	LEASE NO.	INST-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
9	K-6459	C.S.	32	21S	25E	N/2N/2, SW/4NE/4, N/2SW/4, SW/4SW/4	7/11/72	320.00		Marathon Oil Company
10	L-426-2	C.S.	19	21S	25E	NE/4NE/4				Franklin, Aston, & Fald Inc.
			20	21S	25E	N/2N/2	6/14/72	200.00		
11	L-5131	C.S.	32	21S	25E	S/2NW/4, SE/4NE/4, SE/4, SE/4SW/4	6/13/72	320.00		Pennzoil Company

TERMINATED
6/13/72

Unit Name Round Mountain Unit (Exploratory)
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4729
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Section 19: All
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 Operator American Trading & Production Corporation
 County Eddy

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9	K-6459	C.S.	32	21S	25E	N/2N/2, SW/4NE/4, N/2SW/4, SW/4SW/4	7/11/72	320.00		Marathon Oil Company
10	L-426-2	C.S.	19 20	21S 21S	25E 25E	NE/4NE/4 N/2N/2	6/14/72	200.00		Franklin, Aston, & Fal Inc.
11	L-5131	C.S.	32	21S	25E	S/2NW/4, SE/4NE/4, SE/4, SE/4SW/4	6/13/72	320.00		Pennzoil Company



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

February 23, 1973

4/29

American Trading and Production Company
P. O. Drawer 992
Midland, Texas 79701

Attention: Mr. Jim W. Wilson

Gentlemen:

Your application for termination of the Round Mountain unit agreement, Eddy County, New Mexico, pursuant to Section 20(d) thereof, was approved on February 23, 1973, effective as of date of approval.

Copies of the request are being furnished to the appropriate Federal offices and two approved copies are enclosed. It is requested that you furnish copies of the approval of this termination to each party affected by the terms of the Round Mountain unit agreement.

Sincerely yours,

(ORIG. SGD.) CARL C. TRAYWICK

CARL C. TRAYWICK
Acting Area Oil and Gas Supervisor

cc:
Washington (w/cy of appln.)
Cons. Mgr., Central Reg. (ltr. only)
BIM, Santa Fe (w/cy appln.)
Artesia (w/cy appln.)
RME, Roswell (ltr. only)
HMOCC, Santa Fe (ltr. only) ✓
Com. of Pub. Lands, Santa Fe (ltr. only)
Accounts
File (w/cy appln.)

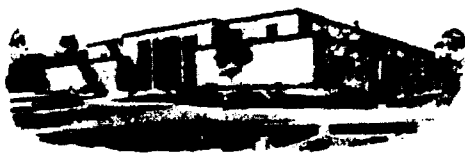
JFisher:lh

State of New Mexico

TELEPHONE
505-827-2748

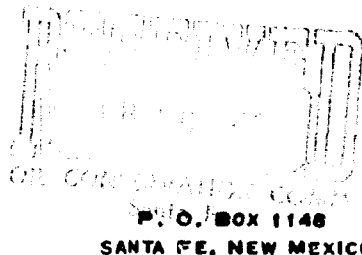


ALEX J. ARMIJO
COMMISSIONER



Commissioner of Public Lands

February 14, 1973



American Tracing and Production Corporation
Western United Life Building
P. O. Drawer 992
Midland, Texas 79701

4729

Re: Termination of
Round Mountain Unit
Eddy County, New Mexico

ATTENTION: Mr. Jim W. Wilson

Gentlemen:

We are in receipt of your Termination Instruments for the Round Mountain Unit, Eddy County, New Mexico, as per Section 20 of the Unit Agreement. The Commissioner of Public Lands has this date given approval to your termination, subject to like approval by the United States Geological Survey.

Enclosed are six (6) Certificates of approval as well as extra copies of the termination instrument surplus to our need.

Please advise this office when the United States Geological Survey approves this termination so that we may finish processing this termination.

Very truly yours,

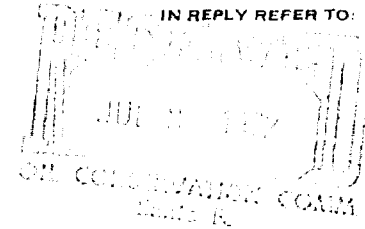
RAY D. GRAHAM, Director
Oil and Gas Department

AJA/RDG/s
encls.
cc:

USGS-Roswell, New Mexico
OCC-Santa Fe, New Mexico



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Drawer 1857
Roswell, New Mexico 88201



July 25, 1972

Mr. Ted B. Locaff, Jr.
Division Manager, Domestic Oil & Gas
American Trading & Production Corporation
P.O. Drawer 992
Midland, Texas 79701

Dear Mr. Locaff:

The Round Mountain unit agreement, Eddy County, New Mexico, was approved on July 25, 1972. This agreement has been designated No. 14-08-0001-11599 and is effective as of July 25, 1972.

Enclosed is one copy of the approved unit agreement. We request that you furnish all interested principals with appropriate evidence of this approval.

Sincerely yours,

(ORIG. SENT BY AIR MAIL)

CARL C. TRAYWICK
Acting Oil & Gas Supervisor

cc:
Washington (w/cy approved agr.)
BLM, Santa Fe (w/cy approved agr.)
Artesia (w/cy approved agr.)
RMC, Roswell (ltr only)
MIDCC, Santa Fe (ltr only)
Com. Pub. Lands, Santa Fe (ltr only)

JFisher:ds

For Jim K.

AMERICAN TRADING AND PRODUCTION CORPORATION

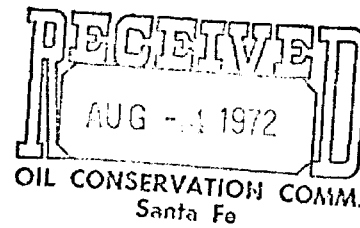
WESTERN UNITED LIFE BUILDING
POST OFFICE DRAWER 992
MIDLAND, TEXAS 79701

A. C. 915
6B4-4463

Received June 7^d
SK

August 2, 1972

Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87501



Attention: Mr. A. L. Porter, Jr.

Re: Round Mountain Unit
Case #4729, Order #R-4323
Eddy County, N.M.

Gentlemen:

In connection with the above referenced unit, we enclose for your files an original fully-executed and approved copy of the Unit Agreement.

Please advise in the event you need additional matter in regard to this unit.

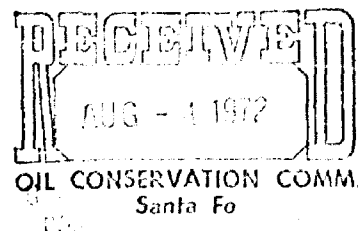
Very truly yours,

J. T. Dickerson
J. T. Dickerson
Contracts Manager

JTD:rd

Enclosure

CERTIFICATION--DETERMINATION




Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey (33 F. R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the Round Mountain Unit Area, State of New Mexico, Eddy County.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated JUL 25 1972


ACTING Oil and Gas Supervisor, United States Geological Survey

Contract Number 28-00000-1-199

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
ROUND MOUNTAIN UNIT AREA
COUNTY OF EDDY
STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the 15th day of May
1972, by and between the parties subscribing, ratifying, or consent-
ing hereto, and herein referred to as the "parties hereto",

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working, royalty
or other oil and gas interests in the unit area subject to this
agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat.
437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal
lessees and their representatives to unite with each other, or joint-
ly or separately with others, in collectively adopting and operating
a cooperative or unit plan of development or operation of any oil or
gas pool, field, or like area, or any part thereof for the purpose of
more properly conserving the natural resources thereof whenever de-
termined and certified by the Secretary of the Interior to be necess-
ary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by an Act of the Legislature (Sec. 7-11-29 N.M.
Statutes 1953 Annotated) to consent to or approve this agreement on
behalf of the State of New Mexico, insofar as it covers and includes
lands and mineral interest of the State of New Mexico; and,

1 WHEREAS, the Oil Conservation Commission of the State of New 1
2 Mexico is authorized by an Act of the Legislature (Chapter 72, Laws 2
3 of 1935, as amended by Chapter 193, Laws of 1937, Chapter 166, Laws 3
4 of 1941, and Chapter 168, Laws of 1949) to approve this agreement 4
5 and the conservation provisions hereof; and, 5

6 WHEREAS, the parties hereto hold sufficient interests in the 6
7 Round Mountain Unit Area covering the land hereinafter described (7
8 to give reasonably effective control of operations therein; and 8

9 WHEREAS, it is the purpose of the parties hereto to conserve 9
10 natural resources, prevent waste, and secure other benefits obtain- 10
11 able through development and operation of the area subject to this 11
12 agreement under the terms, conditions, and limitations herein set 12
13 forth; 13

14 NOW, THEREFORE, in consideration of the premises and the 14
15 promises herein contained, the parties hereto commit to this agree- 15
16 ment their respective interests in the below-defined unit area, and 16
17 agree severally among themselves as follows: 17

18 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of 18
19 February 25, 1920, as amended, supra, and all valid pertinent regu- 19
20 lations, including operating and unit plan regulations, heretofore 20
21 issued thereunder or valid, pertinent, and reasonable regulations 21
22 hereafter issued thereunder are accepted and made a part of this 22
23 agreement as to Federal lands, provided such regulations are not in- 23
24 consistent with the terms of this agreement; and as to non-Federal 24
25 lands, the oil and gas operating regulations in effect as of the 25
26 effective date hereof governing drilling and producing operations, 26
27 not inconsistent with the terms hereof or the laws of the State in 27
28 which the non-Federal land is located, are hereby accepted and made 28
29 a part of this agreement. 29

30 2. UNIT AREA. The following described land is hereby desig- 30
31 nated and recognized as constituting the unit area: 31

Township 21 South, Range 25 East, NMPM

Section 19: All

Section 20: All

Section 21: All

Section 28: All

Section 29: All

Section 30: All

Section 31: All

Section 32: All

Section 33: All

Containing 5,757.25 acres, more or less.

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15 Exhibit "A" attached hereto is a map showing the unit area and the
16 boundaries and indentify of tracts and leases in said area to the
17 extent known to the Unit Operator. Exhibit "B" attached hereto is
18 a schedule showing to the extent known to the Unit Operator the
19 acreage, percentage, and kind of ownership of oil and gas interests
20 in all land in the unit area. However, nothing herein or in said
21 schedule or map shall be construed as a representation by any party
22 hereto as to the ownership of any interest other than such interest
23 or interests as are shown in said map or schedule as owned by such
24 party. Exhibits "A" and "B" shall be revised by the Unit Operator
25 whenever changes in the unit area render such revision necessary
26 when requested by the Oil and Gas Supervisor, hereinafter referred
27 to as "Supervisor", or when requested by the Commissioner of Public
28 Lands of the State of New Mexico, hereinafter referred to as "Land
29 Commissioner", and not less than five (5) copies of the revised
30 Exhibits shall be filed with the Supervisor and one (1) copy there-
31 of shall be filed with the Land Commissioner, and one (1) copy
32 with the New Mexico Oil Conservation Commission, hereinafter re-
33 ferred to as "State Commission".

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1 The above-described unit area shall when practicable be ex- 1
2 panded to include therein any additional lands or shall be con- 2
3 tracted to exclude lands whenever such expansion or contraction is 3
4 deemed to be necessary or advisable to conform with the purposes 4
5 of this agreement. Such expansion or contraction shall be effected 5
6 in the following manner: 6

7 (a) Unit Operator, on its own motion or on demand of the 7
8 Director of the Geological Survey, hereinafter referred to as 8
9 "Director", or on demand of the Land Commissioner, after preliminary 9
10 concurrence by the Director, shall prepare a notice of proposed 10
11 expansion or contraction describing the contemplated changes in the 11
12 boundaries of the unit area, the reasons therefor, and the proposed 12
13 effective date thereof, preferably, the first day of a month subse- 13
14 quent to the date of notice. 14

15 (b) Said notice shall be delivered to the Supervisor, the 15
16 Land Commissioner and the State Commission, and copies thereof mailed 16
17 to the last known address of each working interest owner, lessee, 17
18 and lessor whose interests are affected, advising that thirty (30) 18
19 days will be allowed for submission to the Unit Operator of any ob- 19
20 jections. 20

21 (c) Upon expiration of the 30-day period provided in the 21
22 preceding item (b) hereof, Unit Operator shall file with the Super- 22
23 visor, the Land Commissioner and the State Commission, evidence of 23
24 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, to- 25
26 gether with an application in sufficient number, for approval of 26
27 such expansion or contraction and with appropriate joinders. 27

28 (d) After due consideration of all pertinent information, 28
29 the expansion or contraction shall, upon approval by the Supervisor, 29
30 the Land Commissioner, become effective as of the date prescribed in 30
31 the notice thereof. 31

1	(e) All legal subdivisions of lands (i.e., 40 acres by	1
2	Government survey or its nearest lot or tract equivalent; in instan-	2
3	ces of irregular surveys unusually large lots or tracts shall be	3
4	considered in multiples of 40 acres or the nearest aliquot equiva-	4
5	lent thereof), no parts of which are entitled to be in a partici-	5
6	pating area on or before the fifth anniversary of the effective date	6
7	of the first initial participating area established under this unit	7
8	agreement, shall be eliminated automatically from this agreement,	8
9	effective as of said fifth anniversary, and such lands shall no	9
10	longer be a part of the unit area and shall no longer be subject to	10
11	this agreement, unless diligent drilling operations are in progress	11
12	on unitized lands not entitled to participation on said fifth anni-	12
13	versary, in which event all such lands shall remain subject hereto	13
14	for so long as such drilling operations are continued diligently,	14
15	with not more than 90 days' time elapsing between the completion of	15
16	one such well and the commencement of the next such well. All legal	16
17	subdivisions of lands not entitled to be in a participating area	17
18	within 10 years after the effective date of the first initial par-	18
19	ticipating area approved under this agreement shall be automatically	19
20	eliminated from this agreement as of said tenth anniversary. All	20
21	lands proved productive by diligent drilling operations after the	21
22	aforesaid 5-year period shall become participating in the same	22
23	manner as during said 5-year period. However, when such diligent	23
24	drilling operations cease, all nonparticipating lands shall be auto-	24
25	matically eliminated effective as of the 91st day thereafter. The	25
26	unit operator shall within 90 days after the effective date of any	26
27	elimination hereunder, describe the area so eliminated to the satis-	27
28	faction of the Supervisor and the Land Commissioner and promptly	28
29	notify all parties in interest.	29
30	If conditions warrant extension of the 10-year period speci-	30
31	fied in this subsection 2(e), a single extension of not to exceed 2	31

1 years may be accomplished by consent of the owners of 90% of the 1
2 working interests in the current nonparticipating unitized lands and 2
3 the owners of 60% of the basic royalty interests (exclusive of the 3
4 basic royalty interests of the United States) in nonparticipating 4
5 unitized lands with approval of the Director and Land Commissioner, 5
6 provided such extension application is submitted to the Director 6
7 and the Land Commissioner not later than 60 days prior to the ex- 7
8 piration of said 10-year period. 8

9 Any expansion of the unit area pursuant to this section which 9
10 embraces lands theretofore eliminated pursuant to this subsection 10
11 2(e) shall not be considered automatic commitment or recommitment 11
12 of such lands. 12

13 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land com- 13
14 mitted to this agreement shall constitute land referred to herein 14
15 as "unitized land" or "land subject to this agreement". All oil 15
16 and gas in any and all formations of the unitized land are unitized 16
17 under the terms of this agreement and herein are called "unitized 17
18 substances". 18

19 4. UNIT OPERATOR. American Trading and Production Corporation is hereby 19
20 designated as Unit Operator and by signature hereto as Unit Operator 20
21 agrees and consents to accept the duties and obligations of Unit 21
22 Operator for the discovery, development, and production of unitized 22
23 substances as herein provided. Whenever reference is made herein 23
24 to the Unit Operator, such reference means the Unit Operator acting 24
25 in that capacity and not as an owner of interest in unitized sub- 25
26 stances, and the term "working interest owner" when used shall 26
27 include or 27

1 refer to Unit Operator as the owner of a working interest when such 1
2 an interest is owned by it. 2

3 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator 3
4 shall have the right to resign at any time prior to the establish- 4
5 ment of a participating area or areas hereunder, but such resigna- 5
6 tion shall not become effective so as to release Unit Operator from 6
7 the duties and obligations of Unit Operator and terminate Unit 7
8 Operator's rights as such for a period of 6 months after notice of 8
9 intention to resign has been served by Unit Operator on all working 9
10 interest owners and the Supervisor and the Land Commissioner, and 10
11 until all wells then drilled hereunder are placed in a satisfactory 11
12 condition for suspension or abandonment whichever is required by the 12
13 Supervisor as to Federal lands and the State Commission as to State 13
14 lands, unless a new Unit Operator shall have been selected and 14
15 approved and shall have taken over and assumed the duties and obli- 15
16 gations of Unit Operator prior to the expiration of said period. 16

17 Unit Operator shall have the right to resign in like manner 17
18 and subject to like limitations as above provided at any time a par- 18
19 ticipating area established hereunder is in existence, but, in all 19
20 instances of resignation or removal, until a successor unit operator 20
21 is selected and approved as hereinafter provided, the working inter- 21
22 est owners shall be jointly responsible for performance of the duties 22
23 of unit operator, and shall not later than 30 days before such resig- 23
24 nation or removal becomes effective appoint a common agent to repre- 24
25 sent them in any action to be taken hereunder. 25

26 The resignation of Unit Operator shall not release Unit Oper- 26
27 ator from any liability for any default by it hereunder occurring 27
28 prior to the effective date of its resignation. 28

29 The Unit Operator may, upon default or failure in the perfor- 29
30 mance of its duties or obligations hereunder, be subject to removal 30
31 by the same percentage vote of the owners of working interests as 31

1 herein provided for the selection of a new Unit Operator. Such re- 1
2 moval shall be effective upon notice thereof to the Supervisor and 2
3 the Land Commissioner. 3

4 The resignation or removal of Unit Operator under this agree- 4
5 ment shall not terminate its right, title, or interest as the owner 5
6 of a working interest or other interest in unitized substances, but 6
7 upon the resignation or removal of Unit Operator becoming effective, 7
8 such Unit Operator shall deliver possession of all wells, equipment, 8
9 materials, and appurtenances used in conducting the unit operations 9
10 to the new duly qualified successor Unit Operator or to the common 10
11 agent, if no such new Unit Operator is elected, to be used for the 11
12 purpose of conducting unit operations hereunder. Nothing herein 12
13 shall be construed as authorizing removal of any material, equip- 13
14 ment and appurtenances needed for the preservation of any wells. 14

15 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall 15
16 tender his or its resignation as Unit Operator or shall be removed 16
17 as hereinabove provided, or a change of Unit Operator is negotiated 17
18 by working interest owners, the owners of the working interests in 18
19 the participating area or areas according to their respective acre- 19
20 age interests in such participating area or areas, or, until a par- 20
21 ticipating area shall have been established, the owners of the 21
22 working interests according to their respective acreage interests 22
23 in all unitized land, shall by majority vote select a successor Unit 23
24 Operator: Provided, That, if a majority but less than 75 per cent 24
25 of the working interests qualified to vote are owned by one party 25
26 to this agreement, a concurring vote of one or more additional work- 26
27 ing interest owners shall be required to select a new operator. 27
28 Such selection shall not become effective until 28

29 (a) a Unit Operator so selected shall accept in writing the 29
30 duties and responsibilities of Unit Operator, and 30

31 (b) the selection shall have been approved by the Supervisor 31

1	and approved by the Land Commissioner.	1
2	If no successor Unit Operator is selected and qualified as	2
3	herein provided, the Director and the Land Commissioner, at their	3
4	election may declare this unit agreement terminated.	4
5	7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If	5
6	the Unit Operator is not the sole owner of working interests, costs	6
7	and expenses incurred by Unit Operator in conducting unit operations	7
8	hereunder shall be paid and apportioned among and borne by the	8
9	owners of working interests, all in accordance with the agreement	9
10	or agreements entered into by and between the Unit Operator and the	10
11	owners of working interests, whether one or more, separately or	11
12	collectively. Any agreement or agreements entered into between the	12
13	working interest owners and the Unit Operator as provided in this	13
14	section, whether one or more, are herein referred to as the "unit	14
15	operating agreement." Such unit operating agreement shall also	15
16	provide the manner in which the working interest owners shall be	16
17	entitled to receive their respective proportionate and allocated	17
18	share of the benefits accruing hereto in conformity with their	18
19	underlying operating agreements, leases, or other independent con-	19
20	tracts, and such other rights and obligations as between Unit	20
21	Operator and the working interest owners as may be agreed upon by	21
22	Unit Operator and the working interest owners; however, no such	22
23	unit operating agreement shall be deemed either to modify any of	23
24	the terms and conditions of this unit agreement or to relieve the	24
25	Unit Operator of any right or obligation established under this	25
26	unit agreement, and in case of any inconsistency or conflict be-	26
27	tween this unit agreement and the unit operating agreement, this	27
28	unit agreement shall govern. Three true copies of any unit opera-	28
29	ting agreement executed pursuant to this section should be filed	29
30	with the Supervisor and one true copy with the Land Commissioner,	30
31	prior to approval of this unit agreement.	31

1 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as other- 1
2 wise specifically provided herein, the exclusive right, privilege 2
3 and duty of exercising any and all rights of the parties hereto 3
4 which are necessary or convenient for prospecting for, producing, 4
5 storing, allocating, and distributing the unitized substances are 5
6 hereby delegated to and shall be exercised by the Unit Operator as 6
7 herein provided. Acceptable evidence of title to said rights shall 7
8 be deposited with said Unit Operator and, together with this agree- 8
9 ment, shall constitute and define the rights, privileges, and obli- 9
10 gations of Unit Operator. Nothing herein, however, shall be con- 10
11 strued to transfer title to any land or to any lease or operating 11
12 agreement, it being understood that under this agreement the Unit 12
13 Operator, in its capacity as Unit Operator, shall exercise the rights 13
14 of possession and use vested in the parties hereto only for the pur- 14
15 poses herein specified. 15

16 9. DRILLING TO DISCOVERY. Within six (6) months after the 16
17 effective date hereof, the Unit Operator shall begin to drill an 17
18 adequate test well at a location approved by the Supervisor, if on 18
19 Federal land, or by the Land Commissioner, if on State land, unless 19
20 on such effective date a well is being drilled conformably with the 20
21 terms hereof, and thereafter continue such drilling diligently until 21
22 the base of the Morrow formation has been penetrated 22
23 and all formations of the Pennsylvanian age have been tested, or un- 23
24 til at a lesser depth unitized substances shall be discovered which 24
25 can be produced in paying quantities (to-wit: quantities sufficient 25
26 to repay the costs of drilling, completing and producing operations, 26
27 with a reasonable profit) or the Unit Operator shall at any time es- 27
28 tablish to the satisfaction of the Supervisor if on Federal land, or 28
29 the Land Commissioner if on State land, that further drilling of said 29
30 well would be unwarranted or impracticable; provided, however, that 30
31 Unit Operator shall not in any event be required to drill said well 31
32 to a depth in excess of 10,500 feet. Until the discovery 32
33 of a deposit of unitized sub- 33

1	stances capable of being produced in paying quantities, the Unit	1
2	Operator shall continue drilling diligently one well at a time,	2
3	allowing not more than six (6) months between the completion of one	3
4	well and the beginning of the next well, until a well capable of	4
5	producing unitized substances in paying quantities is completed to	5
6	the satisfaction of said Supervisor if it be on Federal land or of	6
7	the Land Commissioner if on State land, or until it is reasonably	7
8	proved that the unitized land is incapable of producing unitized	8
9	substances in paying quantities in the formations drilled hereunder.	9
10	Nothing in this section shall be deemed to limit the right of the	10
11	Unit Operator to resign as provided in Section 5 hereof, or as re-	11
12	quiring Unit Operator to commence or continue any drilling during	12
13	the period pending such resignation becoming effective in order to	13
14	comply with the requirements of this section. The Director and	14
15	Land Commissioner may modify the drilling requirements of this sec-	15
16	tion by granting reasonable extensions of time when, in their opin-	16
17	ion, such action is warranted.	17
18	Upon failure to commence any well provided for in this section	18
19	within the time allowed, including any extension of time granted by	19
20	the Supervisor and the Land Commissioner, this agreement will auto-	20
21	matically terminate; upon failure to continue drilling diligently	21
22	any well commenced hereunder, the Supervisor and the Land Commission-	22
23	er may, after 15-days notice to the Unit Operator, declare this unit	23
24	agreement terminated.	24
25	10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6	25
26	months after completion of a well capable of producing unitized sub-	26
27	stances in paying quantities, the Unit Operator shall submit for the	27
28	approval of the Supervisor and the Land Commissioner an acceptable	28
29	plan of development and operation for the unitized land which, when	29
30	approved by the Supervisor and the Land Commissioner, shall con-	30
31	stitute the further drilling and operating obligations of the Unit	31

1	Operator under this agreement for the period specified therein.	1
2	Thereafter, from time to time before the expiration of any existing	2
3	plan, the Unit Operator shall submit for the approval of the Super-	3
4	visor and the Land Commissioner a plan for an additional specified	4
5	period for the development and operation of the unitized land.	5
6	Any plan submitted pursuant to this section shall provide for	6
7	the exploration of the unitized area and for the diligent drilling	7
8	necessary for determination of the area or areas thereof capable of	8
9	producing unitized substances in paying quantities in each and every	9
10	productive formation and shall be as complete and adequate as the	10
11	Supervisor and the Land Commissioner may determine to be necessary	11
12	for timely development and proper conservation of the oil and gas	12
13	resources of the unitized area and shall:	13
14	(a) specify the number and locations of any wells to be	14
15	drilled and the proposed order and time for such drilling; and	15
16	(b) to the extent practicable specify the operating practices	16
17	regarded as necessary and advisable for proper conservation of	17
18	natural resources.	18
19	Separate plans may be submitted for separate productive zones, sub-	19
20	ject to the approval of the Supervisor and the Land Commissioner.	20
21	Plans shall be modified or supplemented when necessary to meet	21
22	changed conditions or to protect the interests of all parties to	22
23	this agreement. Reasonable diligence shall be exercised in comply-	23
24	ing with the obligations of the approved plan of development. The	24
25	Supervisor and the Land Commissioner are authorized to grant a	25
26	reasonable extension of the 6-month period herein prescribed for	26
27	submission of an initial plan of development where such action is	27
28	justified because of unusual conditions or circumstances. After com-	28
29	pletion hereunder of a well capable of producing any unitized sub-	29
30	stance in paying quantities, no further wells, except such as may	30
31	be necessary to afford protection against operations not under this	31

1 agreement and such as may be specifically approved by the Supervisor 1
2 and the Land Commissioner, shall be drilled except in accordance 2
3 with a plan of development approved as herein provided. 3

4 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well 4
5 capable of producing unitized substances in paying quantities or as 5
6 soon thereafter as required by the Supervisor or the Land Commission- 6
7 er, the Unit Operator shall submit for approval by the Supervisor 7
8 and the Land Commissioner a schedule, based on subdivisions of the 8
9 public-land survey or aliquot parts thereof, of all land then re- 9
10 garded as reasonably proved to be productive in paying quantities; 10
11 all lands in said schedule on approval of the Supervisor and the Land 11
12 Commissioner to constitute a participating area, effective as of the 12
13 date of completion of such well or the effective date of this unit 13
14 agreement, whichever is later. The acreages of both Federal and non- 14
15 Federal lands shall be based upon appropriate computations from the 15
16 courses and distances shown on the last approved public-land survey 16
17 as of the effective date of each initial participating area. Said 17
18 schedule shall also set forth the percentage of unitized substances 18
19 to be allocated as herein provided to each tract in the participating 19
20 area so established, and shall govern the allocation of production 20
21 commencing with the effective date of the participating area. A 21
22 separate participating area shall be established for each separate 22
23 pool or deposit of unitized substances or for any group thereof which 23
24 is produced as a single pool or zone, and any two or more partici- 24
25 pating areas so established may be combined into one, on approval of 25
26 the Supervisor and the Land Commissioner. When production from two 26
27 or more participating areas, so established, is subsequently found 27
28 to be from a common pool or deposit said participating areas shall 28
29 be combined into one effective as of such appropriate date as may be 29
30 approved or prescribed by the Supervisor and the Land Commissioner. 30
31 The participating area or areas so established shall be revised from 31

1 time to time, subject to like approval, to include additional land 1
2 then regarded as reasonably proved to be productive in paying quan- 2
3 tities or necessary for unit operations, or to exclude land then 3
4 regarded as reasonably proved not to be productive in paying quan- 4
5 tities and the schedule of allocation percentages shall be revised 5
6 accordingly. The effective date of any revision shall be the first 6
7 of the month in which is obtained the knowledge or information on 7
8 which such revision is predicated, provided, however, that a more 8
9 appropriate effective date may be used if justified by the Unit 9
10 Operator and approved by the Supervisor and the Land Commissioner. 10
11 No land shall be excluded from a participating area on account of 11
12 depletion of the unitized substances, except that any participating 12
13 area established under the provisions of this unit agreement shall 13
14 terminate automatically whenever all completions in the formation on 14
15 which the participating area is based are abandoned. 15
16 It is the intent of this section that a participating area 16
17 shall represent the area known or reasonably estimated to be produc- 17
18 tive in paying quantities; but, regardless of any revision of the 18
19 participating area, nothing herein contained shall be construed as 19
20 requiring any retroactive adjustment for production obtained prior 20
21 to the effective date of the revision of the participating area. 21
22 In the absence of agreement at any time between the Unit 22
23 Operator and the Supervisor and the Land Commissioner as to the 23
24 proper definition or redefinition of a participating area, or until 24
25 a participating area has, or areas have, been established as pro- 25
26 vided herein, the portion of all payments affected thereby shall be 26
27 impounded in a manner mutually acceptable to the owners of working 27
28 interests and the Supervisor and the Land Commissioner. Royalties 28
29 due the United States shall be determined by the Supervisor for 29
30 Federal lands and the Land Commissioner for State lands and the 30
31 amount thereof shall be deposited, as directed by the Supervisor and 31

1 the Land Commissioner, to be held as unearned money until a partici- 1
2 pating area is finally approved and then applied as earned or re- 2
3 turned in accordance with a determination of the sum due as Federal 3
4 and State royalty on the basis of such approved participating area. 4

5 Whenever it is determined, subject to the approval of the 5
6 Supervisor and the Land Commissioner, that a well drilled under this 6
7 agreement is not capable of production in paying quantities and in- 7
8 clusion of the land on which it is situated in a participating area 8
9 is unwarranted, production from such well shall, for the purposes of 9
10 settlement among all parties other than working interest owners, be 10
11 allocated to the land on which the well is located unless such land 11
12 is already within the participating area established for the pool 12
13 or deposit from which such production is obtained. Settlement for 13
14 working interest benefits from such a well shall be made as provided 14
15 in the unit operating agreement. 15

16 12. ALLOCATION OF PRODUCTION. All unitized substances pro- 16
17 duced from each participating area established under this agreement, 17
18 except any part thereof used in conformity with good operating prac- 18
19 tices within the unitized area for drilling, operating, camp and 19
20 other production or development purposes, for repressuring or re- 20
21 cycling in accordance with a plan of development approved by the 21
22 Supervisor and Land Commissioner, or unavoidably lost, shall be 22
23 deemed to be produced equally on an acreage basis from the several 23
24 tracts of unitized land of the participating area established for 24
25 such production and, for the purpose of determining any benefits 25
26 accruing under this agreement, each such tract of unitized land shall 26
27 have allocated to it such percentage of said production as the num- 27
28 ber of acres of such tract included in said participating area bears 28
29 to the total acres of unitized land in said participating area, ex- 29
30 cept that allocation of production hereunder for purposes other than 30
31 for settlement of the royalty, overriding royalty, or payment out of 31

1 production obligations of the respective working interest owners, 1
2 shall be on the basis prescribed in the unit operating agreement 2
3 whether in conformity with the basis of allocation herein set forth 3
4 or otherwise. It is hereby agreed that production of unitized sub- 4
5 stances from a participating area shall be allocated as provided 5
6 herein regardless of whether any wells are drilled on any particular 6
7 part or tract of said participating area. If any gas produced from 7
8 one participating area is used for repressuring or recycling pur- 8
9 poses in another participating area, the first gas withdrawn from 9
10 such last-mentioned participating area for sale during the life of 10
11 this agreement shall be considered to be the gas so transferred un- 11
12 til an amount equal to that transferred shall be so produced for 12
13 sale and such gas shall be allocated to the participating area from 13
14 which initially produced as such area was last defined at the time 14
15 of such final production. 15

16 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR 16
17 FORMATIONS. Any party hereto owning or controlling the working 17
18 interest in any unitized land having thereon a regular well location 18
19 may with the approval of the Supervisor and the Land Commissioner, 19
20 at such party's sole risk, costs, and expense, drill a well to test 20
21 any formation for which a participating area has not been established 21
22 or to test any formation for which a participating area has been 22
23 established if such location is not within said participating area, 23
24 unless within 90 days of receipt of notice from said party of his 24
25 intention to drill the well the Unit Operator elects and commences 25
26 to drill such a well in like manner as other wells are drilled by 26
27 the Unit Operator under this agreement. 27

28 If any well drilled as aforesaid by a working interest owner 28
29 results in production such that the land upon which it is situated 29
30 may properly be included in a participating area, such participating 30
31 area shall be established or enlarged as provided in this agreement 31

1 and the well shall thereafter be operated by the Unit Operator in 1
2 accordance with the terms of this agreement and the unit operating 2
3 agreement. 3

4 If any well drilled as aforesaid by a working interest owner 4
5 obtains production in quantities insufficient to justify the in- 5
6 clusion of the land upon which such well is situated in a partici- 6
7 pating area, such well may be operated and produced by the party 7
8 drilling the same subject to the conservation requirements of this 8
9 agreement. The royalties in amount or value of production from any 9
10 such well shall be paid as specified in the underlying lease and 10
11 agreements affected. 11

12 14. ROYALTY SETTLEMENT. The United States and any State 12
13 and any royalty owner who, is entitled to take in kind a share of 13
14 the substances now unitized hereunder shall hereafter be entitled 14
15 to the right to take in kind its share of the unitized substances, 15
16 and Unit Operator, or the working interest owner in case of the 16
17 operation of a well by a working interest owner as herein provided 17
18 for in special cases, shall make deliveries of such royalty share 18
19 taken in kind in conformity with the applicable contracts, laws, 19
20 and regulations. Settlement for royalty interest not taken in kind 20
21 shall be made by working interest owners responsible therefor under 21
22 existing contracts, laws and regulations, or by the Unit Operator, 22
23 on or before the last day of each month for unitized substances 23
24 produced during the preceding calendar month; provided, however, 24
25 that nothing herein contained shall operate to relieve the lessees 25
26 of any land from their respective lease obligations for the pay- 26
27 ment of any royalties due under their leases. 27

28 If gas obtained from lands not subject to this agreement is 28
29 introduced into any participating area hereunder, for use in re- 29
30 pressuring, stimulation of production, or increasing ultimate re- 30
31 covery, in conformity with a plan of operations approved by the 31

1 Supervisor and the Land Commissioner, a like amount of gas, after 1
2 settlement as herein provided for any gas transferred from any other 2
3 participating area and with appropriate deduction for loss from any 3
4 cause, may be withdrawn from the formation into which the gas is 4
5 introduced, royalty free as to dry gas, but not as to any products 5
6 which may be extracted therefrom; provided that such withdrawal 6
7 shall be at such time as may be provided in the approved plan of 7
8 operations or as may otherwise be consented to by the Supervisor and 8
9 the Land Commissioner as conforming to good petroleum engineering 9
10 practice; and provided further, that such right of withdrawal shall 10
11 terminate on the termination of this unit agreement. 11

12 Royalty due the United States shall be computed as provided 12
13 in the operating regulations and paid in value or delivered in kind 13
14 as to all unitized substances on the basis of the amounts thereof 14
15 allocated to unitized Federal land as provided herein at the rates 15
16 specified in the respective Federal leases, or at such lower rate 16
17 or rates as may be authorized by law or regulation; provided, that 17
18 for leases on which the royalty rate depends on the daily average 18
19 production per well, said average production shall be determined in 19
20 accordance with the operating regulations as though each partici- 20
21 pating area were a single consolidated lease. 21

22 Royalty due on account of State lands shall be computed and 22
23 paid on the basis of all unitized substances allocated to such lands. 23

24 15. RENTAL SETTLEMENT. Rental or minimum royalties due 24
25 on leases committed hereto shall be paid by working interest owners 25
26 responsible therefor under existing contracts, laws, and regulations 26
27 provided that nothing herein contained shall operate to relieve the 27
28 lessees of any land from their respective lease obligations for the 28
29 payment of any rental or minimum royalty due under their leases. 29
30 Rental or minimum royalty for lands of the United States subject to 30
31 this agreement shall be paid at the rate specified in the respective 31

1 leases from the United States unless such rental or minimum royalty 1
2 is waived, suspended, or reduced by law or by approval of the Secre- 2
3 tary or his duly authorized representative. 3

4 Rentals on State of New Mexico lands subject to this agree- 4
5 ment shall be paid at the rates specified in the respective leases. 5

6 With respect to any lease on non-Federal land containing pro- 6
7 visions which would terminate such lease unless drilling operations 7
8 are commenced upon the land covered thereby within the time therein 8
9 specified or rentals are paid for the privilege of deferring such 9
10 drilling operations, the rentals required thereby shall, notwith- 10
11 standing any other provision of this agreement, be deemed to accrue 11
12 and become payable during the term thereof as extended by this agree- 12
13 ment and until the required drilling operations are commenced upon 13
14 the land covered thereby or until some portion of such land is in- 14
15 cluded within a participating area. 15

16 16. CONSERVATION. Operations hereunder and production of 16
17 unitized substances shall be conducted to provide for the most econ- 17
18 omical and efficient recovery of said substances without waste, as 18
19 defined by or pursuant to State or Federal law or regulation. 19

20 17. DRAINAGE. The Unit Operator shall take such measures 20
21 as the Supervisor and Land Commissioner deem appropriate and ade- 21
22 quate to prevent drainage of unitized substances from unitized land 22
23 by wells on land not subject to this agreement. 23

24 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, 24
25 conditions, and provisions of all leases, subleases, and other con- 25
26 tracts relating to exploration, drilling, development, or operation 26
27 for oil or gas on lands committed to this agreement are hereby ex- 27
28 pressly modified and amended to the extent necessary to make the 28
29 same conform to the provisions hereof, but otherwise to remain in 29
30 full force and effect; and the parties hereto hereby consent that 30
31 the Secretary, as to Federal leases and the Land Commissioner, as to 31

1 State leases, shall and each by his approval hereof, or by the 1
2 approval hereof by his duly authorized representative, does hereby 2
3 establish, alter, change, or revoke the drilling, producing, rental, 3
4 minimum royalty, and royalty requirements of Federal and State 4
5 leases committed hereto and the regulations in respect thereto to 5
6 conform said requirements to the provisions of this agreement, and, 6
7 without limiting the generality of the foregoing, all leases, sub- 7
8 leases, and contracts are particularly modified in accordance with 8
9 the following: 9

10 (a) The development and operation of lands subject to this 10
11 agreement under the terms hereof shall be deemed full performance of 11
12 all obligations for development and operation with respect to each 12
13 and every separately owned tract subject to this agreement, regard- 13
14 less of whether there is any development of any particular tract of 14
15 the unit area. 15

16 (b) Drilling and producing operations performed hereunder 16
17 upon any tract of unitized lands will be accepted and deemed to be 17
18 performed upon and for the benefit of each and every tract of uni- 18
19 tized land, and no lease shall be deemed to expire by reason of 19
20 failure to drill or produce wells situated on the land therein em- 20
21 braced. 21

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

29 (d) Each lease, sublease or contract relating to the ex- 29
30 ploration, drilling, development or operation for oil or gas of 30
31 lands other than those of the United States and State of New Mexico 31

1 committed to this agreement, which, by its terms might expire prior 1
2 to the termination of this agreement, is hereby extended beyond any 2
3 such terms so provided therein so that it shall be continued in full 3
4 force and effect for and during the term of this agreement.

5 (e) Any Federal lease for a fixed term of twenty (20) years
6 or any renewal thereof or any part of such lease which is made sub- 6
7 ject to this agreement shall continue in force beyond the term pro- 7
8 vided therein until the termination hereof. Any other Federal lease 8
9 committed hereto shall continue in force beyond the term so provided 9
10 therein or by law as to the land committed so long as such lease re- 10
11 mains subject hereto, provided that production is had in paying quan- 11
12 tities under this unit agreement prior to the expiration date of 12
13 the term of such lease, or in the event actual drilling operations 13
14 are commenced on unitized land, in accordance with the provisions 14
15 of this agreement, prior to the end of the primary term of such 15
16 lease and are being diligently prosecuted at that time, such lease 16
17 shall be extended for two years and so long thereafter as oil or gas 17
18 is produced in paying quantities in accordance with the provisions 18
19 of the Mineral Leasing Act Revision of 1960. 19

20 (f) Each sublease or contract relating to the operation 20
21 and development of unitized substances from lands of the United 21
22 States committed to this agreement, which by its terms would expire 22
23 prior to the time at which the underlying lease, as extended by the 23
24 immediately preceding paragraph, will expire, is hereby extended 24
25 beyond any such term so provided therein so that it shall be con- 25
26 tinued in full force and effect for and during the term of the under- 26
27 lying lease as such term is herein extended. 27

28 (g) The segregation of any Federal lease committed to this 28
29 agreement is governed by the following provision in the fourth para- 29
30 graph of Sec. 17(j) of the Mineral Leasing Act, as amended by the 30
31 Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease 31

1 heretofore or hereafter committed to any such (unit) plan embracing 1
2 lands that are in part within and in part outside of the area 2
3 covered by any such plan shall be segregated into separate leases 3
4 as to the lands committed and the lands not committed as of the 4
5 effective date of unitization: Provided, however, That any such 5
6 lease as to the nonunitized portion shall continue in force and 6
7 effect for the term thereof but for not less than two years from 7
8 the date of such segregation and so long thereafter as oil or gas is 8
9 produced in paying quantities." 9

10 (h) Any lease embracing lands of the State of New Mexico 10
11 which is made subject to this agreement, shall continue in force 11
12 beyond the term provided therein as to the lands committed hereto 12
13 until the termination hereof. 13

14 (i) Any lease embracing lands of the State of New Mexico 14
15 having only a portion of its lands committed hereto, shall be segre- 15
16 gated as to the portion committed and the portion not committed, 16
17 and the terms of such lease shall apply separately to such segre- 17
18 gated portions commencing as of the effective date hereof; provided, 18
19 however, notwithstanding any of the provisions of this agreement to 19
20 the contrary any lease embracing lands of the State of New Mexico 20
21 having only a portion of its lands committed hereto shall continue 21
22 in full force and effect beyond the term provided therein as to all 22
23 lands embraced in such lease, if oil or gas is discovered and is 23
24 capable of being produced in paying quantities from some part of 24
25 the lands embraced in such lease at the expiration of the secondary 25
26 term of such lease; or if, at the expiration of the secondary term, 26
27 the lessee or the Unit Operator is then engaged in bona fide drill- 27
28 ing or reworking operations on some part of the lands embraced in 28
29 such lease, the same, as to all lands embraced therein, shall re- 29
30 main in full force and effect so long as such operations are being 30
31 diligently prosecuted, and if they result in the production of oil 31

1 or gas; said lease shall continue in full force and effect as to all 1
2 of the lands embraced therein, so long thereafter as oil or gas in 2
3 paying quantities is being produced from any portion of said lands. 3

4 19. COVENANTS RUN WITH LAND. The covenants herein shall 4
5 be construed to be covenants running with the land with respect to 5
6 the interest of the parties hereto and their successors in interest 6
7 until this agreement terminates, and any grant, transfer, or convey- 7
8 ance, of interest in land or leases subject hereto shall be and here- 8
9 by is conditioned upon the assumption of all privileges and obli- 9
10 gations hereunder by the grantee, transferee, or other successor in 10
11 interest. No assignment or transfer of any working interest, roy- 11
12 alty, or other interest subject hereto shall be binding upon Unit 12
13 Operator until the first day of the calendar month after Unit Opera- 13
14 tor is furnished with the original, photostatic, or certified copy 14
15 of the instrument of transfer. 15

16 20. EFFECTIVE DATE AND TERM. This agreement shall become 16
17 effective upon approval by the Secretary and the Land Commissioner 17
18 or his duly authorized representative, and shall terminate five (5) 18
19 years from said effective date unless 19

20 (a) such date of expiration is extended by the Director 20
21 and the Land Commissioner, or 21

22 (b) it is reasonably determined prior to the expiration of 22
23 the fixed term or any extension thereof that the unitized land is 23
24 incapable of production of unitized substances in paying quantities 24
25 in the formations tested hereunder and after notice of intention to 25
26 terminate the agreement on such ground is given by the Unit Operator 26
27 to all parties in interest at their last known addresses, the agree- 27
28 ment is terminated with the approval of the Supervisor and the Land 28
29 Commissioner, or 29

30 (c) a valuable discovery of unitized substances has been 30
31 made or accepted on unitized land during said initial term or any 31

1 extension thereof, in which event the agreement shall remain in 1
2 effect for such term and so long as unitized substances can be pro- 2
3 duced in quantities sufficient to pay for the cost of producing 3
4 same from wells on unitized land within any participating area es- 4
5 tablished hereunder and, should production cease, so long thereafter 5
6 as diligent operations are in progress for the restoration of pro- 6
7 duction or discovery of new production and so long thereafter as 7
8 unitized substances so discovered can be produced as aforesaid, or 8
9 (d) it is terminated as heretofore provided in this agree- 9
10 ment. This agreement may be terminated at any time by not less than 10
11 75 per centum, on an acreage basis, of the working interest owners 11
12 signatory hereto, with the approval of the Supervisor and the Land 12
13 Commissioner; notice of any such approval to be given by the Unit 13
14 Operator to all parties hereto. 14
15 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The 15
16 Director is hereby vested with authority to alter or modify from 16
17 time to time in his discretion the quantity and rate of production 17
18 under this agreement when such quantity and rate is not fixed pur- 18
19 suant to Federal or State law or does not conform to any state-wide 19
20 voluntary conservation or allocation program, which is established, 20
21 recognized, and generally adhered to by the majority of operators 21
22 in such State, such authority being hereby limited to alteration or 22
23 modification in the public interest, the purpose thereof and the 23
24 public interest to be served thereby to be stated in the order of 24
25 alteration or modification. Without regard to the foregoing, the 25
26 Director and the Commissioner are also hereby vested with authority 26
27 to alter or modify from time to time in his discretion the rate of 27
28 prospecting and development and the quantity and rate of production 28
29 under this agreement when such alteration or modification is in the 29
30 interest of attaining the conservation objectives stated in this 30
31 agreement and is not in violation of any applicable Federal or State 31
law.

1 Powers in this section vested in the Director and the Com- 1
2 missioner shall only be exercised after notice to Unit Operator and 2
3 opportunity for hearing to be held not less than 15 days from notice. 3
4 22. APPEARANCES. Unit Operator shall, after notice to other 4
5 parties affected, have the right to appear for and on behalf of any 5
6 and all interests affected hereby before the Department of the 6
7 Interior and the Commissioner of Public Lands and to appeal from 7
8 orders issued under the regulations of said Department or Land 8
9 Commissioner or to apply for relief from any of said regulations or 9
10 in any proceedings relative to operations before the Department of 10
11 the Interior or the Land Commissioner or any other legally consti- 11
12 tuted authority; provided, however, that any other interested party 12
13 shall also have the right at his own expense to be heard in any such 13
14 proceeding. 14
15 23. NOTICES. All notices, demands or statements required 15
16 hereunder to be given or rendered to the parties hereto shall be 16
17 deemed fully given if given in writing and personally delivered to 17
18 the party or sent by postpaid registered or certified mail, addressed 18
19 to such party or parties at their respective addresses set forth in 19
20 connection with the signatures hereto or to the ratification or con- 20
21 sent hereof or to such other address as any such party may have fur- 21
22 nished in writing to party sending the notice, demand or statement. 22
23 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement 23
24 contained shall be construed as a waiver by any party hereto of the 24
25 right to assert any legal or constitutional right or defense as to 25
26 the validity or invalidity of any law of the State wherein said uni- 26
27 tized lands are located, or of the United States, or regulations 27
28 issued thereunder in any way affecting such party, or as a waiver by 28
29 any such party of any right beyond his or its authority to waive. 29
30 25. UNAVOIDABLE DELAY. All obligations under this agree- 30
31 ment requiring the Unit Operator to commence or continue drilling or 31

1 to operate on or produce unitized substances from any of the lands 1
2 covered by this agreement shall be suspended while the Unit Operator, 2
3 despite the exercise of due care and diligence, is prevented from 3
4 complying with such obligations, in whole or in part, by strikes, 4
5 acts of God, Federal, State, or municipal law or agencies, unavoi- 5
6 dable accidents, uncontrollable delays in transportation, inability 6
7 to obtain necessary materials in open market, or other matters be- 7
8 yond the reasonable control of the Unit Operator whether similar to 8
9 matters herein enumerated or not. No unit obligation which is sus- 9
10 pended under this section shall become due less than thirty (30) 10
11 days after it has been determined that the suspension is no longer 11
12 applicable. Determination of creditable "Unavoidable Delay" time 12
13 shall be made by the unit operator subject to approval of the Super- 13
14 visor and the Land Commissioner. 14

15 26. NONDISCRIMINATION. In connection with the performance 15
16 of work under this agreement, the operator agrees to comply with 16
17 all the provisions of section 202 (1) to (7) inclusive of Executive 17
18 Order 11246 (30 F.R. 12319), which are hereby incorporated by refer- 18
19 ence in this agreement. 19

20 27. LOSS OF TITLE. In the event title to any tract of 20
21 unitized land shall fail and the true owner cannot be induced to 21
22 join in this unit agreement, such tract shall be automatically re- 22
23 garded as not committed hereto and there shall be such readjustment 23
24 of future costs and benefits as may be required on account of the 24
25 loss of such title. In the event of a dispute as to title as to any 25
26 royalty, working interest, or other interests subject thereto, pay- 26
27 ment or delivery on account thereof may be withheld without liability 27
28 for interest until the dispute is finally settled; provided, that, 28
29 as to Federal and State land or leases, no payments of funds due 29
30 the United States or the State of New Mexico should be withheld, but 30
31 such funds shall be deposited as directed by the Supervisor and such 31

1	funds of the State of New Mexico shall be deposited as directed by	1
2	the Land Commissioner, to be held as unearned money pending final	2
3	settlement of the title dispute, and then applied as earned or re-	3
4	turned in accordance with such final settlement.	4
5	Unit Operator as such is relieved from any responsibility	5
6	for any defect or failure of any title hereunder.	6
7	28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of	7
8	any substantial interest in a tract within the unit area fails or	8
9	refuses to subscribe or consent to this agreement, the owner of the	9
10	working interest in that tract may withdraw said tract from this	10
11	agreement by written notice delivered to the Supervisor and the	11
12	Land Commissioner and the Unit Operator prior to the approval of	12
13	this agreement by the Supervisor. Any oil or gas interests in lands	13
14	within the unit area not committed hereto prior to submission of	14
15	this agreement for final approval may thereafter be committed hereto	15
16	by the owner or owners thereof subscribing or consenting to this	16
17	agreement, and, if the interest is a working interest, by the owner	17
18	of such interest also subscribing to the unit operating agreement.	18
19	After operations are commenced hereunder, the right of subsequent	19
20	joinder, as provided in this section, by a working interest owner	20
21	is subject to such requirements or approvals, if any, pertaining to	21
22	such joinder, as may be provided for in the unit operating agree-	22
23	ment. After final approval hereof, joinder by a non-working inter-	23
24	est owner must be consented to in writing by the working interest	24
25	owner committed hereto and responsible for the payment of any bene-	25
26	fits that may accrue hereunder in behalf of such non-working inter-	26
27	est. A non-working interest may not be committed to this unit	27
28	unless the corresponding working interest is committed hereto.	28
29	Joinder to the unit agreement by a working-interest owner, at any	29
30	time, must be accompanied by appropriate joinder to the unit opera-	30
31	ting agreement, if more than one committed working-interest owner	31

1 is involved, in order for the interest to be regarded as committed 1
2 to this unit agreement. Except as may otherwise herein be provided, 2
3 subsequent joinders to this agreement shall be effective as of the 3
4 first day of the month following the filing with the Supervisor and 4
5 the Land Commissioner of duly executed counterparts of all or any 5
6 papers necessary to establish effective commitment of any tract to 6
7 this agreement unless objection to such joinder is duly made within 7
8 60 days by the Supervisor and the Land Commissioner. 8

9 29. COUNTERPARTS. This agreement may be executed in any 9
10 number of counterparts no one of which needs to be executed by all 10
11 parties or may be ratified or consented to by separate instrument in 11
12 writing specifically referring hereto and shall be binding upon all 12
13 those parties who have executed such a counterpart, ratification, 13
14 or consent hereto with the same force and effect as if all such 14
15 parties had signed the same document and regardless of whether or 15
16 not it is executed by all other parties owning or claiming an inter- 16
17 est in the lands within the above-described unit area. 17

18 30. SURRENDER. Nothing in this agreement shall prohibit 18
19 the exercise by any working interest owner of the right to surrender 19
20 vested in such party by any lease, sublease, or operating agreement 20
21 as to all or any part of the lands covered thereby, provided that 21
22 each party who will or might acquire such working interest by such 22
23 surrender or by forfeiture as hereafter set forth, is bound by the 23
24 terms of this agreement. 24

25 If as a result of any such surrender the working interest 25
26 rights as to such lands become vested in any party other than the 26
27 fee owner of the unitized substances, said party may forfeit such 27
28 rights and further benefits from operation hereunder as to said 28
29 land to the party next in the chain of title who shall be and become 29
30 the owner of such working interest. 30

31 If as the result of any such surrender or forfeiture working 31

1 interest rights become vested in the fee owner of the unitized sub- 1
2 stances, such owner may: 2
3 (1) Accept those working interest rights subject to this 3
4 agreement and the unit operating agreement; or 4
5 (2) Lease the portion of such land as is included in a 5
6 participating area established hereunder subject to this agreement 6
7 and the unit operating agreement. 7
8 (3) Provide for the independent operation of any part of 8
9 such land that are not then included within a participating area 9
10 established hereunder. 10
11 If the fee owner of the unitized substances does not accept 11
12 the working interest rights subject to this agreement and the unit 12
13 operating agreement or lease such lands as above provided within 13
14 six (6) months after the surrendered or forfeited working interest 14
15 rights become vested in the fee owner, the benefits and obligations 15
16 of operations accruing to such lands under this agreement and the 16
17 unit operating agreement shall be shared by the remaining owners of 17
18 unitized working interests in accordance with their respective 18
19 working interest ownerships, and such owners of working interests 19
20 shall compensate the fee owner of unitized substances in such lands 20
21 by paying sums equal to the rentals, minimum royalties, and royal- 21
22 ties applicable to such lands under the lease in effect when the 22
23 lands were unitized. 23
24 An appropriate accounting and settlement shall be made, for 24
25 all benefits accruing to or payments and expenditures made or in- 25
26 curred on behalf of such surrendered or forfeited working interest 26
27 subsequent to the date of surrender or forfeiture, and payment of 27
28 any moneys found to be owing by such an accounting shall be made as 28
29 between the parties within thirty (30) days. In the event no unit 29
30 operating agreement is in existence and a mutually acceptable agree- 30
31 ment between the proper parties thereto cannot be consummated, the 31

1 Supervisor may prescribe such reasonable and equitable agreement as 1
2 he deems warranted under the circumstances. 2

3 The exercise of any right vested in a working interest owner 3
4 to reassign such working interest to the party from whom obtained 4
5 shall be subject to the same conditions as set forth in this section 5
6 in regard to the exercise of a right to surrender. 6

7 31. TAXES. The working interest owners shall render and 7
8 pay for their account and the account of the royalty owners all 8
9 valid taxes on or measured by the unitized substances in and under 9
10 or that may be produced, gathered and sold from the land subject to 10
11 this contract after the effective date of this agreement, or upon 11
12 the proceeds derived therefrom. The working interest owners on each 12
13 tract shall and may charge the proper proportion of said taxes to 13
14 the royalty owners having interests in said tract, and may currently 14
15 retain and deduct sufficient of the unitized substances or deriva- 15
16 tive products, or net proceeds thereof from the allocated share of 16
17 each royalty owner to secure reimbursement for the taxes so paid. 17
18 No such taxes shall be charged to the United States or the State of 18
19 New Mexico or to any lessor who has a contract with his lessee which 19
20 requires the lessee to pay such taxes. 20

21 32. NO PARTNERSHIP. It is expressly agreed that the re- 21
22 lation of the parties hereto is that of independent contractors and 22
23 nothing in this agreement contained, expressed or implied, nor any 23
24 operations conducted hereunder, shall create or be deemed to have 24
25 created a partnership or association between the parties hereto or 25
26 any of them. 26

27 33. CONFLICT OF SUPERVISION. Neither the Unit Operator 27
28 nor the working interest owners, nor any of them, shall be subject 28
29 to any forfeiture, termination or expiration of any right hereunder 29
30 or under any leases or contracts subject hereto, or to any penalty 30
31 or liability on account of delay or failure in whole or in part to 31

1 comply with any applicable provisions thereof to the extent that 1
2 the said Unit Operator or the working interest owners, or any of 2
3 them, are hindered, delayed or prevented from complying therewith 3
4 by reason of failure of the Unit Operator to obtain, in the exercise 4
5 of due diligence, the concurrence of proper representatives of the 5
6 United States and proper representatives of the State of New Mexico 6
7 in and about any matters or things concerning which it is required 7
8 herein that such concurrence be obtained. The parties hereto, in- 8
9 cluding the State Commission, agree that all powers and authority 9
10 vested in the State Commission in and by any provisions of this 10
11 agreement are vested in the State Commission and shall be exercised 11
12 by it pursuant to the provisions of the laws of the State of New 12
13 Mexico and subject in any case to appeal or judicial review as may 13
14 now or hereafter be provided by the laws of the State of New Mexico. 14

SURFACE MANAGEMENT STIPULATION. Nothing in this agreement shall modify or change the special Federal Lease Stipulations relating to surface management attached to, and made a part of, Oil and Gas Leases covering lands within the Unit Area.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

ATTEST:

AMERICAN TRADING AND PRODUCTION CORPORATION

By: TOB R. S. S.

Asst. Secretary

By: Robert Ihrie

Robert Ihrie Vice-President

Address: P. O. Drawer 992

Midland, Texas 79701

UNIT OPERATOR

STATE OF Maryland
City of Baltimore

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 5th day of July, 19 72,
by [Signature] Vice-President
of AMERICAN TRADING AND PRODUCTION CORPORATION a Maryland corporation
on behalf of said corporation.
My Commission Expires: JUL 1 1974 [Signature] Notary Public

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of _____
The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____, _____ President
of _____ a _____ corporation
on behalf of said corporation.
My Commission Expires: _____ Notary Public

STATE OF _____
County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____, _____ President
of _____ a _____ corporation
on behalf of said corporation.
My Commission Expires: _____ Notary Public

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of _____
The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____, _____ President
of _____ a _____ corporation
on behalf of said corporation.
My Commission Expires: _____ Notary Public

STATE OF _____
County of _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____, _____ President
of _____ a _____ corporation
on behalf of said corporation.
My Commission Expires: _____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____
The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by _____
My Commission expires _____, 19____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____
The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by _____
My Commission expires _____, 19____ Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

AMOCO PRODUCTION COMPANY

By

C. N. Mearns
Its Attorney-In-Fact

INDIVIDUAL

STATE OF TEXAS
COUNTY OF HARRIS

§
§
§

The foregoing instrument was acknowledged before me this 26th day of June, 1972, by C. N. Mearns as Attorney-In-Fact for Amoco Production Company.

MY COMMISSION EXPIRES:

June 1, 1973

Irene Haldas
Notary Public in and for Harris County, Texas

IRENE HALDAS
Notary Public in and for Harris County, Texas

CORPORATE

STATE OF _____
COUNTY OF _____

§
§
§

The foregoing instrument was acknowledged before me this _____ day of _____, 1972, by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

UNION OIL COMPANY OF CALIFORNIA
By John Hansen *mu*
Attorney-in-Fact

INDIVIDUAL

STATE OF _____
COUNTY OF _____

§
§
§

The foregoing instrument was acknowledged before me this _____ day of _____, 1972, by _____ and _____, his wife.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF TEXAS
COUNTY OF MIDLAND

§
§
§

The foregoing instrument was acknowledged before me this 16th day of June, 1972, by JOHN HANSEN who is Attorney-in-Fact of UNION OIL COMPANY OF CALIFORNIA a California Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Elma H. Sloan ELMA H. SLOAN
Notary Public

June 1, 1973

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

MARATHON OIL COMPANY

By: D. W. Franklin

D. W. FRANKLIN

DIVISION EXPLORATION MANAGER

INDIVIDUAL

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1972, by _____

and _____, his wife.

MY COMMISSION EXPIRES: _____

Notary Public

CORPORATE

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 11th day of

July, 1972, by D. W. FRANKLIN who is DIVISION EXPLORATION MANAGER

of Marathon Oil Company an Ohio corporation Corporation, for
and on behalf of said corporation.

MY COMMISSION EXPIRES: _____

LUTHER L. HINTON

Notary Public in and for Harris County, Texas

My Commission Expires June 1, 1973

Luther L. Hinton
Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

DAVID FASKEN & WIFE,
BARBARA FASKEN

By: Richard S. Brooks
Richard S. Brooks, Attorney-in-Fact

INDIVIDUAL

STATE OF TEXAS
COUNTY OF MIDLAND

§
§
§

The foregoing instrument was acknowledged before me this 23rd day of June, 1972, by Richard S. Brooks, Attorney-in-Fact for ~~and~~ David Fasken and Barbara Fasken, his wife, as the act of David Fasken and wife, Barbara Fasken.
MY COMMISSION EXPIRES:

June 1, 1973

Martha D. Zorn **MARTHA D. ZORN**
Notary Public, Midland County, Texas

CORPORATE

STATE OF _____
COUNTY OF _____

§
§
§

The foregoing instrument was acknowledged before me this _____ day of _____, 1972, by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

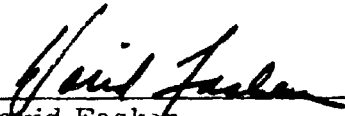
State of New Mexico)
) Know all men by these presents that:
County of Eddy)

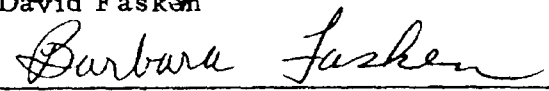
We, David Fasken and wife, Barbara Fasken, of Marin County, California, have made, constituted, and appointed, and by these presents do make, constitute, and appoint Richard S. Brooks of Midland County, Texas, our true and lawful attorney in fact for us and in our name place and stead to do and perform all things reasonably necessary and convenient in organizing and securing Federal and State approval of a unit plan for exploration, development, and operation for oil and gas production called Round Mountain Unit Area affecting the following described land in Eddy County, New Mexico:

T-21S, R-25E, NMPM, Secs. 19, 20, 21, 28, 29, 30, 31, 32, and 33.

Our said attorney in fact is hereby authorized, without limiting the generality of the foregoing, to execute on our behalf the Unit Agreement and Unit Operating Agreement for such proposed unit and any and all Aceage Contribution Agreements, assignments of oil and gas leases, assignments of operating rights, requests for approval of assignments, and generally all documents, agreements, conveyances, and instruments of every kind reasonably incident to the formation, organization, approval, and operation of such proposed unit. Our said attorney in fact is further authorized to represent us before the Department of the Interior, the New Mexico Oil Conservation Commission, the Commissioner of Public Lands of the State of New Mexico in all matters incident to such proposed unit, as well as before any other Federal and State agencies having jurisdiction in the premises.

Witness our hands this 19th day of June, 1972.



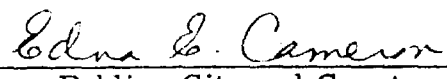
David Fasken


Barbara Fasken

State of California

City and County of San Francisco

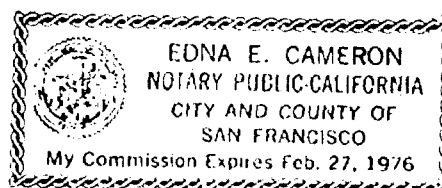
The foregoing instrument was acknowledged before me this 21st day of June, 1972, by David Fasken and Barbara Fasken, wife of David Fasken.



Notary Public, City and County of
San Francisco, California.

My commission expires

2-27-76



CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

ATTEST:

By: Louella McBride
Assistant Secretary

PENNZOIL COMPANY

By: F. Clinton Edwards
~~XXXXXXXX~~ Vice President



INDIVIDUAL

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1972, by _____ and _____, his wife.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 18th day of July, 1972, by F. Clinton Edwards who is Vice-President of Pennzoil Company a Delaware Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

June 1, 1973

Louella Chaffin LOUELLA CHAFFIN
Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

ATTEST:

By: Mary Ann Morrison
Secretary

FRANKLIN, ASTON & FAIR, INC.

By: Tom P. Stephens
Vice-President

INDIVIDUAL

STATE OF _____

COUNTY OF _____

§
§
§

The foregoing instrument was acknowledged before me this _____ day of

_____, 1972, by _____

and _____, his wife.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF NEW MEXICO

COUNTY OF CHAVES

§
§
§

The foregoing instrument was acknowledged before me this 14th day of

June, 1972, by Tom P. Stephens who is Vice-President

of Franklin, Aston & Fair, Inc. a New Mexico Corporation, for
and on behalf of said corporation.

MY COMMISSION EXPIRES:

Apr. 3, 1976

Lorena Lorensen
Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

HANAGAN & HANAGAN, a Partnership
composed of Robert G. Hanagan and
Hugh E. Hanagan

Robert G. Hanagan

Partner

Hugh E. Hanagan

Partner

STATE OF NEW MEXICO)
COUNTY OF CHAVES) ss.

The foregoing instrument was acknowledged before me this 10th
day of July, 1972 by Robert G. Hanagan and
Hugh E. Hanagan, Partners
on behalf of Hanagan & Hanagan, a Partnership.

My Commission Expires:

July 3, 1973

[Signature]
Notary Public

The foregoing instrument was acknowledged before me this _____ day of _____, 1972, by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

Robert N. Enfield
(Spouse) Mona S. Enfield

INDIVIDUAL

STATE OF NEW MEXICO
COUNTY OF CHAVES

§
§
§

The foregoing instrument was acknowledged before me this 20th day of July, 1972, by Robert N. Enfield and Mona S. Enfield

~~and~~ and _____, his wife.

MY COMMISSION EXPIRES:

Randy M. Redman
Notary Public

12-8-72

CORPORATE

STATE OF _____
COUNTY OF _____

§
§
§

The foregoing instrument was acknowledged before me this _____ day of _____, 1972, by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

ATTEST:

BY: J. L. McNamee

Ass't Secretary

PRUDENTIAL FUNDS, INC.

BY: Joseph R. Harris

Joseph R. Harris, Ass't Vice President

INDIVIDUAL

STATE OF _____

COUNTY OF _____

§
§
§

The foregoing instrument was acknowledged before me this _____ day of

_____, 1972, by _____

and _____, his wife.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF Texas

COUNTY OF Harris

§
§
§

The foregoing instrument was acknowledged before me this 5th day of

July, 1972, by Joseph R. Harris Ass't Vice President

of Prudential Funds, Inc. who is _____
a Delaware Corporation, for

and on behalf of said corporation.

MY COMMISSION EXPIRES:

Betty Messersmith
Notary Public

BETTY MESSERSMITH
Notary Public, in and for Harris County, Texas

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

Randolph M. Richardson
Patricia B. Richardson

Barbara E. Hannifin

INDIVIDUAL

STATE OF NEW MEXICO
COUNTY OF CHAVES

X
X
X

The foregoing instrument was acknowledged before me this 15 day of

JUNE, 1972, by D. L. HANNIFIN
and BARBARA E. HANNIFIN, his wife.

MY COMMISSION EXPIRES:

8-16-75

Charlotte J. McLean
Notary Public

INDIVIDUAL
~~CORPORATE~~

STATE OF NEW MEXICO
COUNTY OF CHAVES

X
X
X

The foregoing instrument was acknowledged before me this 7th day of

July, 1972, by Randolph M. Richardson and Patricia B. Richardson, his wife
XXXXXX Patricia B. Richardson, for

~~XXXXXX Patricia B. Richardson, for~~

MY COMMISSION EXPIRES:

August 16, 1975

Charlotte J. McLean
Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

_____ Joe Don Cook

INDIVIDUAL

STATE OF NEW MEXICO

COUNTY OF CHAVES

§
§
§

The foregoing instrument was acknowledged before me this 15 day of

JUNE, 1972, by JOE DON COOK, A SINGLE MAN

~~NOTARY~~

~~XXXXXXXXXX~~

MY COMMISSION EXPIRES:

8-16-75

Charlotte J. McLean
Notary Public

CORPORATE

STATE OF _____

COUNTY OF _____

§
§
§

The foregoing instrument was acknowledged before me this _____ day of

_____, 1972, by _____ who is _____

of _____ a _____ Corporation, for

and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

A. H. Cress *Martha R. Cress*

INDIVIDUAL

STATE OF New Mexico
COUNTY OF Chaves

The foregoing instrument was acknowledged before me this 20th day of July, 1972, by R. L. Cress and Martha R. Cress, his wife.

MY COMMISSION EXPIRES:

8-16-75

Charlotte J. McLean
Notary Public

CORPORATE

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1972, by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

_____ Jerome B. Guinand
_____ Dorothy K. Guinand

INDIVIDUAL

STATE OF Utah
COUNTY OF Salt Lake

The foregoing instrument was acknowledged before me this 11th day of July, 1972, by Jerome B. Guinand and Dorothy K. Guinand, his wife.

MY COMMISSION EXPIRES:

4/17/75

Elizabeth L. Luman
Notary Public

CORPORATE

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1972, by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

G. R. Quintana

(Spouse)

INDIVIDUAL

STATE OF New Mexico

COUNTY OF Santa Fe

§
§
§

The foregoing instrument was acknowledged before me this 19th day of JULY, 1972, by G. R. Quintana, a single man

and _____, his wife.

MY COMMISSION EXPIRES:
6-13-76

Lena Murrin
Notary Public

CORPORATE

STATE OF _____

COUNTY OF _____

§
§
§

The foregoing instrument was acknowledged before me this _____ day of _____, 1972, by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

H. L. Landua
H. L. Landua
Charles L. Morgan, Jr.
Charles L. Morgan, Jr.

James L. Morris
James L. Morris
V. H. Van Horn, Jr.
V. H. Van Horn, Jr.

A majority of the duly appointed, qualified and acting
Independent Executors of the Estate of Ralph Lowe, Deceased

Erma Lowe
Erma Lowe, Individually and as
Independent Executrix of the
Estate of Ralph Lowe, Deceased

THE STATE OF TEXAS |
|
COUNTY OF MIDLAND |

The foregoing instrument was acknowledged before me this 12 day of July, 1972, by H. L. Landua, Charles L. Morgan, Jr., James L. Morris, and V. H. Van Horn, Jr., a majority of the duly appointed, qualified and acting Independent Executors of the Estate of Ralph Lowe, Deceased, and Erma Lowe, Individually and as Independent Executrix of the Estate of Ralph Lowe, Deceased.

My commission expires:

June 1, 1973

Dorothy Oswald
Notary Public in and for
Midland County, Texas

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

Effective for each overriding royalty interest as signer owns.

Julie Ann Conley

INDIVIDUAL

STATE OF COLORADO
COUNTY OF DOUGLAS

X
X
X
X

The foregoing instrument was acknowledged before me this 23d day of JUNE, 1972, by GEORGE E. CONLEY

JULIE ANN CONLEY, 1972, by _____
and _____, his wife.

MY COMMISSION EXPIRES:

JULY 30, 1974

Ned A. Martin
Notary Public

CORPORATE

STATE OF _____
COUNTY OF _____

X
X
X

The foregoing instrument was acknowledged before me this _____ day of _____, 1972, by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

Tract No. 5

Paul T. Walton
Helen E. Walton

INDIVIDUAL

STATE OF Utah

COUNTY OF Salt Lake

The foregoing instrument was acknowledged before me this 21st day of

June, 1972, by Paul T. Walton

and Helen E. Walton, his wife, his wife.

MY COMMISSION EXPIRES:

April 17, 1975

Elizabeth L. Allen
Notary Public

Residing at Salt Lake City, Utah

CORPORATE

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1972, by _____ who is _____

of _____ a _____ Corporation, for
and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

(Tract No. 5)

WALKER BANK & TRUST COMPANY, Executor under
the Will of Thomas F. Kearns, deceased

By:

Robert M. Nelson

Vice President-Trust Officer

INDIVIDUAL

STATE OF Utah

COUNTY OF Salt Lake

The foregoing instrument was acknowledged before me this 30th day of

June

, 1972, by Robert M. Nelson

his wife.

MY COMMISSION EXPIRES:

April 17, 1975

Elizabeth H. Lamm
Notary Public
Residing at Salt Lake City, Utah

CORPORATE

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1972, by _____ who is _____

of _____ a _____ Corporation, for

and on behalf of said corporation.

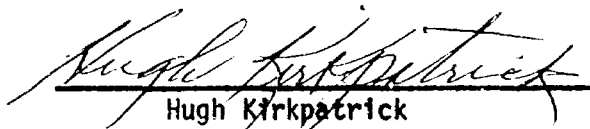

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

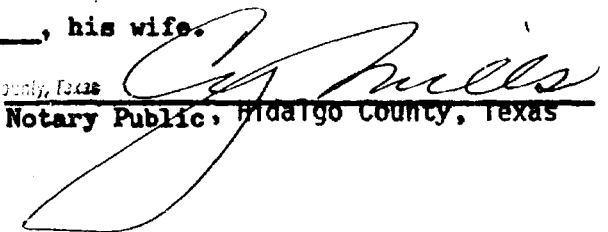

Hugh Kirkpatrick

Irene Kirkpatrick

INDIVIDUAL

STATE OF TEXAS
COUNTY OF HIDALGO

The foregoing instrument was acknowledged before me this 20th day of
June, 1972, by HUGH KIRKPATRICK
and IRENE KIRKPATRICK, his wife.

MY COMMISSION EXPIRES:
June 1, 1973


Notary Public, Eddy County, Texas

Notary Public, Hidalgo County, Texas

CORPORATE

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 1972, by _____ who is _____
of _____ a _____ Corporation, for
and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.



THOMAS ALLEN



JERONE ALLEN, his wife

INDIVIDUAL

STATE OF New Mexico
COUNTY OF Chaves

The foregoing instrument was acknowledged before me this 15th day of June, 1972, by THOMAS ALLEN and JERONE ALLEN, his wife.

MY COMMISSION EXPIRES:

April 30, 1974



Notary Public

CORPORATE

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1972, by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

M.L. Robinson

M.L. Robinson Trustee for

Members Robinson Royalty Club

INDIVIDUAL

STATE OF New Mexico §
 §
COUNTY OF Chaves §

The foregoing instrument was acknowledged before me this 22nd day of
June, 1972, by M.L. Robinson, Trustee for Members
Robinson Royalty Club, ~~his wife~~

MY COMMISSION EXPIRES:

May 18, 1974

Paul S. Harnden
Notary Public

CORPORATE

STATE OF _____ §
 §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of
_____, 1972, by _____ who is _____
of _____ a _____ Corporation, for
and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

Juan L. Ingram
Juan L. Ingram

Tom L. Ingram
Tom L. Ingram

INDIVIDUAL

STATE OF New Mexico
COUNTY OF Chaves

X
X
X

The foregoing instrument was acknowledged before me this 20th day of June, 1972, by Tom L. Ingram and Joan L. Ingram, his wife.

MY COMMISSION EXPIRES:

3/4/73

Juan L. Ingram
Notary Public

CORPORATE

STATE OF _____
COUNTY OF _____

X
X
X

The foregoing instrument was acknowledged before me this _____ day of _____, 1972, by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

John B. Vreeland
John B. Vreeland

INDIVIDUAL

STATE OF TEXAS
COUNTY OF NUECES

§
§
§

The foregoing instrument was acknowledged before me this 6th day of July, 1972, by John B. Vreeland, a single man
~~and~~ his wife

MY COMMISSION EXPIRES:

June 1, 1973

Narcille Gouger
Notary Public in Nueces County, Texas.
Narcille Gouger

CORPORATE

STATE OF _____
COUNTY OF _____

§
§
§

The foregoing instrument was acknowledged before me this _____ day of _____, 1972, by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

T. T. Sanders, Jr.
Idamay Sanders

INDIVIDUAL

STATE OF NEW MEXICO
COUNTY OF CHAVES

§
§
§

The foregoing instrument was acknowledged before me this 28th day of
June, 1972, by T. T. Sanders, Jr.
and Idamay Sanders, his wife.

MY COMMISSION EXPIRES:

9-10-73

Marion E. Smith
Notary Public

CORPORATE

STATE OF _____
COUNTY OF _____

§
§
§

The foregoing instrument was acknowledged before me this _____ day of
_____, 1972, by _____ who is _____
of _____ a _____ Corporation, for
and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Round Mountain Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 15th day of May, 1972, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, 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 Round Mountain 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.

Robert B. Gates
Nada S. Gates

INDIVIDUAL

STATE OF New Mexico
COUNTY OF Eddy

§
§
§

The foregoing instrument was acknowledged before me this 19th day of
June, 1972, by Robert B. Gates
and Nada S. Gates, his wife.

MY COMMISSION EXPIRES:

9-5-75

Margaret Bean
Notary Public

CORPORATE

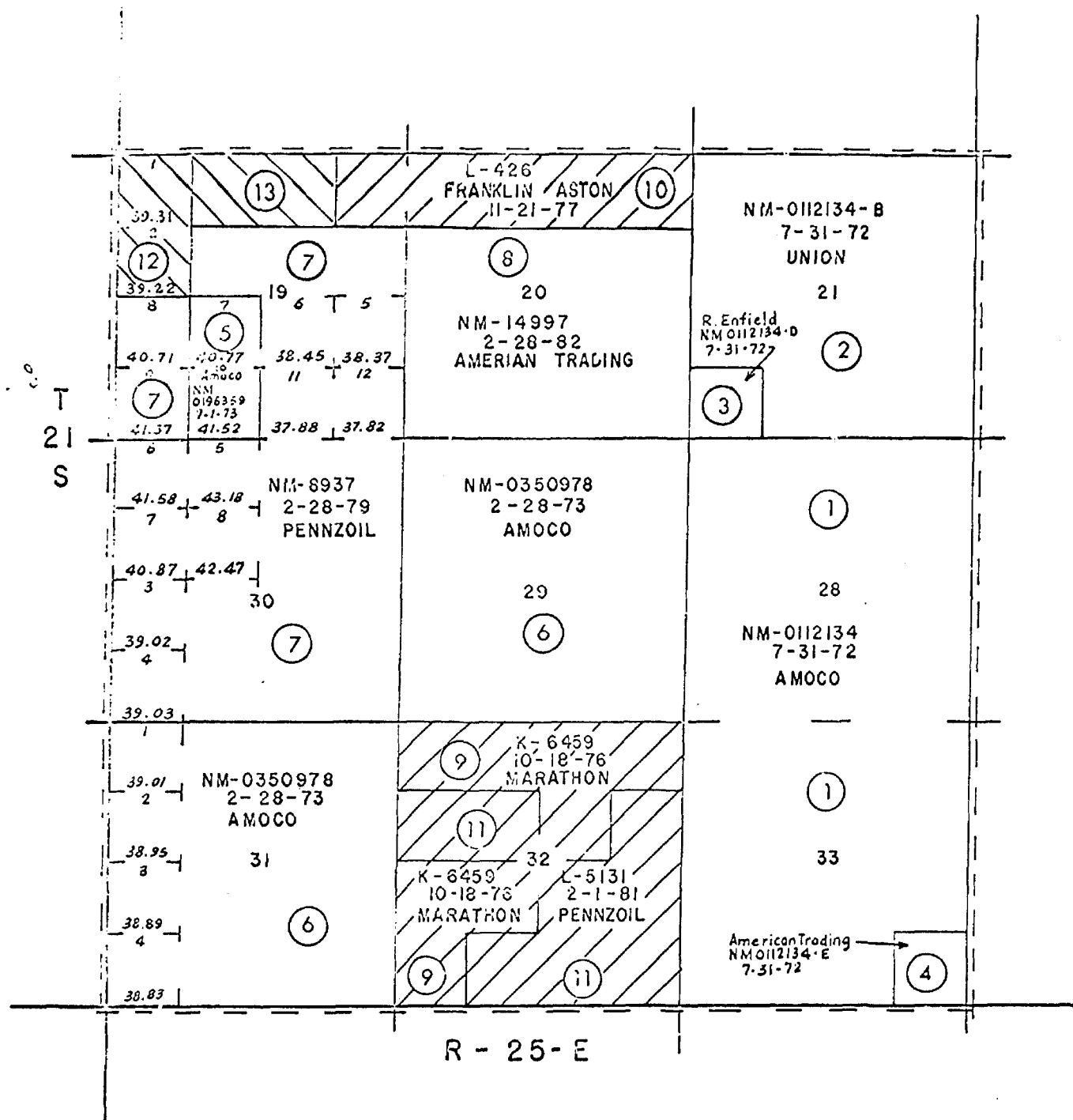
STATE OF _____
COUNTY OF _____

§
§
§

The foregoing instrument was acknowledged before me this _____ day of
_____, 1972, by _____ who is _____
of _____ a _____ Corporation, for
and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public



- OUTLINE OF UNIT AREA
- TRACT NUMBER
- FEDERAL LANDS 4,758.72 ACRES
82.66 % OF UNIT AREA
- ▨ STATE OF NEW MEXICO LANDS, 840.00 ACRES
14.59 % OF UNIT AREA
- ▩ PATENTED (FEE) LANDS, 158.63 ACRES
2.75 % OF UNIT AREA
- TOTAL 5,757.25 Acres

EXHIBIT "A"
ROUND MOUNTAIN UNIT AREA

Eddy County, New Mexico

EXHIBIT "B"
SCHEDULE OF LANDS AND LEASES
NORTH HORMAIN UNIT AREA
EDDY COUNTY, NEW MEXICO

Lease Serial No. Expiration Date	Basic Royalty and Percent	Lessee of Record	Interest	Overriding Royalty Owner and Percentage
ALL LANDS IN Township 21 South, Range 25 East, NMPM				
Sec. 28: All Sec. 23: NW $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$	1,240.00 NW-0112134 7/31/72	U. S. A. Amoco Production Co.	All	George E. Conley G. R. Quintana Hanagan & Hanagan D. L. Hannifin Joe Don Cook Randolph W. Richardson 2.500000 1.000000 .390625 .277344 .277344 .554687
Sec. 21: NW $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$	600.00 NW-0112134-B 7/31/72	U. S. A. Union Oil Co. of Calif.	All	Estate of Ralph Lowe 5.000000 Union Oil Co. of Calif.
Sec. 21: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00 NW-0112134-D 7/31/72	U. S. A. Robert N. Enfield	All	Estate of Ralph Lowe 5.000000 Robert N. Enfield
Sec. 23: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00 NW-0112134-E 7/31/72	U. S. A. American Trading and Production Corporation*	50.00	George E. Conley G. R. Quintana Hanagan & Hanagan D. L. Hannifin Joe Don Cook Randolph M. Richardson 2.500000 1.000000 .390625 .277344 .277344 .554687
		David Fasken**	50.00	David Fasken**
Sec. 13: Lots 7, 10	82.29 NW-0196359 6/30/73	U. S. A. Amoco Production Co.	All	Paul T. Walton Est. of Thomas F. Kearns Jerome B. Guinand 2.250000 2.250000 .500000

*Assignment from Hoover Wright to American Trading and Production Corporation filed for approval with B. L. M. on June 24, 1972.

**Assignment from American Trading and Production Corporation of 50% interest to David Fasken filed for approval with B. L. M. on July 18, 1972.

6. Sec. 29: All Sec. 31: Lots 1, 2, 3, 4, E/4SW/4, E/2 (All)	1,275.68	NM-0350978 1/31/73	U. S. A. 12.5	Amoco Production Co.	All	Hugh Kirkpatrick	5.00	Amoco Production Co.	All
7. Sec. 19: Lots 5, 6, 1, 1000.75 8, 9, 11, 12, SE/4SW/4, SW/4E/4 Sec. 30: Lots 3, 4, 5, 6, 7, 8, E/4SW/4, E/2 (All)		NM-8937 2/28/79	U. S. A. 12.5	Pennzoil Company	All	Thomas Allen \$750 per ac. out of 3.0000 Robinson Royalty Club \$750 per ac. out of 1.0000 Tom L. Ingram \$750 per ac. out of .0625 Robert H. Gress \$750 per ac. out of .8125 P. R. Sanders, Jr. \$750 per ac. out of .1250		Pennzoil Company	All
8. Sec. 20: S/4, S/2SW/4	480.00	NM-14997-A 3/1/82	U. S. A. 12.5	American Trading and Production Corp. *	50.0	John B. Vreeland	4.00	American Trading and Production Corp. *	50.00
9. Sec. 20: S/4, S/2SW/4				David Tasken **	50.0			David Tasken **	50.00
TOTAL 4,753.72 acres, Federal Lands									
STATE OF NEW MEXICO LANDS									
9. Sec. 32: NW/4SW/4, SW/4SW/4, NW/4SW/4, SW/4SW/4	320.00	K-6459 10/18/77	State 12.5	Marathon Oil Co.	All	None		Marathon Oil Co.	All
10. Sec. 13: NW/4SW/4 Sec. 20: NW/4SW/4	200.00	L-426-2 11/21/77	State 12.5	Franklin, Aston, & Fair, Inc.	All	Robert B. Gatos	5.00	Franklin, Aston, & Fair, Inc.	All

*Assignment from John B. Vreeland to American Trading and Production Corporation filed for approval with the B. L. M. on June 5, 1972.

**Assignment from American Trading and Production Corporation of 50% interest to David Tasken filed for approval with B. L. M. on July 18, 1972

Sec. 52: S.W. 1/4, S.W. 1/4, S.W. 1/4	320.00	L-5131 2/1/81	State 12.5	Pennzoil Company	All	None	Pennzoil Company	All
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840.00 acres, State of New Mexico Lands

PATENTED (Fee) LANDS

Sec. 19: NE 1/4, NW 1/4	80.00	Fee 10/26/72	Richard I. Floyd Virginia Shafer Nymeyer Raymond A. Shafer, Jr. Marjorie S. Tansey	1/2 1/6 1/6 1/6	None	Olds Petroleum Company	All
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Sec. 19: Lots 1, 2	78.53	Fee 9/27/72 10/17/72	Pardue Farms, a p/s Dorothy Swigart Carlson Leona L. Stagner Marilyn T. Joyce Merland, Inc. June Joyce Kugeler Carmex, Inc. Trustees of the E. C. Phillips Trust Trustee of the J. M. Phillips Trust Kelton Winfield James Melton Winfield Jerry Phillips Winfield	18.06% 18.06% 9.03% 24.23% 7.20% 7.20% 7.20% 3.61% 1.81% 1.20% 1.20% 1.20%	None	Olds Petroleum Company	All
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158.53 acres, Patented (Fee) Lands

RECAPITULATION

4,758.72 Acres Federal Lands,	82.66% of the Unit
840.00 Acres State Lands,	14.59% of the Unit
158.53 Acres Fee Lands,	2.75% of the Unit
<u>5,757.25</u>	<u>100.00%</u>

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. 4729
Order No. R-4323

APPLICATION OF AMERICAN TRADING
AND PRODUCTION CORPORATION FOR
APPROVAL OF THE ROUND MOUNTAIN
UNIT AGREEMENT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 7, 1972, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 15th day of June, 1972, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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, American Trading and Production Corporation, seeks approval of the Round Mountain Unit Agreement covering 5,757.25 acres, more or less, of State, Federal and Fee lands described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM
Sections 19 through 21: All
Sections 28 through 33: All

(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 Round Mountain 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

-2-

CASE NO. 4729

Order No. R-4323

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 and the Director of the United States Geological Survey; 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

BRUCE KING, Chairman

ALEX J. ARMIJO, Member

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

S E A L

dr/



NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

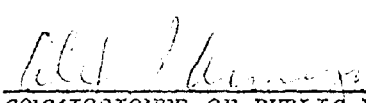
THIS CERTIFICATE OF APPROVAL
IS HEREBY ISSUED, THIS 11th DAY OF 1953

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 _____, which said Agreement has been 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, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the afore-said statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this _____ day of _____, 19____.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico



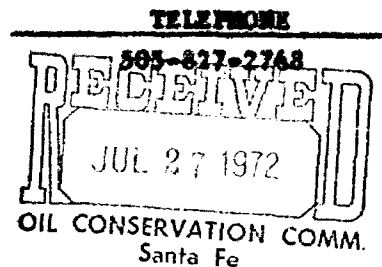
ALEX J. ARMIJO
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

July 19, 1972



P. O. BOX 1148
SANTA FE, NEW MEXICO

4729
Mr. Randolph M. Richardson
P. O. Box 819
Roswell, New Mexico 88201

Re: Round Mountain Unit
Eddy County, New Mexico

Dear Mr. Richardson:

The Commissioner of Public Lands has this date approved your Round Mountain Unit, Eddy County, New Mexico. This approval is subject to like approval by the United States Geological Survey.

Enclosed are five (5) Certificates of Approval.

Your filing fee in the amount of ninety-dollars (\$90.00) has been received.

Please submit to this office all well records when available.

Very truly yours,

RAY D. GRAHAM, Director
Oil and Gas Department

AJA:EDG: s
Enclosures

cc: OCC-Santa Fe, New Mexico (ltr only)
USGS-Roswell, New Mexico (ltr and cpy of Certificate)



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

June 15, 1972

**GOVERNOR
BRUCE KING
CHAIRMAN**

**LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER**

**STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR**

Mr. Randolph M. Richardson
Attorney at Law
Post Office Box 819
Roswell, New Mexico 88201

Re: Case No. 4729
Order No. R-4323
Applicant:
American Trading

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC	<u>x</u>
Artesia OCC	<u>x</u>
Aztec OCC	

Other Unit Division - State Land Office

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. 4729
Order No. R-4323

APPLICATION OF AMERICAN TRADING
AND PRODUCTION CORPORATION FOR
APPROVAL OF THE ROUND MOUNTAIN
UNIT AGREEMENT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 7, 1972, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 15th day of June, 1972, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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, American Trading and Production Corporation, seeks approval of the Round Mountain Unit Agreement covering 5,757.25 acres, more or less, of State, Federal and Fee lands described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM
Sections 19 through 21: All
Sections 28 through 33: All

(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 Round Mountain 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

-2-

CASE NO. 4729
Order No. R-4323

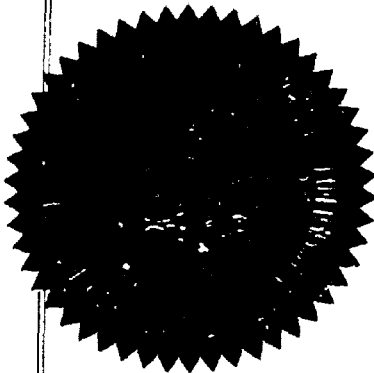
unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production 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 and the Director of the United States Geological Survey; 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

Bruce King
BRUCE KING, Chairman

Alex J. Armijo
ALEX J. ARMIDO, Member

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

S E A L

dr/

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
ROUND MOUNTAIN UNIT AREA
COUNTY OF EDDY
STATE OF NEW MEXICO
NO. 4729

100%
1556, FEL
1726, FEL
21-21-25

THIS AGREEMENT, entered into as of the 15th day of May
1972, by and between the parties subscribing, ratifying, or consent-
ing hereto, and herein referred to as the "parties hereto",

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working, royalty
or other oil and gas interests in the unit area subject to this
agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat.
437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal
lessees and their representatives to unite with each other, or joint-
ly or separately with others, in collectively adopting and operating
a cooperative or unit plan of development or operation of any oil or
gas pool, field, or like area, or any part thereof for the purpose of
more properly conserving the natural resources thereof whenever de-
termined and certified by the Secretary of the Interior to be necess-
ary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by an Act of the Legislature (Sec. 7-11-29 N.M.
Statutes 1953 Annotated) to consent to or approve this agreement on
behalf of the State of New Mexico, insofar as it covers and includes
lands and mineral interest of the State of New Mexico; and,

100% WI

EXAMINER NUTTER
CONSERVATION COMMISSION
EXHIBIT NO. 1
NO. 4729
Submitted by
Hearing Date

1 WHEREAS, the Oil Conservation Commission of the State of New 1
2 Mexico is authorized by an Act of the Legislature (Chapter 72, Laws 2
3 of 1935, as amended by Chapter 193, Laws of 1937, Chapter 166, Laws 3
4 of 1941, and Chapter 168, Laws of 1949) to approve this agreement 4
5 and the conservation provisions hereof; and, 5

6 WHEREAS, the parties hereto hold sufficient interests in the 6
7 Round Mountain Unit Area covering the land hereinafter described 7
8 to give reasonably effective control of operations therein; and 8

9 WHEREAS, it is the purpose of the parties hereto to conserve 9
10 natural resources, prevent waste, and secure other benefits obtain- 10
11 able through development and operation of the area subject to this 11
12 agreement under the terms, conditions, and limitations herein set 12
13 forth; 13

14 NOW, THEREFORE, in consideration of the premises and the 14
15 promises herein contained, the parties hereto commit to this agree- 15
16 ment their respective interests in the below-defined unit area, and 16
17 agree severally among themselves as follows: 17

18 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of 18
19 February 25, 1920, as amended, supra, and all valid pertinent regu- 19
20 lations, including operating and unit plan regulations, heretofore 20
21 issued thereunder or valid, pertinent, and reasonable regulations 21
22 hereafter issued thereunder are accepted and made a part of this 22
23 agreement as to Federal lands, provided such regulations are not in- 23
24 consistent with the terms of this agreement; and as to non-Federal 24
25 lands, the oil and gas operating regulations in effect as of the 25
26 effective date hereof governing drilling and producing operations, 26
27 not inconsistent with the terms hereof or the laws of the State in 27
28 which the non-Federal land is located, are hereby accepted and made 28
29 a part of this agreement. 29

30 2. UNIT AREA. The following described land is hereby desig- 30
31 nated and recognized as constituting the unit area: 31

Township 21 South, Range 25 East, NMPM

Section 19: All

Section 20: All

Section 21: All /

Section 28: All

Section 29: All

Section 30: All

Section 31: All

Section 32: All

Section 33: All

Containing 5,757.25 acres, more or less.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner", and not less than five (5) copies of the revised Exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission".

1 The above-described unit area shall when practicable be ex- 1
2 panded to include therein any additional lands or shall be con- 2
3 tracted to exclude lands whenever such expansion or contraction is 3
4 deemed to be necessary or advisable to conform with the purposes 4
5 of this agreement. Such expansion or contraction shall be effected 5
6 in the following manner: 6

7 (a) Unit Operator, on its own motion or on demand of the 7
8 Director of the Geological Survey, hereinafter referred to as 8
9 "Director", or on demand of the Land Commissioner, after preliminary 9
10 concurrence by the Director, shall prepare a notice of proposed 10
11 expansion or contraction describing the contemplated changes in the 11
12 boundaries of the unit area, the reasons therefor, and the proposed 12
13 effective date thereof, preferably, the first day of a month subse- 13
14 quent to the date of notice. 14

15 (b) Said notice shall be delivered to the Supervisor, the 15
16 Land Commissioner and the State Commission, and copies thereof mailed 16
17 to the last known address of each working interest owner, lessee, 17
18 and lessor whose interests are affected, advising that thirty (30) 18
19 days will be allowed for submission to the Unit Operator of any ob- 19
20 jections. 20

21 (c) Upon expiration of the 30-day period provided in the 21
22 preceding item (b) hereof, Unit Operator shall file with the Super- 22
23 visor, the Land Commissioner and the State Commission, evidence of 23
24 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, to- 25
26 gether with an application in sufficient number, for approval of 26
27 such expansion or contraction and with appropriate joinders. 27

28 (d) After due consideration of all pertinent information, 28
29 the expansion or contraction shall, upon approval by the Supervisor, 29
30 the Land Commissioner, become effective as of the date prescribed in 30
31 the notice thereof. 31

1 (e) All legal subdivisions of lands (i.e., 40 acres by 1
2 Government survey or its nearest lot or tract equivalent; in instan- 2
3 ces of irregular surveys unusually large lots or tracts shall be 3
4 considered in multiples of 40 acres or the nearest aliquot equiva- 4
5 lent thereof), no parts of which are entitled to be in a partici- 5
6 pating area on or before the fifth anniversary of the effective date 6
7 of the first initial participating area established under this unit 7
8 agreement, shall be eliminated automatically from this agreement, 8
9 effective as of said fifth anniversary, and such lands shall no 9
10 longer be a part of the unit area and shall no longer be subject to 10
11 this agreement, unless diligent drilling operations are in progress 11
12 on unitized lands not entitled to participation on said fifth anni- 12
13 versary, in which event all such lands shall remain subject hereto 13
14 for so long as such drilling operations are continued diligently, 14
15 with not more than 90 days' time elapsing between the completion of 15
16 one such well and the commencement of the next such well. All legal 16
17 subdivisions of lands not entitled to be in a participating area 17
18 within 10 years after the effective date of the first initial par- 18
19 ticipating area approved under this agreement shall be automatically 19
20 eliminated from this agreement as of said tenth anniversary. All 20
21 lands proved productive by diligent drilling operations after the 21
22 aforesaid 5-year period shall become participating in the same 22
23 manner as during said 5-year period. However, when such diligent 23
24 drilling operations cease, all nonparticipating lands shall be auto- 24
25 matically eliminated effective as of the 91st day thereafter. The 25
26 unit operator shall within 90 days after the effective date of any 26
27 elimination hereunder, describe the area so eliminated to the satis- 27
28 faction of the Supervisor and the Land Commissioner and promptly 28
29 notify all parties in interest. 29
30 If conditions warrant extension of the 10-year period speci- 30
31 fied in this subsection 2(e), a single extension of not to exceed 2 31

1 years may be accomplished by consent of the owners of 90% of the 1
2 working interests in the current nonparticipating unitized lands and 2
3 the owners of 60% of the basic royalty interests (exclusive of the 3
4 basic royalty interests of the United States) in nonparticipating 4
5 unitized lands with approval of the Director and Land Commissioner, 5
6 provided such extension application is submitted to the Director 6
7 and the Land Commissioner not later than 60 days prior to the ex- 7
8 piration of said 10-year period. 8

9 Any expansion of the unit area pursuant to this section which 9
10 embraces lands theretofore eliminated pursuant to this subsection 10
11 2(e) shall not be considered automatic commitment or recommitment 11
12 of such lands. 12

13 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land com- 13
14 mitted to this agreement shall constitute land referred to herein 14
15 as "unitized land" or "land subject to this agreement". All oil 15
16 and gas in any and all formations of the unitized land are unitized 16
17 under the terms of this agreement and herein are called "unitized 17
18 substances". 18

19 4. UNIT OPERATOR. American Trading and Production Corporation is hereby 19
20 designated as Unit Operator and by signature hereto as Unit Operator 20
21 agrees and consents to accept the duties and obligations of Unit 21
22 Operator for the discovery, development, and production of unitized 22
23 substances as herein provided. Whenever reference is made herein 23
24 to the Unit Operator, such reference means the Unit Operator acting 24
25 in that capacity and not as an owner of interest in unitized sub- 25
26 stances, and the term "working interest owner" when used shall 26
27 include or 27

1 refer to Unit Operator as the owner of a working interest when such 1
2 an interest is owned by it. 2

3 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator 3
4 shall have the right to resign at any time prior to the establish- 4
5 ment of a participating area or areas hereunder, but such resigna- 5
6 tion shall not become effective so as to release Unit Operator from 6
7 the duties and obligations of Unit Operator and terminate Unit 7
8 Operator's rights as such for a period of 6 months after notice of 8
9 intention to resign has been served by Unit Operator on all working 9
10 interest owners and the Supervisor and the Land Commissioner, and 10
11 until all wells then drilled hereunder are placed in a satisfactory 11
12 condition for suspension or abandonment whichever is required by the 12
13 Supervisor as to Federal lands and the State Commission as to State 13
14 lands, unless a new Unit Operator shall have been selected and 14
15 approved and shall have taken over and assumed the duties and obli- 15
16 gations of Unit Operator prior to the expiration of said period. 16

17 Unit Operator shall have the right to resign in like manner 17
18 and subject to like limitations as above provided at any time a par- 18
19 ticipating area established hereunder is in existence, but, in all 19
20 instances of resignation or removal, until a successor unit operator 20
21 is selected and approved as hereinafter provided, the working inter- 21
22 est owners shall be jointly responsible for performance of the duties 22
23 of unit operator, and shall not later than 30 days before such resig- 23
24 nation or removal becomes effective appoint a common agent to repre- 24
25 sent them in any action to be taken hereunder. 25

26 The resignation of Unit Operator shall not release Unit Oper- 26
27 ator from any liability for any default by it hereunder occurring 27
28 prior to the effective date of its resignation. 28

29 The Unit Operator may, upon default or failure in the perfor- 29
30 mance of its duties or obligations hereunder, be subject to removal 30
31 by the same percentage vote of the owners of working interests as 31

1 herein provided for the selection of a new Unit Operator. Such re-
2 moval shall be effective upon notice thereof to the Supervisor and
3 the Land Commissioner.

4 The resignation or removal of Unit Operator under this agree-
5 ment shall not terminate its right, title, or interest as the owner
6 of a working interest or other interest in unitized substances, but
7 upon the resignation or removal of Unit Operator becoming effective,
8 such Unit Operator shall deliver possession of all wells, equipment,
9 materials, and appurtenances used in conducting the unit operations
10 to the new duly qualified successor Unit Operator or to the common
11 agent, if no such new Unit Operator is elected, to be used for the
12 purpose of conducting unit operations hereunder. Nothing herein
13 shall be construed as authorizing removal of any material, equip-
14 ment and appurtenances needed for the preservation of any wells.

15 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall
16 tender his or its resignation as Unit Operator or shall be removed
17 as hereinabove provided, or a change of Unit Operator is negotiated
18 by working interest owners, the owners of the working interests in
19 the participating area or areas according to their respective acre-
20 age interests in such participating area or areas, or, until a par-
21 ticipating area shall have been established, the owners of the
22 working interests according to their respective acreage interests
23 in all unitized land, shall by majority vote select a successor Unit
24 Operator: Provided, That, if a majority but less than 75 per cent
25 of the working interests qualified to vote are owned by one party
26 to this agreement, a concurring vote of one or more additional work-
27 ing interest owners shall be required to select a new operator.
28 Such selection shall not become effective until

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

31 (b) the selection shall have been approved by the Supervisor

1 and approved by the Land Commissioner.

2 If no successor Unit Operator is selected and qualified as
3 herein provided, the Director and the Land Commissioner, at their
4 election may declare this unit agreement terminated.

5 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If
6 the Unit Operator is not the sole owner of working interests, costs
7 and expenses incurred by Unit Operator in conducting unit operations
8 hereunder shall be paid and apportioned among and borne by the
9 owners of working interests, all in accordance with the agreement
10 or agreements entered into by and between the Unit Operator and the
11 owners of working interests, whether one or more, separately or
12 collectively. Any agreement or agreements entered into between the
13 working interest owners and the Unit Operator as provided in this
14 section, whether one or more, are herein referred to as the "unit
15 operating agreement." Such unit operating agreement shall also
16 provide the manner in which the working interest owners shall be
17 entitled to receive their respective proportionate and allocated
18 share of the benefits accruing hereto in conformity with their
19 underlying operating agreements, leases, or other independent con-
20 tracts, and such other rights and obligations as between Unit
21 Operator and the working interest owners as may be agreed upon by
22 Unit Operator and the working interest owners; however, no such
23 unit operating agreement shall be deemed either to modify any of
24 the terms and conditions of this unit agreement or to relieve the
25 Unit Operator of any right or obligation established under this
26 unit agreement, and in case of any inconsistency or conflict be-
27 tween this unit agreement and the unit operating agreement, this
28 unit agreement shall govern. Three true copies of any unit opera-
29 ting agreement executed pursuant to this section should be filed
30 with the Supervisor and one true copy with the Land Commissioner,
31 prior to approval of this unit agreement.

1 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as other- 1
2 wise specifically provided herein, the exclusive right, privilege 2
3 and duty of exercising any and all rights of the parties hereto 3
4 which are necessary or convenient for prospecting for, producing, 4
5 storing, allocating, and distributing the unitized substances are 5
6 hereby delegated to and shall be exercised by the Unit Operator as 6
7 herein provided. Acceptable evidence of title to said rights shall 7
8 be deposited with said Unit Operator and, together with this agree- 8
9 ment, shall constitute and define the rights, privileges, and obli- 9
10 gations of Unit Operator. Nothing herein, however, shall be con- 10
11 strued to transfer title to any land or to any lease or operating 11
12 agreement, it being understood that under this agreement the Unit 12
13 Operator, in its capacity as Unit Operator, shall exercise the rights 13
14 of possession and use vested in the parties hereto only for the pur- 14
15 poses herein specified. 15
16 9. DRILLING TO DISCOVERY. Within six (6) months after the 16
17 effective date hereof, the Unit Operator shall begin to drill an 17
18 adequate test well at a location approved by the Supervisor, if on 18
19 Federal land, or by the Land Commissioner, if on State land, unless 19
20 on such effective date a well is being drilled conformably with the 20
21 terms hereof, and thereafter continue such drilling diligently until 21
22 the base of the Morrow formation has been penetrated 22
23 and all formations of the Pennsylvanian age have been tested, or un- 23
24 til at a lesser depth unitized substances shall be discovered which 24
25 can be produced in paying quantities (to-wit: quantities sufficient 25
26 to repay the costs of drilling, completing and producing operations, 26
27 with a reasonable profit) or the Unit Operator shall at any time es- 27
28 tablish to the satisfaction of the Supervisor if on Federal land, or 28
29 the Land Commissioner if on State land, that further drilling of said 29
30 well would be unwarranted or impracticable; provided, however, that 30
31 Unit Operator shall not in any event be required to drill said well 31
32 to a depth in excess of 10,500 feet. Until the discovery 32
33 of a deposit of unitized sub- 33

1	stances capable of being produced in paying quantities, the Unit	1
2	Operator shall continue drilling diligently one well at a time,	2
3	allowing not more than six (6) months between the completion of one	3
4	well and the beginning of the next well, until a well capable of	4
5	producing unitized substances in paying quantities is completed to	5
6	the satisfaction of said Supervisor if it be on Federal land or of	6
7	the Land Commissioner if on State land, or until it is reasonably	7
8	proved that the unitized land is incapable of producing unitized	8
9	substances in paying quantities in the formations drilled hereunder.	9
10	Nothing in this section shall be deemed to limit the right of the	10
11	Unit Operator to resign as provided in Section 5 hereof, or as re-	11
12	quiring Unit Operator to commence or continue any drilling during	12
13	the period pending such resignation becoming effective in order to	13
14	comply with the requirements of this section. The Director and	14
15	Land Commissioner may modify the drilling requirements of this sec-	15
16	tion by granting reasonable extensions of time when, in their opin-	16
17	ion, such action is warranted.	17
18	Upon failure to commence any well provided for in this section	18
19	within the time allowed, including any extension of time granted by	19
20	the Supervisor and the Land Commissioner, this agreement will auto-	20
21	matically terminate; upon failure to continue drilling diligently	21
22	any well commenced hereunder, the Supervisor and the Land Commission-	22
23	er may, after 15-days notice to the Unit Operator, declare this unit	23
24	agreement terminated.	24
25	10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6	25
26	months after completion of a well capable of producing unitized sub-	26
27	stances in paying quantities, the Unit Operator shall submit for the	27
28	approval of the Supervisor and the Land Commissioner an acceptable	28
29	plan of development and operation for the unitized land which, when	29
30	approved by the Supervisor and the Land Commissioner, shall con-	30
31	stitute the further drilling and operating obligations of the Unit	31

1	Operator under this agreement for the period specified therein.	1
2	Thereafter, from time to time before the expiration of any existing	2
3	plan, the Unit Operator shall submit for the approval of the Super-	3
4	visor and the Land Commissioner a plan for an additional specified	4
5	period for the development and operation of the unitized land.	5
6	Any plan submitted pursuant to this section shall provide for	6
7	the exploration of the unitized area and for the diligent drilling	7
8	necessary for determination of the area or areas thereof capable of	8
9	producing unitized substances in paying quantities in each and every	9
10	productive formation and shall be as complete and adequate as the	10
11	Supervisor and the Land Commissioner may determine to be necessary	11
12	for timely development and proper conservation of the oil and gas	12
13	resources of the unitized area and shall:	13
14	(a) specify the number and locations of any wells to be	14
15	drilled and the proposed order and time for such drilling; and	15
16	(b) to the extent practicable specify the operating practices	16
17	regarded as necessary and advisable for proper conservation of	17
18	natural resources.	18
19	Separate plans may be submitted for separate productive zones, sub-	19
20	ject to the approval of the Supervisor and the Land Commissioner.	20
21	Plans shall be modified or supplemented when necessary to meet	21
22	changed conditions or to protect the interests of all parties to	22
23	this agreement. Reasonable diligence shall be exercised in comply-	23
24	ing with the obligations of the approved plan of development. The	24
25	Supervisor and the Land Commissioner are authorized to grant a	25
26	reasonable extension of the 6-month period herein prescribed for	26
27	submission of an initial plan of development where such action is	27
28	justified because of unusual conditions or circumstances. After com-	28
29	pletion hereunder of a well capable of producing any unitized sub-	29
30	stance in paying quantities, no further wells, except such as may	30
31	be necessary to afford protection against operations not under this	31

1 agreement and such as may be specifically approved by the Supervisor 1
2 and the Land Commissioner, shall be drilled except in accordance 2
3 with a plan of development approved as herein provided. 3

4 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well 4
5 capable of producing unitized substances in paying quantities or as 5
6 soon thereafter as required by the Supervisor or the Land Commission- 6
7 er, the Unit Operator shall submit for approval by the Supervisor 7
8 and the Land Commissioner a schedule, based on subdivisions of the 8
9 public-land survey or aliquot parts thereof, of all land then re- 9
10 garded as reasonably proved to be productive in paying quantities; 10
11 all lands in said schedule on approval of the Supervisor and the Land 11
12 Commissioner to constitute a participating area, effective as of the 12
13 date of completion of such well or the effective date of this unit 13
14 agreement, whichever is later. The acreages of both Federal and non- 14
15 Federal lands shall be based upon appropriate computations from the 15
16 courses and distances shown on the last approved public-land survey 16
17 as of the effective date of each initial participating area. Said 17
18 schedule shall also set forth the percentage of unitized substances 18
19 to be allocated as herein provided to each tract in the participating 19
20 area so established, and shall govern the allocation of production 20
21 commencing with the effective date of the participating area. A 21
22 separate participating area shall be established for each separate 22
23 pool or deposit of unitized substances or for any group thereof which 23
24 is produced as a single pool or zone, and any two or more partici- 24
25 pating areas so established may be combined into one, on approval of 25
26 the Supervisor and the Land Commissioner. When production from two 26
27 or more participating areas, so established, is subsequently found 27
28 to be from a common pool or deposit said participating areas shall 28
29 be combined into one effective as of such appropriate date as may be 29
30 approved or prescribed by the Supervisor and the Land Commissioner. 30
31 The participating area or areas so established shall be revised from 31

1 time to time, subject to like approval, to include additional land 1
2 then regarded as reasonably proved to be productive in paying quan- 2
3 tities or necessary for unit operations, or to exclude land then 3
4 regarded as reasonably proved not to be productive in paying quan- 4
5 tities and the schedule of allocation percentages shall be revised 5
6 accordingly. The effective date of any revision shall be the first 6
7 of the month in which is obtained the knowledge or information on 7
8 which such revision is predicated, provided, however, that a more 8
9 appropriate effective date may be used if justified by the Unit 9
10 Operator and approved by the Supervisor and the Land Commissioner. 10
11 No land shall be excluded from a participating area on account of 11
12 depletion of the unitized substances, except that any participating 12
13 area established under the provisions of this unit agreement shall 13
14 terminate automatically whenever all completions in the formation on 14
15 which the participating area is based are abandoned. 15
16 It is the intent of this section that a participating area 16
17 shall represent the area known or reasonably estimated to be produc- 17
18 tive in paying quantities; but, regardless of any revision of the 18
19 participating area, nothing herein contained shall be construed as 19
20 requiring any retroactive adjustment for production obtained prior 20
21 to the effective date of the revision of the participating area. 21
22 In the absence of agreement at any time between the Unit 22
23 Operator and the Supervisor and the Land Commissioner as to the 23
24 proper definition or redefinition of a participating area, or until 24
25 a participating area has, or areas have, been established as pro- 25
26 vided herein, the portion of all payments affected thereby shall be 26
27 impounded in a manner mutually acceptable to the owners of working 27
28 interests and the Supervisor and the Land Commissioner. Royalties 28
29 due the United States shall be determined by the Supervisor for 29
30 Federal lands and the Land Commissioner for State lands and the 30
31 amount thereof shall be deposited, as directed by the Supervisor and 31

1 the Land Commissioner, to be held as unearned money until a partici- 1
2 pating area is finally approved and then applied as earned or re- 2
3 turned in accordance with a determination of the sum due as Federal 3
4 and State royalty on the basis of such approved participating area. 4

5 Whenever it is determined, subject to the approval of the 5
6 Supervisor and the Land Commissioner, that a well drilled under this 6
7 agreement is not capable of production in paying quantities and in- 7
8 clusion of the land on which it is situated in a participating area 8
9 is unwarranted, production from such well shall, for the purposes of 9
10 settlement among all parties other than working interest owners, be 10
11 allocated to the land on which the well is located unless such land 11
12 is already within the participating area established for the pool 12
13 or deposit from which such production is obtained. Settlement for 13
14 working interest benefits from such a well shall be made as provided 14
15 in the unit operating agreement. 15

16 12. ALLOCATION OF PRODUCTION. All unitized substances pro- 16
17 duced from each participating area established under this agreement, 17
18 except any part thereof used in conformity with good operating prac- 18
19 tices within the unitized area for drilling, operating, camp and 19
20 other production or development purposes, for repressuring or re- 20
21 cycling in accordance with a plan of development approved by the 21
22 Supervisor and Land Commissioner, or unavoidably lost, shall be 22
23 deemed to be produced equally on an acreage basis from the several 23
24 tracts of unitized land of the participating area established for 24
25 such production and, for the purpose of determining any benefits 25
26 accruing under this agreement, each such tract of unitized land shall 26
27 have allocated to it such percentage of said production as the num- 27
28 ber of acres of such tract included in said participating area bears 28
29 to the total acres of unitized land in said participating area, ex- 29
30 cept that allocation of production hereunder for purposes other than 30
31 for settlement of the royalty, overriding royalty, or payment out of 31

1 production obligations of the respective working interest owners, 1
2 shall be on the basis prescribed in the unit operating agreement 2
3 whether in conformity with the basis of allocation herein set forth 3
4 or otherwise. It is hereby agreed that production of unitized sub- 4
5 stances from a participating area shall be allocated as provided 5
6 herein regardless of whether any wells are drilled on any particular 6
7 part or tract of said participating area. If any gas produced from 7
8 one participating area is used for repressuring or recycling pur- 8
9 poses in another participating area, the first gas withdrawn from 9
10 such last-mentioned participating area for sale during the life of 10
11 this agreement shall be considered to be the gas so transferred un- 11
12 til an amount equal to that transferred shall be so produced for 12
13 sale and such gas shall be allocated to the participating area from 13
14 which initially produced as such area was last defined at the time 14
15 of such final production. 15

16 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR 16
17 FORMATIONS. Any party hereto owning or controlling the working 17
18 interest in any unitized land having thereon a regular well location 18
19 may with the approval of the Supervisor and the Land Commissioner, 19
20 at such party's sole risk, costs, and expense, drill a well to test 20
21 any formation for which a participating area has not been established 21
22 or to test any formation for which a participating area has been 22
23 established if such location is not within said participating area, 23
24 unless within 90 days of receipt of notice from said party of his 24
25 intention to drill the well the Unit Operator elects and commences 25
26 to drill such a well in like manner as other wells are drilled by 26
27 the Unit Operator under this agreement. 27

28 If any well drilled as aforesaid by a working interest owner 28
29 results in production such that the land upon which it is situated 29
30 may properly be included in a participating area, such participating 30
31 area shall be established or enlarged as provided in this agreement 31

1 and the well shall thereafter be operated by the Unit Operator in 1
2 accordance with the terms of this agreement and the unit operating 2
3 agreement. 3

4 If any well drilled as aforesaid by a working interest owner 4
5 obtains production in quantities insufficient to justify the in- 5
6 clusion of the land upon which such well is situated in a partici- 6
7 pating area, such well may be operated and produced by the party 7
8 drilling the same subject to the conservation requirements of this 8
9 agreement. The royalties in amount or value of production from any 9
10 such well shall be paid as specified in the underlying lease and 10
11 agreements affected. 11

12 14. ROYALTY SETTLEMENT. The United States and any State 12
13 and any royalty owner who, is entitled to take in kind a share of 13
14 the substances now unitized hereunder shall hereafter be entitled 14
15 to the right to take in kind its share of the unitized substances, 15
16 and Unit Operator, or the working interest owner in case of the 16
17 operation of a well by a working interest owner as herein provided 17
18 for in special cases, shall make deliveries of such royalty share 18
19 taken in kind in conformity with the applicable contracts, laws, 19
20 and regulations. Settlement for royalty interest not taken in kind 20
21 shall be made by working interest owners responsible therefor under 21
22 existing contracts, laws and regulations, or by the Unit Operator, 22
23 on or before the last day of each month for unitized substances 23
24 produced during the preceding calendar month; provided, however, 24
25 that nothing herein contained shall operate to relieve the lessees 25
26 of any land from their respective lease obligations for the pay- 26
27 ment of any royalties due under their leases. 27

28 If gas obtained from lands not subject to this agreement is 28
29 introduced into any participating area hereunder, for use in re- 29
30 pressuring, stimulation of production, or increasing ultimate re- 30
31 covery, in conformity with a plan of operations approved by the 31

1 Supervisor and the Land Commissioner, a like amount of gas, after 1
2 settlement as herein provided for any gas transferred from any other 2
3 participating area and with appropriate deduction for loss from any 3
4 cause, may be withdrawn from the formation into which the gas is 4
5 introduced, royalty free as to dry gas, but not as to any products 5
6 which may be extracted therefrom; provided that such withdrawal 6
7 shall be at such time as may be provided in the approved plan of 7
8 operations or as may otherwise be consented to by the Supervisor and 8
9 the Land Commissioner as conforming to good petroleum engineering 9
10 practice; and provided further, that such right of withdrawal shall 10
11 terminate on the termination of this unit agreement. 11

12 Royalty due the United States shall be computed as provided 12
13 in the operating regulations and paid in value or delivered in kind 13
14 as to all unitized substances on the basis of the amounts thereof 14
15 allocated to unitized Federal land as provided herein at the rates 15
16 specified in the respective Federal leases, or at such lower rate 16
17 or rates as may be authorized by law or regulation; provided, that 17
18 for leases on which the royalty rate depends on the daily average 18
19 production per well, said average production shall be determined in 19
20 accordance with the operating regulations as though each partici- 20
21 pating area were a single consolidated lease. 21

22 Royalty due on account of State lands shall be computed and 22
23 paid on the basis of all unitized substances allocated to such lands. 23

24 15. RENTAL SETTLEMENT. Rental or minimum royalties due 24
25 on leases committed hereto shall be paid by working interest owners 25
26 responsible therefor under existing contracts, laws, and regulations 26
27 provided that nothing herein contained shall operate to relieve the 27
28 lessees of any land from their respective lease obligations for the 28
29 payment of any rental or minimum royalty due under their leases. 29
30 Rental or minimum royalty for lands of the United States subject to 30
31 this agreement shall be paid at the rate specified in the respective 31

1 leases from the United States unless such rental or minimum royalty 1
2 is waived, suspended, or reduced by law or by approval of the Secre- 2
3 tary or his duly authorized representative. 3

4 Rentals on State of New Mexico lands subject to this agree- 4
5 ment shall be paid at the rates specified in the respective leases. 5

6 With respect to any lease on non-Federal land containing pro- 6
7 visions which would terminate such lease unless drilling operations 7
8 are commenced upon the land covered thereby within the time therein 8
9 specified or rentals are paid for the privilege of deferring such 9
10 drilling operations, the rentals required thereby shall, notwith- 10
11 standing any other provision of this agreement, be deemed to accrue 11
12 and become payable during the term thereof as extended by this agree- 12
13 ment and until the required drilling operations are commenced upon 13
14 the land covered thereby or until some portion of such land is in- 14
15 cluded within a participating area. 15

16 16. CONSERVATION. Operations hereunder and production of 16
17 unitized substances shall be conducted to provide for the most econ- 17
18 omical and efficient recovery of said substances without waste, as 18
19 defined by or pursuant to State or Federal law or regulation. 19

20 17. DRAINAGE. The Unit Operator shall take such measures 20
21 as the Supervisor and Land Commissioner deem appropriate and ade- 21
22 quate to prevent drainage of unitized substances from unitized land 22
23 by wells on land not subject to this agreement. 23

24 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, 24
25 conditions, and provisions of all leases, subleases, and other con- 25
26 tracts relating to exploration, drilling, development, or operation 26
27 for oil or gas on lands committed to this agreement are hereby ex- 27
28 pressly modified and amended to the extent necessary to make the 28
29 same conform to the provisions hereof, but otherwise to remain in 29
30 full force and effect; and the parties hereto hereby consent that 30
31 the Secretary, as to Federal leases and the Land Commissioner, as to 31

1 State leases, shall and each by his approval hereof, or by the 1
2 approval hereof by his duly authorized representative, does hereby 2
3 establish, alter, change, or revoke the drilling, producing, rental, 3
4 minimum royalty, and royalty requirements of Federal and State 4
5 leases committed hereto and the regulations in respect thereto to 5
6 conform said requirements to the provisions of this agreement, and, 6
7 without limiting the generality of the foregoing, all leases, sub- 7
8 leases, and contracts are particularly modified in accordance with 8
9 the following: 9

10 (a) The development and operation of lands subject to this 10
11 agreement under the terms hereof shall be deemed full performance of 11
12 all obligations for development and operation with respect to each 12
13 and every separately owned tract subject to this agreement, regard- 13
14 less of whether there is any development of any particular tract of 14
15 the unit area. 15

16 (b) Drilling and producing operations performed hereunder 16
17 upon any tract of unitized lands will be accepted and deemed to be 17
18 performed upon and for the benefit of each and every tract of uni- 18
19 tized land, and no lease shall be deemed to expire by reason of 19
20 failure to drill or produce wells situated on the land therein em- 20
21 braced. 21

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

29 (d) Each lease, sublease or contract relating to the ex- 29
30 ploration, drilling, development or operation for oil or gas of 30
31 lands other than those of the United States and State of New Mexico 31

1 committed to this agreement, which, by its terms might expire prior 1
2 to the termination of this agreement, is hereby extended beyond any 2
3 such terms so provided therein so that it shall be continued in full 3
4 force and effect for and during the term of this agreement. 4

5 (e) Any Federal lease for a fixed term of twenty (20) years 5
6 or any renewal thereof or any part of such lease which is made sub- 6
7 ject to this agreement shall continue in force beyond the term pro- 7
8 vided therein until the termination hereof. Any other Federal lease 8
9 committed hereto shall continue in force beyond the term so provided 9
10 therein or by law as to the land committed so long as such lease re- 10
11 mains subject hereto, provided that production is had in paying quan- 11
12 tities under this unit agreement prior to the expiration date of 12
13 the term of such lease, or in the event actual drilling operations 13
14 are commenced on unitized land, in accordance with the provisions 14
15 of this agreement, prior to the end of the primary term of such 15
16 lease and are being diligently prosecuted at that time, such lease 16
17 shall be extended for two years and so long thereafter as oil or gas 17
18 is produced in paying quantities in accordance with the provisions 18
19 of the Mineral Leasing Act Revision of 1960. 19

20 (f) Each sublease or contract relating to the operation 20
21 and development of unitized substances from lands of the United 21
22 States committed to this agreement, which by its terms would expire 22
23 prior to the time at which the underlying lease, as extended by the 23
24 immediately preceding paragraph, will expire, is hereby extended 24
25 beyond any such term so provided therein so that it shall be con- 25
26 tinued in full force and effect for and during the term of the under- 26
27 lying lease as such term is herein extended. 27

28 (g) The segregation of any Federal lease committed to this 28
29 agreement is governed by the following provision in the fourth para- 29
30 graph of Sec. 17(j) of the Mineral Leasing Act, as amended by the 30
31 Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease 31

1 heretofore or hereafter committed to any such (unit) plan embracing 1
2 lands that are in part within and in part outside of the area 2
3 covered by any such plan shall be segregated into separate leases 3
4 as to the lands committed and the lands not committed as of the 4
5 effective date of unitization: Provided, however, That any such 5
6 lease as to the nonunitized portion shall continue in force and 6
7 effect for the term thereof but for not less than two years from 7
8 the date of such segregation and so long thereafter as oil or gas is 8
9 produced in paying quantities." 9

10 (h) Any lease embracing lands of the State of New Mexico 10
11 which is made subject to this agreement, shall continue in force 11
12 beyond the term provided therein as to the lands committed hereto 12
13 until the termination hereof. 13

14 (i) Any lease embracing lands of the State of New Mexico 14
15 having only a portion of its lands committed hereto, shall be segre- 15
16 gated as to the portion committed and the portion not committed, 16
17 and the terms of such lease shall apply separately to such segre- 17
18 gated portions commencing as of the effective date hereof; provided, 18
19 however, notwithstanding any of the provisions of this agreement to 19
20 the contrary any lease embracing lands of the State of New Mexico 20
21 having only a portion of its lands committed hereto shall continue 21
22 in full force and effect beyond the term provided therein as to all 22
23 lands embraced in such lease, if oil or gas is discovered and is 23
24 capable of being produced in paying quantities from some part of 24
25 the lands embraced in such lease at the expiration of the secondary 25
26 term of such lease; or if, at the expiration of the secondary term, 26
27 the lessee or the Unit Operator is then engaged in bona fide drill- 27
28 ing or reworking operations on some part of the lands embraced in 28
29 such lease, the same, as to all lands embraced therein, shall re- 29
30 main in full force and effect so long as such operations are being 30
31 diligently prosecuted, and if they result in the production of oil 31

1 or gas; said lease shall continue in full force and effect as to all
2 of the lands embraced therein, so long thereafter as oil or gas in
3 paying quantities is being produced from any portion of said lands.

4 19. COVENANTS RUN WITH LAND. The covenants herein shall
5 be construed to be covenants running with the land with respect to
6 the interest of the parties hereto and their successors in interest
7 until this agreement terminates, and any grant, transfer, or convey-
8 ance, of interest in land or leases subject hereto shall be and here-
9 by is conditioned upon the assumption of all privileges and obli-
10 gations hereunder by the grantee, transferee, or other successor in
11 interest. No assignment or transfer of any working interest, roy-
12 alty, or other interest subject hereto shall be binding upon Unit
13 Operator until the first day of the calendar month after Unit Opera-
14 tor is furnished with the original, photostatic, or certified copy
15 of the instrument of transfer.

16 20. EFFECTIVE DATE AND TERM. This agreement shall become
17 effective upon approval by the Secretary and the Land Commissioner
18 or his duly authorized representative, and shall terminate five (5)
19 years from said effective date unless

20 (a) such date of expiration is extended by the Director
21 and the Land Commissioner, or

22 (b) it is reasonably determined prior to the expiration of
23 the fixed term or any extension thereof that the unitized land is
24 incapable of production of unitized substances in paying quantities
25 in the formations tested hereunder and after notice of intention to
26 terminate the agreement on such ground is given by the Unit Operator
27 to all parties in interest at their last known addresses, the agree-
28 ment is terminated with the approval of the Supervisor and the Land
29 Commissioner, or

30 (c) a valuable discovery of unitized substances has been
31 made or accepted on unitized land during said initial term or any

1 extension thereof, in which event the agreement shall remain in
2 effect for such term and so long as unitized substances can be pro-
3 duced in quantities sufficient to pay for the cost of producing
4 same from wells on unitized land within any participating area es-
5 tablished hereunder and, should production cease, so long thereafter
6 as diligent operations are in progress for the restoration of pro-
7 duction or discovery of new production and so long thereafter as
8 unitized substances so discovered can be produced as aforesaid, or

9 (d) it is terminated as heretofore provided in this agree-
10 ment. This agreement may be terminated at any time by not less than 10
11 75 per centum, on an acreage basis, of the working interest owners 11
12 signatory hereto, with the approval of the Supervisor and the Land 12
13 Commissioner; notice of any such approval to be given by the Unit 13
14 Operator to all parties hereto. 14

15 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The 15
16 Director is hereby vested with authority to alter or modify from 16
17 time to time in his discretion the quantity and rate of production 17
18 under this agreement when such quantity and rate is not fixed pur- 18
19 suant to Federal or State law or does not conform to any state-wide 19
20 voluntary conservation or allocation program, which is established, 20
21 recognized, and generally adhered to by the majority of operators 21
22 in such State, such authority being hereby limited to alteration or 22
23 modification in the public interest, the purpose thereof and the 23
24 public interest to be served thereby to be stated in the order of 24
25 alteration or modification. Without regard to the foregoing, the 25
26 Director is also hereby vested with authority to alter or modify 26
27 from time to time in his discretion the rate of prospecting and 27
28 development and the quantity and rate of production under this 28
29 agreement when such alteration or modification is in the interest 29
30 of attaining the conservation objectives stated in this agreement 30
31 and is not in violation of any applicable Federal or State law. 31

1 Powers in this section vested in the Director shall only be 1
2 exercised after notice to Unit Operator and opportunity for hearing 2
3 to be held not less than 15 days from notice. 3

4 22. APPEARANCES. Unit Operator shall, after notice to other 4
5 parties affected, have the right to appear for and on behalf of any 5
6 and all interests affected hereby before the Department of the 6
7 Interior and the Commissioner of Public Lands and to appeal from 7
8 orders issued under the regulations of said Department or Land 8
9 Commissioner or to apply for relief from any of said regulations or 9
10 in any proceedings relative to operations before the Department of 10
11 the Interior or the Land Commissioner or any other legally consti- 11
12 tuted authority; provided, however, that any other interested party 12
13 shall also have the right at his own expense to be heard in any such 13
14 proceeding. 14

15 23. NOTICES. All notices, demands or statements required 15
16 hereunder to be given or rendered to the parties hereto shall be 16
17 deemed fully given if given in writing and personally delivered to 17
18 the party or sent by postpaid registered or certified mail, addressed 18
19 to such party or parties at their respective addresses set forth in 19
20 connection with the signatures hereto or to the ratification or con- 20
21 sent hereof or to such other address as any such party may have fur- 21
22 nished in writing to party sending the notice, demand or statement. 22

23 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement 23
24 contained shall be construed as a waiver by any party hereto of the 24
25 right to assert any legal or constitutional right or defense as to 25
26 the validity or invalidity of any law of the State wherein said uni- 26
27 tized lands are located, or of the United States, or regulations 27
28 issued thereunder in any way affecting such party, or as a waiver by 28
29 any such party of any right beyond his or its authority to waive. 29

30 25. UNAVOIDABLE DELAY. All obligations under this agree- 30
31 ment requiring the Unit Operator to commence or continue drilling or 31

1	to operate on or produce unitized substances from any of the lands	1
2	covered by this agreement shall be suspended while the Unit Operator,	2
3	despite the exercise of due care and diligence, is prevented from	3
4	complying with such obligations, in whole or in part, by strikes,	4
5	acts of God, Federal, State, or municipal law or agencies, unavail-	5
6	able accidents, uncontrollable delays in transportation, inability	6
7	to obtain necessary materials in open market, or other matters be-	7
8	yond the reasonable control of the Unit Operator whether similar to	8
9	matters herein enumerated or not. No unit obligation which is sus-	9
10	pended under this section shall become due less than thirty (30)	10
11	days after it has been determined that the suspension is no longer	11
12	applicable. Determination of creditable "Unavoidable Delay" time	12
13	shall be made by the unit operator subject to approval of the Super-	13
14	visor and the Land Commissioner.	14
15	26. NONDISCRIMINATION. In connection with the performance	15
16	of work under this agreement, the operator agrees to comply with	16
17	all the provisions of section 202 (1) to (7) inclusive of Executive	17
18	Order 11246 (30 F.R. 12319), which are hereby incorporated by refer-	18
19	ence in this agreement.	19
20	27. LOSS OF TITLE. In the event title to any tract of	20
21	unitized land shall fail and the true owner cannot be induced to	21
22	join in this unit agreement, such tract shall be automatically re-	22
23	garded as not committed hereto and there shall be such readjustment	23
24	of future costs and benefits as may be required on account of the	24
25	loss of such title. In the event of a dispute as to title as to any	25
26	royalty, working interest, or other interests subject thereto, pay-	26
27	ment or delivery on account thereof may be withheld without liability	27
28	for interest until the dispute is finally settled; provided, that,	28
29	as to Federal and State land or leases, no payments of funds due	29
30	the United States or the State of New Mexico should be withheld, but	30
31	such funds shall be deposited as directed by the Supervisor and such	31

1 funds of the State of New Mexico shall be deposited as directed by 1
2 the Land Commissioner, to be held as unearned money pending final 2
3 settlement of the title dispute, and then applied as earned or re- 3
4 turned in accordance with such final settlement. 4

5 Unit Operator as such is relieved from any responsibility 5
6 for any defect or failure of any title hereunder. 6

7 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of 7
8 any substantial interest in a tract within the unit area fails or 8
9 refuses to subscribe or consent to this agreement, the owner of the 9
10 working interest in that tract may withdraw said tract from this 10
11 agreement by written notice delivered to the Supervisor and the 11
12 Land Commissioner and the Unit Operator prior to the approval of 12
13 this agreement by the Supervisor. Any oil or gas interests in lands 13
14 within the unit area not committed hereto prior to submission of 14
15 this agreement for final approval may thereafter be committed hereto 15
16 by the owner or owners thereof subscribing or consenting to this 16
17 agreement, and, if the interest is a working interest, by the owner 17
18 of such interest also subscribing to the unit operating agreement. 18
19 After operations are commenced hereunder, the right of subsequent 19
20 joinder, as provided in this section, by a working interest owner 20
21 is subject to such requirements or approvals, if any, pertaining to 21
22 such joinder, as may be provided for in the unit operating agree- 22
23 ment. After final approval hereof, joinder by a non-working inter- 23
24 est owner must be consented to in writing by the working interest 24
25 owner committed hereto and responsible for the payment of any bene- 25
26 fits that may accrue hereunder in behalf of such non-working inter- 26
27 est. A non-working interest may not be committed to this unit 27
28 unless the corresponding working interest is committed hereto. 28
29 Joinder to the unit agreement by a working-interest owner, at any 29
30 time, must be accompanied by appropriate joinder to the unit opera- 30
31 ting agreement, if more than one committed working-interest owner 31

1 is involved, in order for the interest to be regarded as committed 1
2 to this unit agreement. Except as may otherwise herein be provided, 2
3 subsequent joinders to this agreement shall be effective as of the 3
4 first day of the month following the filing with the Supervisor and 4
5 the Land Commissioner of duly executed counterparts of all or any 5
6 papers necessary to establish effective commitment of any tract to 6
7 this agreement unless objection to such joinder is duly made within 7
8 60 days by the Supervisor and the Land Commissioner. 8

9 29. COUNTERPARTS. This agreement may be executed in any 9
10 number of counterparts no one of which needs to be executed by all 10
11 parties or may be ratified or consented to by separate instrument in 11
12 writing specifically referring hereto and shall be binding upon all 12
13 those parties who have executed such a counterpart, ratification, 13
14 or consent hereto with the same force and effect as if all such 14
15 parties had signed the same document and regardless of whether or 15
16 not it is executed by all other parties owning or claiming an inter- 16
17 est in the lands within the above-described unit area. 17

18 30. SURRENDER. Nothing in this agreement shall prohibit 18
19 the exercise by any working interest owner of the right to surrender 19
20 vested in such party by any lease, sublease, or operating agreement 20
21 as to all or any part of the lands covered thereby, provided that 21
22 each party who will or might acquire such working interest by such 22
23 surrender or by forfeiture as hereafter set forth, is bound by the 23
24 terms of this agreement. 24

25 If as a result of any such surrender the working interest 25
26 rights as to such lands become vested in any party other than the 26
27 fee owner of the unitized substances, said party may forfeit such 27
28 rights and further benefits from operation hereunder as to said 28
29 land to the party next in the chain of title who shall be and become 29
30 the owner of such working interest. 30

31 If as the result of any such surrender or forfeiture working 31

1	interest rights become vested in the fee owner of the unitized sub-	1
2	stances, such owner may:	2
3	(1) Accept those working interest rights subject to this	3
4	agreement and the unit operating agreement; or	4
5	(2) Lease the portion of such land as is included in a	5
6	participating area established hereunder subject to this agreement	6
7	and the unit operating agreement.	7
8	(3) Provide for the independent operation of any part of	8
9	such land that are not then included within a participating area	9
10	established hereunder.	10
11	If the fee owner of the unitized substances does not accept	11
12	the working interest rights subject to this agreement and the unit	12
13	operating agreement or lease such lands as above provided within	13
14	six (6) months after the surrendered or forfeited working interest	14
15	rights become vested in the fee owner, the benefits and obligations	15
16	of operations accruing to such lands under this agreement and the	16
17	unit operating agreement shall be shared by the remaining owners of	17
18	unitized working interests in accordance with their respective	18
19	working interest ownerships, and such owners of working interests	19
20	shall compensate the fee owner of unitized substances in such lands	20
21	by paying sums equal to the rentals, minimum royalties, and royal-	21
22	ties applicable to such lands under the lease in effect when the	22
23	lands were unitized.	23
24	An appropriate accounting and settlement shall be made, for	24
25	all benefits accruing to or payments and expenditures made or in-	25
26	curred on behalf of such surrendered or forfeited working interest	26
27	subsequent to the date of surrender or forfeiture, and payment of	27
28	any moneys found to be owing by such an accounting shall be made as	28
29	between the parties within thirty (30) days. In the event no unit	29
30	operating agreement is in existence and a mutually acceptable agree-	30
31	ment between the proper parties thereto cannot be consummated, the	31

1 Supervisor may prescribe such reasonable and equitable agreement as 1
2 he deems warranted under the circumstances. 2

3 The exercise of any right vested in a working interest owner 3
4 to reassign such working interest to the party from whom obtained 4
5 shall be subject to the same conditions as set forth in this section 5
6 in regard to the exercise of a right to surrender. 6

7 31. TAXES. The working interest owners shall render and 7
8 pay for their account and the account of the royalty owners all 8
9 valid taxes on or measured by the unitized substances in and under 9
10 or that may be produced, gathered and sold from the land subject to 10
11 this contract after the effective date of this agreement, or upon 11
12 the proceeds derived therefrom. The working interest owners on each 12
13 tract shall and may charge the proper proportion of said taxes to 13
14 the royalty owners having interests in said tract, and may currently 14
15 retain and deduct sufficient of the unitized substances or deriva- 15
16 tive products, or net proceeds thereof from the allocated share of 16
17 each royalty owner to secure reimbursement for the taxes so paid. 17
18 No such taxes shall be charged to the United States or the State of 18
19 New Mexico or to any lessor who has a contract with his lessee which 19
20 requires the lessee to pay such taxes. 20

21 32. NO PARTNERSHIP. It is expressly agreed that the re- 21
22 lation of the parties hereto is that of independent contractors and 22
23 nothing in this agreement contained, expressed or implied, nor any 23
24 operations conducted hereunder, shall create or be deemed to have 24
25 created a partnership or association between the parties hereto or 25
26 any of them. 26

27 33. CONFLICT OF SUPERVISION. Neither the Unit Operator 27
28 nor the working interest owners, nor any of them, shall be subject 28
29 to any forfeiture, termination or expiration of any right hereunder 29
30 or under any leases or contracts subject hereto, or to any penalty 30
31 or liability on account of delay or failure in whole or in part to 31

1 comply with any applicable provisions thereof to the extent that 1
2 the said Unit Operator or the working interest owners, or any of 2
3 them, are hindered, delayed or prevented from complying therewith 3
4 by reason of failure of the Unit Operator to obtain, in the exercise 4
5 of due diligence, the concurrence of proper representatives of the 5
6 United States and proper representatives of the State of New Mexico 6
7 in and about any matters or things concerning which it is required 7
8 herein that such concurrence be obtained. The parties hereto, in- 8
9 cluding the State Commission, agree that all powers and authority 9
10 vested in the State Commission in and by any provisions of this 10
11 agreement are vested in the State Commission and shall be exercised 11
12 by it pursuant to the provisions of the laws of the State of New 12
13 Mexico and subject in any case to appeal or judicial review as may 13
14 now or hereafter be provided by the laws of the State of New Mexico. 14

SURFACE MANAGEMENT STIPULATION. Nothing in this agreement shall modify or change the special Federal Lease Stipulations relating to surface management attached to, and made a part of, Oil and Gas Leases covering lands within the Unit Area.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

ATTEST:

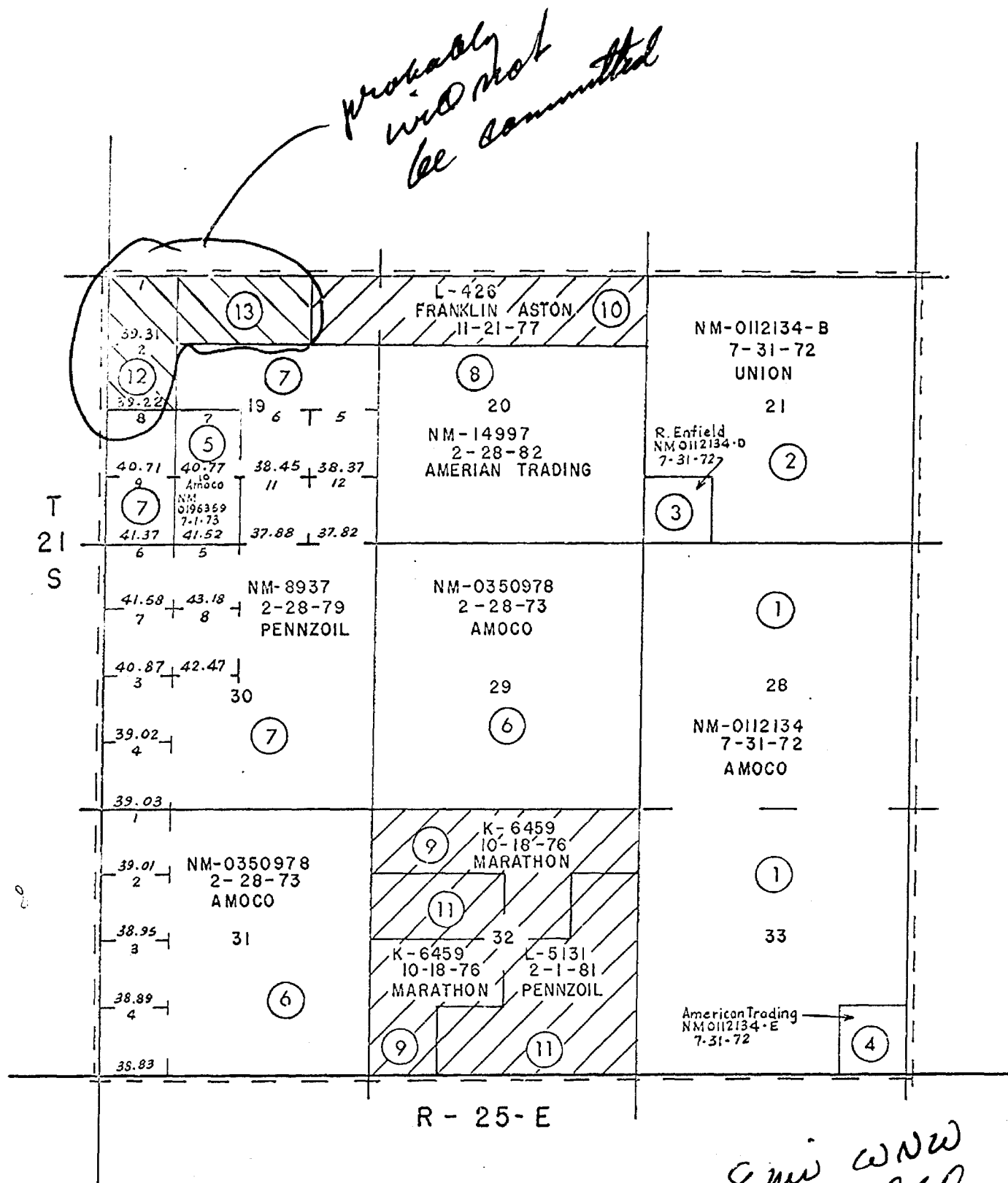
AMERICAN TRADING AND PRODUCTION CORPORATION

By: _____
Secretary

By: _____
President

Address: _____

UNIT OPERATOR



- OUTLINE OF UNIT AREA
- TRACT NUMBER
- FEDERAL LANDS 4,758.72 ACRES
82.66 % OF UNIT AREA
- ▨ STATE OF NEW MEXICO LANDS, 840.00 ACRES
14.59 % OF UNIT AREA
- ▨ PATENTED (FEE) LANDS, 158.53 ACRES
2.75 % OF UNIT AREA
- TOTAL 5,757.25 Acres

Federal Leases

NM-0112134
NM-0112134-B
NM-0112134-D
NM-0112134-E
NM-0196359
NM-0350978
NM-8937
NM-14997

EXHIBIT "A"
ROUND MOUNTAIN UNIT AREA

Eddy County, New Mexico

Case 4729

Case 4729

Tract No.	Description	Number of acres	Lease Serial No. Expiration Date	Basic Royalty and Percent	Lessee of Record	Interest	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage
All lands in T-21-S, R-25-E								
1.	Sec. 28: All Sec. 33: NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$	1,240.00	NW-0112134-7/31/72	U. S. A. 12.5	Amoco Production Co.	All	George E. Conley	5.00 Amoco Production Co. All
FEDERAL LANDS								
2.	Sec. 21: NW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$	600.00	NW-0112134-B-7/31/72	U. S. A. 12.5	Union Oil Co. of Calif.	All	Estate Ralph Lowe	5.00 Surface to Base of Devonian Formation Union Oil Co. of Calif. 50% Hanagan & Hanagan 50% Below Base of Devonian Union Oil Co. of Calif. All
3.	Sec. 21: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	NW-0112134-D-7/31/72	U. S. A. 12.5	Robert N. Enfield	All	Estate Ralph Lowe	5.00 Robert N. Enfield All
4.	Sec. 33: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NW-0112134-E-7/31/72	U. S. A. 12.5	American Trading & Production Corp.	50.00	George E. Conley	5.00 American Trading & Production Corp. 50.00 David Fasken 50.00
5.	Sec. 19: Lots 7, 10	82.29	NW-0196359-6/30/73	U. S. A. 12.5	Amoco Production Co.	All	Paul Walton Thomas Kearns Jerome Grunard	2.25 Amoco Production Co. All 2.25 .50 5.00

6. Sec. 29: All	1,275.68	NW-0350978	U. S. A.	Amoco Production Co.	All	Hugh Kirkpatrick	5.00	Amoco Production Co.	All
Sec. 31: Lots 1,2,3,4, E½NW¼, E½ (All)		1/31/73	12.5						
7. Sec. 19: Lots 5,6, 1,000.75		NW-8937	U. S. A.	Pennzoil United, Inc.	All	Thomas Allen		Pennzoil United, Inc.	62.50
8,9,11,12, SE¼NW¼, S½NE¼		2/28/79	12.5			\$750 per ac. out of 4.00		Prudential Funds, Inc.	37.50
Sec. 30: Lots 3,4,5,6, 7,8, E½SW¼, E½ (All)						Robinson Royalty Club			
						\$750 per ac. out of .50			
						Tom L. Ingram			
						\$750 per ac. out of .0625			
						Robert H. Cress			
						\$750 per ac. out of .4375			
						5.0000			
8. Sec. 20: S½, S½NW¼	480.00	NW-14997	U. S. A.	American Trading & Production Corp.	50.0	John B. Vreeland	4.00	American Trading & Production Corp.	50.00
		3/1/82	12.5	David Fasken	50.0			David Fasken	50.00
<hr/>									
TOTAL	4,758.73 acres, Federal Lands								
<hr/>									
STATE OF NEW MEXICO LANDS									
9. Sec. 32: NW¼, SW¼NE¼, N½SW¼, SW¼SW¼	320.00	K-6459	State	Marathon Oil Co.	All	None		Marathon Oil Co.	All
		10/18/76	12.5						
10. Sec. 19: NE¼NE¼	200.00	L-426	State	Franklin, Aston, & Fair	All	Robert B. Gates	5.00	Franklin, Aston, & Fair	All
Sec. 20: NW¼		11/21/77	12.5						

Case 4729

11. Sec. 32: SEANEM , SEANEM , SEK, SEASWK	320.00	L-5131	State 12.5	Pennzoil United, Inc.	ALL	None	Pennzoil United Inc. Prudential Funds, Inc.	62.50 37.50
TOTAL	840.00 acres, State of New Mexico lands							

PATENTED (FEE) LANDS

12. Sec. 19: NEANWK , NEANWK	80.00	Fee 10/26/72	Richard I. Floyd Virginia Shafer Nymeyer Raymond A. Shafer, Jr. Marjorie S. Tansey	1/2 1/6 1/6 1/6	None
13. Sec. 19: Lots 1,2	78.53	Fee 9/27/72 10/17/72	Pardue Farms, a p/s Dorothy Swigart Carlson Leona L. Stagner Marilyn T. Joyce Merland, Inc. June Joyce Kugeler Carmex, Inc. Trustees of the E. C. Phillips Trust Trustee of the J. M. Phillips Trust Melton Winfield James Melton Winfield Jerry Phillips Winfield	18.06% 18.06% 9.03% 24.23% 7.20% 7.20% 7.20% 3.61% 1.81% 1.20% 1.20% 1.20%	

TOTAL 158.53 acres, Patented (Fee) Lands

RECAPITULATION

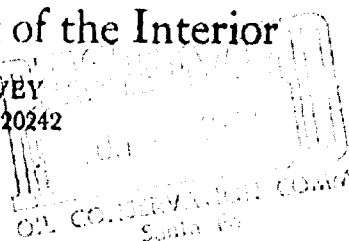
4,758.72 Acres Federal Lands, 82.55% of the Unit	
840.00 Acres State Lands 14.59% of the Unit	
158.53 Acres Fee Lands 2.75% of the Unit	
5,757.25	100.00%

Case 472-9



United States Department of the Interior

GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242



Mr. Ted B. Lacaff, Jr.
Division Manager, Domestic Oil & Gas
American Trading & Production Corp.
P. O. Drawer 992
Midland, Texas 79701

JUN 2 1972

*File
Case 4729*

Dear Mr. Lacaff:

Your application of May 17, 1972, filed with the Regional Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Round Mountain unit area involving 5,757.25 acres, more or less, Eddy 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, Round Mountain Unit Area", is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for the drilling of the initial test well to a depth to test the Basal Morrow Sand of Pennsylvanian age or to a depth of 10,500 feet. Use of the Form of Agreement for Unproved Areas (1968 reprint) modified to include appropriate language to cover the inclusion of State of New Mexico and privately owned lands, and to add a new section to recognize the special surface management stipulation attached to lease New Mexico 14997, as proposed by your application, will be acceptable.

In the absence of any other type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical to said form, modified only as indicated above and approved by the appropriate officials of the State of New Mexico, will be approved if submitted in approvable status within a reasonable time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations within the unit area.

When the executed agreement is transmitted to the Supervisor for approval, show the latest status of all acreage. The format of the sample exhibits attached to the 1968 reprint of the Form of Agreement for Unproved Areas should be followed closely in the preparation of Exhibits A and B.

As the unit area contains State of New Mexico lands, we are sending a copy of this letter to the Commissioner of Public Lands of the State of New Mexico in Santa Fe. Please contact the State of New Mexico before soliciting joinders, regardless of prior contacts with or clearance from the State.

Sincerely yours,

U. E. McKelvey

Director

cc:

BLM, Santa Fe (w/cy Ex. A)

Com. Pub. Lands, Santa Fe (w/cy Ex. A)

SHOCC, Santa Fe

Roswell (2)

OS&D Section

CD Files

SERIALS:

New Mexico 0112134
0112134-B
0112134-D
0112134-E
0196359
0350978
8937
14997

RANDOLPH M. RICHARDSON
OIL AND GAS LAND AND UNIT CONSULTANT
FEDERAL - STATE - FEE
P. O. BOX 819
ROSWELL, NEW MEXICO 88201

May 18, 1972

OFFICE 505 622-8801
HOME 505 622-7985

Case 4729

RE: ROUND MOUNTAIN UNIT AREA
T-21-S, R-25-E, Eddy County, N.M.

Mr. Pete Porter
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Porter:

On behalf of American Trading and Production Corporation, I am filing herewith, application for approval of the Round Mountain Unit Agreement together with one copy of the proposed Agreement.

This is the Unit that I discussed with you this morning by telephone and supplied the necessary information to your Attorney so that the hearing for this Unit could be placed on the June 7, 1972, docket.

I appreciate your help very much, and if all is not in order or if you need any additional information, please do not hesitate to let me know.

Yours very truly,

R. M. Richardson
R. M. Richardson

RMR:cm
Enclosure

DOCKET 5/24/72

(Case 4729 continued)

of Federal, State and Fee lands in Sections 19, 20, 21, 28, 29, 30, 31, 32, and 33, Township 21 South, Range 25 East, Eddy County, New Mexico.

CASE 4730: Application of Stoltz, Wagner & Brown for salt water disposal, Lea County, New Mexico. Applicants, in the above-styled cause, seek authority to dispose of produced salt water into the Devonian formation in the interval from 11224 to 11234 feet in their Soldier Hill State AE Well No. 1 located 800 feet from the North line and 1800 feet from the West line of Section 23, Township 12 South, Range 32 East, East Caprock Devonian Pool, Lea County, New Mexico.

CASE 4731: Application of Continental Oil Company for rededication of acreage and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dedicate a standard 640-acre gas proration unit comprising all of Section 14, Township 20 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to its Sanderson "A" Wells Nos. 12 and 13 located, respectively, in Units P and G of said Section 14. Applicant further seeks authority to produce the allowable for the unit from either well in any proportion. Applicant further seeks the establishment of a procedure whereby the allowable for the above-described proration unit may be produced by any or all Eumont gas wells located within said unit without the necessity of notice and hearing.

CASE 4732: Application of Continental Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Skaggs-Glorieta, East Weir-Blaine, and Skaggs-Drinkard Pools in the wellbore of its Skaggs "B" Well No. 5 located 990 feet from the North line and 1700 feet from the West line of Section 12, Township 20 South, Range 37 East, Lea County, New Mexico.

CASE 4709: (Continued from the May 5, 1972, Examiner Hearing)

Application of Continental Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Eumont Gas Pool and the Penrose Skelly Oil Pool in the wellbore of its Lockhart A-17 Well No. 1 located in Unit L of Section 17, Township 21 South, Range 37 East, Lea County, New Mexico.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 7, 1972

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before DANIEL S. NUTTER, Examiner,
or ELVIS A. UTZ, Alternate Examiner:

CASE 4716 (Readvertised):

Application of Union Oil Company of California for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Owens Well No. 2, having a surface location in Unit I of Section 34, Township 14 South, Range 35 East, East Morton-Wolfcamp Pool, Lea County, New Mexico. Applicant proposes to set a whipstock at approximately 7200 feet and to directionally drill to bottom the well in the Wolfcamp formation within 100 feet of a point in Unit H 1730 feet from the North line and 560 feet from the East line of said Section 34. Applicant proposes to dedicate the E/2 NE/4 of Section 34 to the well. In the absence of objection an order will issue based upon testimony received in this case on May 17, 1972.

CASE 4726: Application of Shenandoah Oil Corporation for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg-San Andres formations through one well located in the SE/4 NW/4 of Section 27, Township 18 South, Range 31 East, Shugart Pool, Eddy County, New Mexico.

CASE 4727: Application of Harper Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle oil production from the Blinebry, Drinkard, and Wantz-Abo Pools in the wellbore of its S. J. Sarkey Well No. 2 located in Unit H of Section 26, Township 21 South, Range 37 East, Lea County, New Mexico.

CASE 4728: Application of Texaco Inc. for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the East Weir-Tubb Pool, Lea County, New Mexico, including provisions for 80-acre proration units and a limiting gas-oil ratio limitation of 4000 cubic feet of gas per barrel of oil.

CASE 4729: Application of American Trading and Production Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Round Mountain Unit Agreement comprising 5,757 acres, more or less,

CASE 4733: Application of David Fasken for pool contraction and creation of a new gas pool, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the horizontal limits of the Indian Basin-Morrow Gas Pool, Eddy County, New Mexico, by the deletion therefrom of all of Sections 4 and 5, Township 21 South, Range 24 East. Applicant further seeks the creation of a new gas pool with horizontal limits comprising all of said Section 4 and 5 for the production of gas from the Morrow formation.

CASE 4734: Application of Hanagan Petroleum Corporation for pool extension, non-standard spacing unit, and unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order extending the horizontal limits of the Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, to include all of Section 24, Township 21 South, Range 25 East and all of Section 19, Township 21 South, Range 26 East. Applicant further seeks approval of a 636.38-acre non-standard gas spacing unit comprising all of said Section 19 to be dedicated to its Nan-Bet Well No. 1 located at an unorthodox location for said pool 1980 feet from the North line and 660 feet from the West line of said Section 19.

CASE 4735: Application of El Paso Natural Gas Company for capacity production, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rules 14 (A) 15 (A), and 15 (B) of the General Rules and Regulations for the prorated gas pools of Northwest New Mexico, to produce six wells located in Sections 29, 30, 31, and 32 of Township 32 North, Range 8 West and Section 36, Township 32 North, Range 9 West, Blanco-Mesaverde Pool, San Juan County, New Mexico, at full capacity for approximately one year from February 1, 1972.

Applicant further seeks authority to offset any overproduction accrued to the above-described six wells during the one-year period by underproduction attributable to any underproduced wells or marginal wells located within the participating area of the San Juan 32-9 Unit.

CASE 4736: Application of Dalport Oil Corporation for an exception to Order No. R-3221, as amended, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, to dispose into an unlined surface pit water produced from its Todhunter-Federal Well No. 1 located in the SE/4 NW/4 of Section 22, Township 15 South, Range 29 East, Double L Field, Chaves County, New Mexico.

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
APPLICATION FOR APPROVAL OF
ROUND MOUNTAIN UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

Case 4729

New Mexico Oil Conservation Commission
Santa Fe, New Mexico 87501

Comes the undersigned, American Trading and Production Corporation with offices at Midland, Texas, and files herewith one copy of the proposed Unit Agreement for the development and operation of the Round Mountain Unit Area, Eddy County, New Mexico, and hereby makes application for approval of said Unit Agreement as provided by law, and in support thereof, states:

1. That the proposed Unit Area covered by said Agreement embraces 5,757.25 acres of land, more or less, more particularly described as follows:

Township 21 South, Range 25 East, NMPM

Sections 19, 20, 21: All

Sections 28, 29, 30: All

Sections 31, 32, 33: All

Eddy County, New Mexico

2. That of the lands embraced within the proposed unit, 840.00 acres are State of New Mexico Lands, being 14.59% of the Area; 4,758.72 acres are Lands of the United States, being 82.66% of the Area; and 158.53 acres are patented or fee land, being 2.75% of the Unit area.

3. That Application is being made for the designation of said area and for approval of the form of Unit Agreement by the Commissioner of Public Lands, State of New Mexico.

That Applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all or substantially all of the geological feature involved, and that in the event of a discovery of oil or gas thereon, that said Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That American Trading and Production Corporation is designated as the Unit Operator in said Unit Agreement, and as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to test the lower Morrow formation, but applicant is not obligated to drill said well in any event to a depth in excess of 10,500 feet.

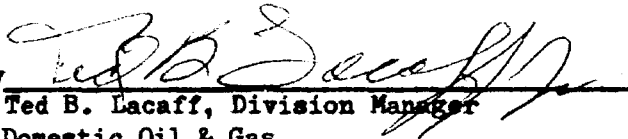
5. That applicant believes that in the event oil or gas is discovered in paying quantities on lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that maximum recovery will be obtained of unitized substances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


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

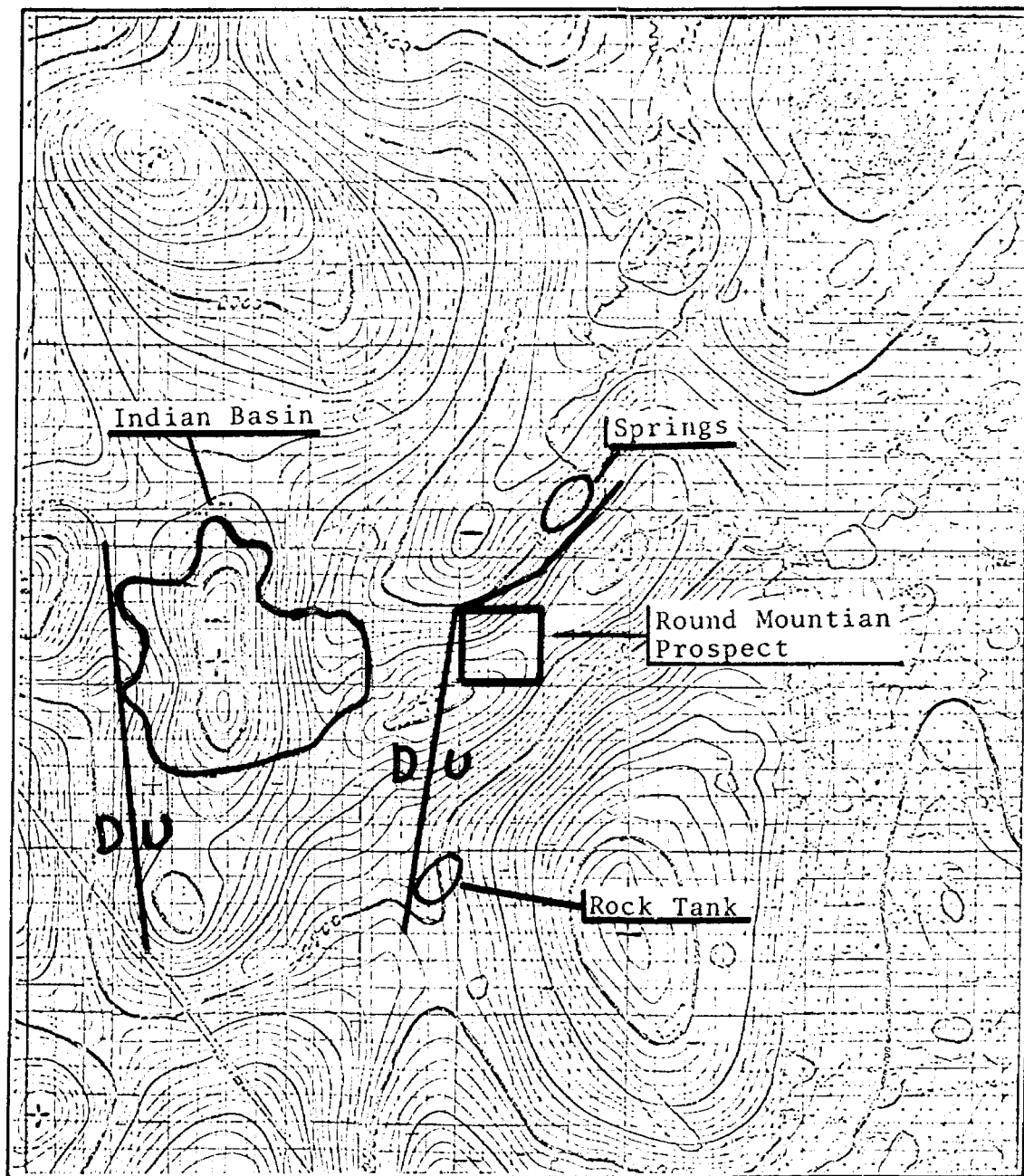
7. Wherefore, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and the prevention of waste. Applicant respectfully requests that his matter be heard at the hearing scheduled for June 7, 1972.

Dated this 19th day of May, 1972.

AMERICAN TRADING AND PRODUCTION CORPORATION

By 
Ted B. Lacaff, Division Manager
Domestic Oil & Gas
P. O. Drawer 992
Midland, Texas 79701


Randolph M. Richardson
Attorney-at-Law
P. O. Box 819
Roswell, New Mexico 88201



BEFORE ENGINEER NUTTER
OIL CONSERVATION DIVISION
EXHIBIT NO. 4
CASE NO. 4749
Submitted by _____
Hearing Date _____

AMERICAN TRADING AND PRODUCTION CORPORATION
ROUND MOUNTAIN PROSPECT EDDY COUNTY, NEW MEXICO
TOTAL INTENSITY AEROMAGNETICS
Scale: 1" = 32,000' 4-10-72

EXHIBIT 4

AMERICAN TRADING AND PRODUCTION CORPORATION

WESTERN UNITED LIFE BUILDING
POST OFFICE DRAWER 992
MIDLAND, TEXAS 79701

A. G. 915
684-4463

May 15, 1972

BEFORE E
OIL CONSERV
app. EXHIBIT NO. 2
CASE NO. 4729
Submitted by
Hearings Date
Location:

GEOLOGIC REPORT

PROPOSED ROUND MOUNTAIN UNIT

EDDY COUNTY, NEW MEXICO

The proposed unit is comprised of Sections 19, 20, 21, 28, 29, 30, 31, 32 and 33, T-21-S, R-25-E, Eddy County, New Mexico, and is located 8 miles west-northwest of Carlsbad.

Geologic Basis for Unit Boundary:

The proposed unit outline is based on a subsurface structural interpretation (Exhibit #1) supported by aeromagnetic tectonic analysis (Exhibit #2) which indicates the existence of an anticlinal closure bounded on the west and north by faulting. The fault analogy is supported by known faulting present on the west side of Indian Basin Field. The proposed unit includes all full sections structurally higher than the -6700-foot contour datum.

Reservoir Objectives:

The primary reservoir objectives in this unit are the Pennsylvanian-Morrow sands. These sands produce 3 miles east in the Catclaw Draw Unit and in Golden Eagle Field 4 miles northeast. The proposed unit is located in an area where a

number of Morrow sands are present (Exhibits #3 & #4). Although Morrow gas accumulation is usually found in stratigraphic traps, it is anticipated that structure will be a dominant factor in entrapment in Round Mountain Unit, as it is in the Rock Tank Field 9 miles south. Support for a structural trap is seen in the Catclaw Draw wells which have several sand pays per well (Exhibit #4), a situation not commonly encountered in the more purely stratigraphic traps; and in the Hanagan #1 State Com., 15-21S-25E (Exhibit #4), which tested gas and water from an Upper Morrow sand. The well is programmed to test the Basal Morrow Sand by drilling into the Mississippian-Barnett Shale, or to a depth not to exceed 10,500 feet.

Anticipated formation tops in the proposed well are as follows:

B/Capitan - T/Delaware Mtn. Group	2,000'
T/Bone Spring	3,800'
T/Wolfcamp	7,300'
T/Pennsylvanian-Cisco	8,000'
T/Lower Morrow	10,000'
T/Mississippian-Barnett	10,400'

A prime secondary objective is the Pennsylvanian-Cisco carbonate which produces in Springs Field 4 miles northeast. Entrapment is in topographic prominences on this shelf-edge carbonate bank which developed along the aforementioned structurally high trend.

Douglas E. Masten
District Manager

(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 Round Mountain 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 and the Director of the United States Geological Survey; 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.

DRAFT

GMH/dr

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. 4729

Order No. R-4323

APPLICATION OF AMERICAN TRADING AND PRODUCTION CORPORATION
FOR APPROVAL OF THE ROUND MOUNTAIN
UNIT AGREEMENT, EDDY, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
June 7, 1962, at Santa Fe, New Mexico, before Examiner
Daniel S. Nutter.

NOW, on this _____ day of June, 1962, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, 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, American Trading and Production Corporation
seeks approval of the Round Mountain Unit Agreement
covering 5,757.25 acres, more or less, of State,
Federal lands
and Fee
described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM

Section 19: all
Section 20: all
Section 21: all
Section 28: all
Section 29: all
Section 30: all
Section 31: all
Section 32: all
Section 33: all

Sections 19 through 21: All
Sections 28 through 33: All

June 7

- Randy Richardson - Roswell -

- Fed - State - Fee -

American Trading and Production
Corporation -

Unit area:

T. 21 S - R 25 E

Sections: 19, 20, 21, 28, 29

30, 31, 32, 33 all =

5,757.25
acres

total - 640 -

840 acres of State

4,758.72 - Fed

158.53 - Fee

Eddy County -

Round Mountain Unit Agreement

- Bosol Marrow Formation -

CASE 4730: Application of STOLTZ,
WAGNER & BROWN FOR SALT WATER
DISPOSAL, LEA COUNTY, NEW MEXICO.