

CASE 5269: Application of UNION
OIL CO. OF CALIF. FOR APPROVAL OF
THE ESTACADO UNIT AGREEMENT.

CASE No.

5269

Application,
Transcripts,
Small Exhibits

ETC.

Unit Name ESTACADO UNIT (EXPLORATORY)
 Operator UNION OIL COMPANY OF CALIFORNIA
 County LEA

DATE	OCC CASE NO.	5269	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO.	R-4825							
Commissioner	July 30, 1974		July 30, 1974	1,280.00	1,200.00	-0-	80.00	Yes	5 yrs.

UNIT AREA
 TOWNSHIP 14 SOUTH, RANGE 35 EAST NMPM
 Section 8 All
 Section 17 All

TERMINATED
 6-18-75
 ELL

Unit Name ESTACADO UNIT (EXPLORATORY)
 Operator UNION OIL COMPANY OF CALIFORNIA
 County IEA

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACNEAGE NOT RATIFIED	LESSEE
1	K-4408 ✓	C.S.	17	14S	35E	N/2	7-23-74	320.00		Jake L. Hamon
2	K-4729 ✓	C.S.	8	14S	35E	E/2	7-8-74	320.00		Warren-American Oil Comp
3	L-552 ✓	C.S.	8	14S	35E	E/2SW/4	7-2-74	80.00		Mesa Petroleum Company
4	L-4799 ✓	C.S.	8	14S	35E	NW/4	6-26-74	160.00		Union Oil Co. of Calif.
5	LG-1043 ✓	C.S.	17	14S	35E	S/2	6-26-74	320.00		Union Oil Co. of Calif.

TERMINATED
 6-18-75
 E.H.



PHIL R. LUCERO
COMMISSIONER

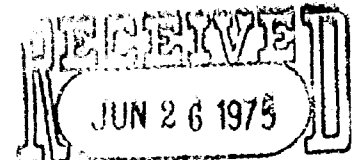
State of New Mexico



Commissioner of Public Lands

June 25, 1975

TELEPHONE
505-827-2748



OIL CONSERVATION COMM.

Santa Fe
P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Union Oil Company of California
Suite 300 Security Nat'l Bank Bldg.
Roswell, New Mexico 88201

Re: Estacado Unit
TERMINATION
Lea County, New Mexico

ATTENTION: Mr. W. M. (Bill) Stanley

Gentlemen:

The Estacado Unit agreement, Lea County, New Mexico, was approved July 30, 1974, by the Commissioner of Public Lands, effective as of the date of approval. The term of such agreement is contingent upon the unit operator drilling one well at a time, allowing not more than six months time between the completion of one well and the beginning of the next, until a well capable of producing unitized substances in paying quantities is completed.

Our records show that you intended to plug and abandon your first test well since it was a dry hole. Your C-103 gives a date of December 18, 1974, therefore, your second test well was due June 18, 1975. Inasmuch as the second unit test well was not commenced, the Estacado unit agreement is considered to have terminated automatically as of June 18, 1975.

Please notify all interested parties of this action.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY:
RAY D. GRAHAM, Director
Oil and Gas Division

PRL/RDG/s

cc: OCC-Santa Fe, New Mexico ✓

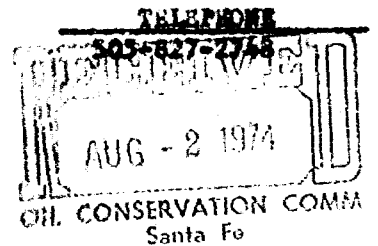
State of New Mexico



ALEX J. ARMIJO
COMMISSIONER



Commissioner of Public Lands
July 30, 1974



P. O. BOX 1148
SANTA FE, NEW MEXICO

Union Oil Company of California
Suite 300 Security Nat'l Bank Bldg.
Roswell, New Mexico 88201

Re: Estacado Unit
Lea County, New Mexico

ATTENTION: Mr. W. M. (Bill) Stanley

Gentlemen:

The Commissioner of Public Lands has this date approved your Estacado Unit, Lea County, New Mexico. The effective date to be as of July 30, 1974.

Enclosed are five (5) Certificates of approval.

Very truly yours,

RAY D. GRAHAM, Director
Oil and Gas Department

AJA/REG/s

encls.

cc:

OCC-Santa Fe, New Mexico ✓

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 10, 1974

EXAMINER HEARING

IN THE MATTER OF:

Application of Union Oil Company of
California for a unit agreement, Lea
County, New Mexico.

CASE 5269

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: Thomas Derryberry, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: James T. Jennings, Esq.
JENNINGS, CHRISTY & COPPLE
1012 Security National Bank Bldg.
Roswell, New Mexico

I N D E X

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DARREL WILSON

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Cross Examination by Mr. Nutter	8

E X H I B I T S

Marked

Admitted

Applicant's Exhibits 1 through 4	--	8
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WILSON -DIRECT

CASE 5269

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MR. NUTTER: We will call Case Number 5269.

MR. DERRYBERRY: Case 5269, application of Union Oil Company of California for a unit agreement, Lea County, New Mexico.

MR. JENNINGS: I am James T. Jennings of Jennings, Christy and Copple in Roswell and I have one witness, Mr. Darrel Wilson.

(Whereupon, the witness was sworn.)

MR. JENNINGS: Mr. Examiner, we stated in our application that we would file a unit agreement at the time of the Hearing and we will file it as our Exhibit Number 1.

MR. NUTTER: That's fine.

DARREL WILSON

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. JENNINGS:

Q Would you state your name and occupation, please, sir?

A My name is Darrel Wilson and I am a geologist with Union Oil Company of California in Roswell.

Q Mr. Wilson, on prior occasions have you testified before this Commission and had your qualifications as an

expert accepted?

A Yes.

Q Are you familiar with the application that has been filed in Case Number 5269?

A I am.

Q Briefly what is the nature of the application?

A Union Oil Company of California is proposing forming a 1280-acre State unit comprising the two sections shown outlined on the block, and drilling a 13,600-foot Morrow test. We feel that by the unit agreement we will promote the prevention of waste and the protection of correlative rights within the unit.

Q I hand you what has been marked Exhibit 1 which is the unit agreement which has been offered to the Commission. Referring to the plat on the back of the unit agreement, does that outline the proposed unit area?

A Yes, Sections 8 and 17 of 14 South, 35 East, Lea County, New Mexico.

Q Generally what type of land is that?

A With practically all with the exception of 80 acres is State acreage, this one 80-acre "B" tract.

Q Who is the proposed unit operator?

A Union Oil Company of California.

Q Have all the other owners in the area joined in the unit agreement?

A Yes. We have not yet received word from Warren American, but they told us that they will do what Hamon has done and Hamon has joined and accepted the unit agreement.

Q Would you locate the wells, please, and tell the proposed depths?

A We will probably drill the well in the northwest corner of the southwest quarter of Section 8, and we plan to drill a 13,600 foot Morrow test.

Q I hand you what has been marked Exhibit 2 and ask you to identify that if you would, please?

A This is a letter to Mr. Stanley, Union Oil Company of California's District Landman in Roswell from Mr. Ray Graham, the Director of the Oil and Gas Department here in the State of New Mexico, in which he states that as of June 17th, the agreement as we outlined it meets with the requirements of the Commissioner of Public Lands, and they have, therefore, approved the agreement as to its form and content.

Q What zones do you propose to test, Mr. Wilson?

A Our primary objectives in this area are what we call the lower Wolfcamp or what may be termed, under the State nomenclature, as the Permo-Penn, and the Morrow sands

which are much deeper.

Q I hand you what has been marked as Exhibit 3, and ask you to identify that if you will, please?

A Exhibit 3, first, is a structure map contoured on top of the lower Wolfcamp "A" zone. The scale of this map is 1 inch to 2000 feet. It shows the structural configuration of the lower Wolfcamp, extending from the Morton Field on the south to the north Morton Field and our proposed unit in Section 8 and 17. Superposed over the structure map are the blue-shaded areas that you see where we feel porosity developments are found in this lower Wolfcamp. You can see the productive porosity development in the north Morton Field in Section 31. The old Amerada State well drilled in Section 19 encountered good porosity in this zone, but tested salt water. We have a low relief high centered in the unit area, and we feel like if we get high to the Amerada well we can encounter the porosity and perhaps have an oil column.

Q Do you feel that this prospect underlies basically all of the two sections in question?

A Yes.

Q I hand you what has been marked Exhibit 4 and ask you to identify that if you will, please?

A Exhibit 4 is a structure map contoured on top of the Missippian-Chester formation which directly underlies the Morrow in this area. This map was made to illustrate a possible productive trend within the Morrow clastics. There is a structural ridge extending from the Morton field northward, and on the east side of this structural trend we have what we feel like are clean Morrow sands; whereas on the west side of the line that we have marked, the Morrow is primarily limestone and very limey-type sands, so we feel like there is a potential Morrow stratigraphic trap involved in the area of the unit agreement.

Q Again you feel that these two Sections are underlain by the same formation?

A I do.

Q Is there a likelihood that it will drain this area?

A Yes.

Q Again referring you to the unit agreement, I believe that unitized substances are defined as all zones, it covers all zones?

A Yes.

Q Mr. Wilson, in your opinion will the unitization of these two sections be in the nature of conservation and prevent waste?

WILSON-DIRECT
-CROSS

CASE 5269
Page.....8.....

A I believe that, yes.

Q Will it impair the correlative rights of any of the other operators in the pool?

A No.

Q Were Exhibits Numbers 3 and 4 prepared by you or under your supervision?

A They were prepared by me.

MR. JENNINGS: We would offer Exhibits 3 and 4, and we also offer Exhibit 1 which is an unit agreement and Exhibit 2 which is a copy of a letter from the Commissioner of Public Lands.

MR. NUTTER: Applicant's Exhibits 1 through 4 will be admitted into evidence.

(Whereupon, Applicant's Exhibits 1 through 4 were admitted into evidence.)

MR. JENNINGS: That is all we have.

CROSS EXAMINATION

BY MR. NUTTER:

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A We anticipate oil in the Wolfcamp and gas in the
—Morrow.

Q And the location of the well you said would be in the northwest of the southwest of 8?

A That is correct? We feel like that is the most common location that would have the best chance for both the Wolfcamp and the Morrow.

Q I see.

A Our primary locations.

Q Now Warren American you mentioned had not executed the unit agreement yet, will they be a working-interest owner or are they an overriding-interest owner?

A They indicated that they will farmout to Union Oil Company of California their acreage within the unit agreement.

Q So then they would be an overriding interest?

A Yes.

Q And you would have all working interests committed then?

A Yes. Union Oil Company would be 100 percent working interest.

MR. NUTTER: I see. Are there any further questions of Mr. Wilson? You may be excused.

Do you have anything further, Mr. Jennings?

MR. JENNINGS: No, sir.

CASE 5269
Page.....10.....

MR. NUTTER: Does anyone have anything they wish
to offer in Case 5269?

We will take the Case under advisement.

STATE OF NEW MEXICO)
) SS.
 COUNTY OF SANTA FE)

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Richard L. Nye
 RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5269, heard by me on 2/10, 1974.

Examiner
 Examiner
 New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
 STATE-WIDE DEPOSITION NOTARIES
 225 JOHNSON STREET
 SANTA FE, NEW MEXICO 87501
 TEL. (505) 982-0386

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 10, 1974

EXAMINER HEARING

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County, New Mexico.

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CASE 5269

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E X H I B I T S

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WILSON-DIRECT

CASE 5269

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(Whereupon, the witness was sworn.)

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CASE 5269

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CASE 5269
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CASE 5269

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We will take the Case under advisement.

CASE 5269


Page..... 11

STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

RICHARD L. NYE, Court Reporter

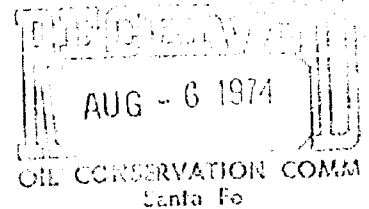
I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5269
heard by me on 7/10/74 1974

 , Examiner
New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

Union Oil Company of California

Suite 300 Security Nat'l Bank Bldg., Roswell, N. M. 88201
Telephone (505) 622-8742



August 5, 1974

Oil Conservation Commission
State of New Mexico
P. O. Box 871
Santa Fe, New Mexico 87501

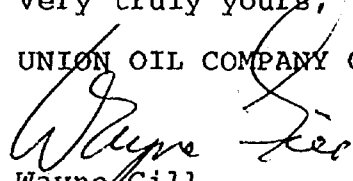
Gentlemen:

Re: Estacado Unit
Lea County, New Mexico
Case No. 5269
Order No. R-4825

In compliance with the provisions of Paragraph 3, Case No. 5269, Order No. R-4825, we enclose herewith one (1) copy of the above captioned Unit Agreement which has been fully executed by all parties.

Very truly yours,

UNION OIL COMPANY OF CALIFORNIA


Wayne Gill
District Land Manager

WG:js
Encl.

cc: Mr. David George/Encl.
Union Oil Company of California
P. O. Box 3100
Midland, Texas 79701



NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

ESTACADO UNIT

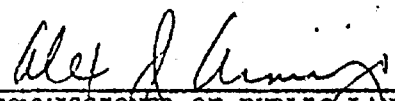
LEA COUNTY, NEW MEXICO

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 April 22, 1974, 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 30th. day of July, 19 74.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

AUG - 6 1974
OIL CONSERVATION COMMISSION

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
ESTACADO UNIT AREA
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 22nd day of April, 1974 by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N. M. Statutes 1953 Annot.), to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap. 7, Art. 11, Sec. 41, N. M. Statutes 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") is authorized by an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3,

Sac. 14, N. M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

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

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

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

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

Township 14 South, Range 35 East, N.M.P.M.

Section 8: All

Section 17: All

containing 1,280.00 acres, more or less,
Lea County, New Mexico.

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 lands 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 on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: Union Oil Company of California whose address is 300 Security National Bank Bldg., Roswell, New Mexico, is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

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

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the unit operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor unit operator, or to the owners thereof if no such new unit operator is elected, to be used for the purpose of conducting unit operations hereunder.

Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five per cent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and

duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Morrow formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 13,600 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with

the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N. M. Statutes 1953 Annotated of intention to cancel on account of any

alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N. M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized

land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES:

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

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA: The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement shall, as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the

unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. CONSERVATION: Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

15. DRAINAGE: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the

interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

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

19. APPEARANCES: Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to

apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interest party shall also have the right at his own expense to appear and to participate in any such proceeding.

20. NOTICES: All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the unit operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator whether similar to matters herein enumerated or not.

22. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld.

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

23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to unit operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment or revenue.

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

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

ATTEST:

UNION OIL COMPANY OF CALIFORNIA
UNIT OPERATOR

By

John Hansen
Attorney-in-Fact

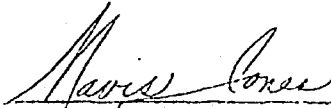
Date: _____

STATE OF TEXAS,
COUNTY OF MIDLAND.

X
X ss.
X

The foregoing instrument was acknowledged before me this 26th day of June 1974,
by JOHN HANSEN, Attorney-in-Fact for UNION OIL COMPANY OF CALIFORNIA, a
California corporation, on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the
day and year above written.


Notary Public

MAVIS JONES
Notary Public
Midland Co. Texas

My Commission Expires:
June 1, 1975

JAKE L. HAMON

Date: _____

By

Jake L. Hamon
SM

WARREN AMERICAN OIL COMPANY

Date: _____

By _____

MESA PETROLEUM COMPANY

Date: _____

By _____

Date: _____

C. W. MUSICK

Date: _____

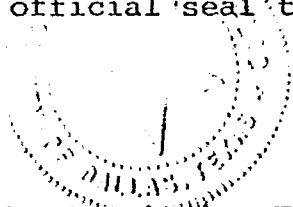
CECIL D. LEE

ATTACHED TO AND MADE A PART OF UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
OF THE ESTACADO UNIT AREA, LEA COUNTY, NEW MEXICO.

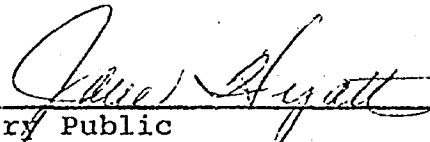
STATE OF TEXAS X
 X
COUNTY OF DALLAS X

The foregoing instrument was acknowledged before me this 23rd
day of July, 1974, by JAKE L. HAMON.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my
official seal the day and year above written.



My Commission Expires:
June 1, 1975


Notary Public

JANE HYATT, Notary Public
In and for Dallas County, Texas

JAKE L. HAMON

Date: _____

By _____

WARREN AMERICAN OIL COMPANY

Date: July 8, 1974

By John W. Glahn
Vice President

MESA PETROLEUM COMPANY

Date: _____

By _____

Date: _____

C. W. MUSICK

Date: _____

CECIL D. LEE

STATE OF TEXAS,

X

COUNTY OF MIDLAND.

X

ss.

X

The foregoing instrument was acknowledged before me this 8th day of July 1974,
by John W. Glahn, Vice President for WARREN AMERICAN OIL COMPANY, a
Texas corporation, on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the
day and year above written

Arlene Barker
Arlene Barker, Notary Public

My Commission Expires:
June 1, 1975

JAKE I. HAMON

Date: _____

By _____

WARREN AMERICAN OIL COMPANY

Date: _____

By _____

MESA PETROLEUM COMPANY

Date: July 2, 1974

By J. O. Upchurch
VICE PRESIDENT

RJM

Date: _____

C. W. MUSICK

Date: _____

CECIL D. LEE

STATE OF TEXAS X
 X ss.
COUNTY OF POTTER X

The foregoing instrument was acknowledged before me this 2 day
of July, 1974, by D.O. Huchman,
President, of MESA PETROLEUM CO., a corporation, on behalf
of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official
seal the day and year above written.

E. A. Jackson
Notary Public

My Commission Expires:
June 1, 1975

JAKE L. HAMON

Date: _____

By _____

WARREN AMERICAN OIL COMPANY

Date: _____

By _____

MESA PETROLEUM COMPANY

Date: _____

By _____

Date: June 25, 1974

C. W. Musick
C. W. MUSICK

Lossi Dell Musick
LOSSI DELL MUSICK

Date: June 25, 1974

CECIL D. LEE

ZILLAH GRACIE LEE

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 25th
day of June, 1974 by C. W. Musick and
Lossi Dell Musick, his wife

My Commission expires:

January 4, 1977

JOHN R. SCOTT
Notary Public

JAKE L. HAMON

Date: _____

By _____

WARREN AMERICAN OIL COMPANY

Date: _____

By _____

MESA PETROLEUM COMPANY

Date: _____

By _____

Date: _____

C. W. MUSICK

Date: _____

Cecil D. Lee
CECIL D. LEE
Zillah Gracie Lee

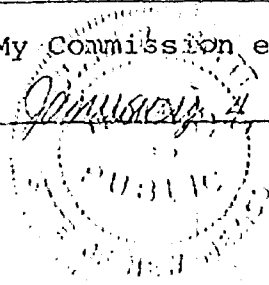
STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 25th
day of June, 1974 by Cecil D. Lee and
Zillah Gracie Lee, his wife

My Commission expires:

January 4, 1977

Joann L. Scott
Notary Public



R 35 E

<p>④</p> <p>Union Oil Co.</p> <p>L-4799</p> <p>8-13-80</p> <p><i>State</i></p>		<p>②</p> <p>Warren-American Oil Co.</p> <p>K-4729</p> <p>2-16-75</p>
8		
<p>⑥</p> <p>Union Oil Co.</p> <p>6-24-75</p> <p><i>Fee</i></p>	<p>③</p> <p>Mesa Pet. Co.</p> <p>L-552</p> <p>1-16-78</p> <p><i>State</i></p>	<p><i>State</i></p>
<p>①</p> <p>Jake L. Hamon</p> <p>K-4408</p> <p>9-15-74</p> <p><i>State</i></p>		
17		
<p>⑤</p> <p>Union Oil Co.</p> <p>LG-1043</p> <p>2-1-83</p> <p><i>State</i></p>		

T
14
S

Exhibit "A"

ESTACADO UNIT

LEA COUNTY N. M.

TOTAL UNIT AREA-1280 AC.

STATE - 1200

FEE - 80

SECTIONS 8 & 17, T-14-S, R-35-E
LEA COUNTY, NEW MEXICO

Tract	Description of Land	Number of Acres	Serial No. and Expiration Date of Leases	Basic Royalty (All 12-1/2%)	Lessee of Record	Overriding Royalty or Production Payment Percentage	Working Interest and Percentage
1	Sec. 17: N/2	320	K-4408 9/15/74	State of N. M.	Jake L. Hamon	12-1/2%	Union Oil Co. of California 100%
2	Sec. 8: E/2	320	K-4729 2/16/75	State of N. M.	Warren-American Oil Company	12-1/2%	Union Oil Co. of California 100%
3	Sec. 8: E/2 SW/4	80	L-552 1/16/78	State of N. M.	Mesa Petroleum Company	12-1/2%	Union Oil Co. of California 100%
4	Sec. 8: NW/4	160	L-4799 8/18/80	State of N. M.	Union Oil Co. of California	None	Union Oil Co. of California 100%
5	Sec. 17: S/2	320	LG-1043 2/1/83	State of N. M.	Union Oil Co. of California	None	Union Oil Co. of California 100%

SECTIONS 8 & 17, T-14-S, R-35-E
LEA COUNTY, NEW MEXICO

One (1) Tract of Fee Lands, Containing 80.00 Acres

TOTAL UNIT AREA: (State and Fee) 1,280 Acres



OIL CONSERVATION COMMISSION

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

I. R. TRUJILLO
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

July 30, 1974

Mr. James T. Jennings
Jennings, Christy & Copple
Attorneys at Law
Post Office Box 1180
Roswell, New Mexico 88201

Re: CASE NO. 5269
ORDER NO. R-4825
Applicant:
Union Oil Company of Calif.

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, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC _____
Aztec OCC _____

Other Unit Division - State Land Office

UNIT AGREEMENT
FOR THE DEVELOPMENT AND
OF THE
ESTACADO UNIT AREA
LEA COUNTY, NEW MEXICO

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1
CASE NO. 5269

THIS AGREEMENT, entered into as of the 22nd day of April, 1974 by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N. M. Statutes 1953 Annot.), to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap. 7, Art. 11, Sec. 41, N. M. Statutes 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") is authorized by an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3,

Sect. 14, N. M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

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

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

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

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

Township 14 South, Range 35 East, N.M.P.M.

Section 8: All
Section 17: All

containing 1,280.00 acres, more or less,
Lea County, New Mexico.

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 lands 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 on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: Union Oil Company of California whose address is 300 Security National Bank Bldg., Roswell, New Mexico, is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

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

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the unit operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor unit operator, or to the owners thereof if no such new unit operator is elected, to be used for the purpose of conducting unit operations hereunder.

Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five per cent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and

duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

3. DRILLING TO DISCOVERY: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Morrow formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 13,600 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with

the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N. M. Statutes 1953 Annotated of intention to cancel on account of any

alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N. M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized

land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES:

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

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to be the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA: The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement shall, as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the

unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. CONSERVATION: Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

15. DRAINAGE: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the

interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

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

19. APPEARANCES: Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to

apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interest party shall also have the right at his own expense to appear and to participate in any such proceeding.

20. NOTICES: All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the unit operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator whether similar to matters herein enumerated or not.

22. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld.

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

23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to unit operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment or revenue.

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

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

ATTEST:

UNION OIL COMPANY OF CALIFORNIA
UNIT OPERATOR

By


Attorney-in-Fact

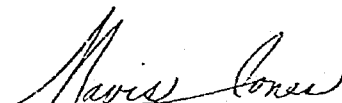
Date: _____

STATE OF TEXAS,
COUNTY OF MIDLAND.

X
X ss.
X

The foregoing instrument was acknowledged before me this 26th day of June 1974,
by JOHN HANSEN, Attorney-in-Fact for UNION OIL COMPANY OF CALIFORNIA, a
California corporation, on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the
day and year above written.


Notary Public

MAVIS JONES
Notary Public
Midland Co. Texas

My Commission Expires:
June 1, 1975

JAKE L. HAMON

Date: _____

By

Jake L. Hamon

EM

WARREN AMERICAN OIL COMPANY

Date: _____

By _____

MESA PETROLEUM COMPANY

Date: _____

By _____

Date: _____

C. W. MUSICK

Date: _____

CECIL D. LEE

JAKE I. HAMON

Date: _____

By _____

WARREN AMERICAN OIL COMPANY

Date: _____

By _____

MESA PETROLEUM COMPANY

Date: July 2, 1974

By *A. O. Upchurch*
VICE PRESIDENT *RJM*

Date: _____

C. W. MUSICK

Date: _____

CECIL D. LEE

JAKE L. HAMON

Date: _____

By _____

WARREN AMERICAN OIL COMPANY

Date: _____

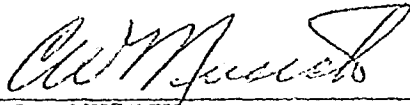
By _____

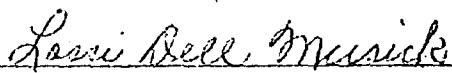
MESA PETROLEUM COMPANY

Date: _____

By _____

Date: June 25, 1974


C. W. MUSICK


LISSI DELL MUSICK

Date: June 25, 1974

CECIL D. LEE

ZILLAH GRACIE LEE

JAKE L. HAMON

Date: _____

By _____

WARREN AMERICAN OIL COMPANY

Date: _____

By _____

MESA PETROLEUM COMPANY

Date: _____

By _____

Date: _____

C. W. MUSICK

Date: _____

Cecil D Lee
CECIL D. LEE

Zillah Grace Lee

R 35 E

<p>④</p> <p>Union Oil Co.</p> <p>L-4799</p> <p>8-13-80</p> <p>State</p>		<p>②</p> <p>Warren-American Oil Co.</p> <p>K-4729</p> <p>2-16-75</p>
<p>⑥</p> <p>Union Oil Co.</p> <p>6-24-73</p> <p>Fee</p>	<p>③</p> <p>Mesa Pet. Co.</p> <p>L-552</p> <p>1-18-78</p> <p>State</p>	<p>①</p> <p>Joke L. Hamon</p> <p>K-4408</p> <p>9-15-74</p> <p>State</p>
<p>⑤</p> <p>Union Oil Co.</p> <p>LG-1043</p> <p>2-1-83</p> <p>State</p>		

8

①

Joke L. Hamon

K-4408

9-15-74

State

17

⑤

Union Oil Co.

LG-1043

2-1-83

State

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14
S

Exhibit "A"

ESTACADO UNIT

LEA COUNTY N. M.

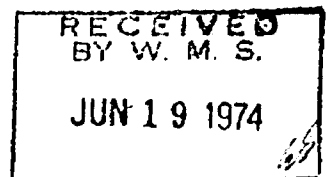
TOTAL UNIT AREA - 1280 AC.

STATE - 1200

FEE - 80

State of New Mexico

TELEPHONE
505-827-2748



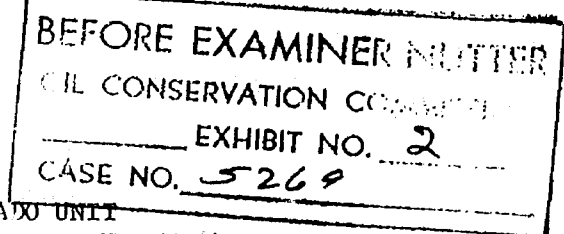
Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

June 17, 1974

P. O. BOX 1148
SANTA FE, NEW MEXICO

Union Oil Company of California
300 Security National Bank Bldg.
Roswell, New Mexico 88201



Re: ESTACADO UNIT
Lea County, New Mexico

ATTENTION: Mr. W. M. Stanley

Gentlemen:

We have reviewed the proposed unexecuted copy of unit agreement, Exhibits "A" and "B" for the Estacado Unit, Lea County, New Mexico; this form of agreement meets with the requirements of the Commissioner of Public Lands, therefore, the Commissioner of Public Lands has this date approved your agreement as to form and content.

Please submit your Engineering Report or any Geological data that you might have.

Upon submitting the unit for final approval the following are required by this office.

1. Application for final approval stating all Tracts committed and Tracts not committed.
2. Two executed copies of Unit Agreement- One must be an original.
3. One copy of Operating Agreement.
4. Two copies of all ratifications from Lessees of Record and Working Interest Owners, one must be an original.
5. Filing Fee in the amount of Twenty (\$20.00) Dollars.

Very truly yours,

Ray D. Graham
RAY D. GRAHAM, Director
Oil and Gas Department

AJA/RDG/s

Dockets Nos. 21-74 and 22-74 are tentatively set for hearing on July 24 and August 7. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 10, 1974

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 Richard L. Stamets, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas from seventeen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, for August, 1974;
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for August, 1974.

CASE 3608: (Reopened) (Continued from the June 19th Examiner Hearing)

In the matter of Case No. 3608 being reopened pursuant to the provisions of Order No. R-3282, which order established temporary rules for the Carlsbad Permo-Penn Gas Pool, Eddy County, New Mexico, including a provision for 640-acre spacing. All interested parties may appear and show cause why said pool should not be developed on 320-acre spacing units.

CASE 5265: Application of David Fasken for an unorthodox location and a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of a well to be drilled to the Morrow formation at a point 1664 feet from the North line and 660 feet from the East line of Section 1, Township 21 South, Range 26 East, Eddy County, New Mexico. Applicant further seeks approval for a 281.3-acre non-standard proration unit for said well comprising all of Lots 1 through 8 of said Section 1.

CASE 5266: Application of David Fasken for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location for a well to be drilled to the Morrow formation at a point 1300 feet from the South and West lines of Section 29, Township 20 South, Range 25 East, Cemetery-Morrow Gas Pool, Eddy County, New Mexico, the S/2 of said Section 29 to be dedicated to the well.

CASE 5267: Application of Mark Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 1, Township 18 South, Range 26 East, Atoka-Pennsylvanian Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at an orthodox location 990 feet from the South and East lines of said Section 1. Also to be considered will

(Case 5267 continued from Page 1)

be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5268: Application of Anadarko Production Company, General American Oil Company of Texas and Shenandoah Oil Corporation for four waterflood projects, Eddy County, New Mexico. Applicants, in the above-styled cause, seek authority to institute four cooperative waterflood projects by the injection of water into the Grayburg-San Andres formation in Township 17 South, Range 30 East, Grayburg-Jackson Pool, Eddy County, New Mexico as follows:

Project No. 1: Anadarko's Loco Hills "A" Federal lease by the conversion of four wells in Sections 10 and 15 to water injection;

Project No. 2: Anadarko's Loco Hills "B" Federal lease by the conversion of three wells in Section 9;

Project No. 3: General American Parke "F" lease by the conversion of one well in Section 10;

Project No. 4: Shenandoah's Parke "B" lease by the conversion of two wells in Section 15.

CASE 5269: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Estacado Unit Area comprising 1280 acres, more or less, of State and fee lands in Township 14 South, Range 35 East, Lea County, New Mexico.

CASE 5270: Application of Texaco Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying all of Section 33, Township 24 South, Range 26 East, White City-Pennsylvanian Gas Pool, Eddy County, New Mexico, to be dedicated to applicant's White City Com. Well No. 1 in Unit F of said Section 33.

CASE 5271: Application of Merrion & Bayless for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 13, Township 24 North, Range 6 West, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit in Unit F of said Section 13. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5272: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Consolidated Oil and Gas, Inc., United States Fidelity & Guaranty Company and all other interested parties to appear and show cause why the Consolidated Oil and Gas, Inc., Price Well No. 1 located in Unit N, Section 15, Township 31 North, Range 13 West, San Juan County, New Mexico, should not be recompleted as a single-zone well or be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5273: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Eastern Petroleum Corporation, United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the following wells should not be abandoned in accordance with a Commission-approved plugging program:

Castillo #1 located in Unit P, Section 35, Township 20 North, Range 7 West, McKinley County, New Mexico;

Chopup #1 located in Unit N, Section 30, Township 19 North, Range 6 West, McKinley County, New Mexico;

Chacra Mesa #1 located in Unit B, Section 14, Township 19 North, Range 7 West, McKinley County, New Mexico;

Blackjack #1 located in Unit P, Section 12, Township 21 North, Range 9 West, San Juan County, New Mexico;

Pornada #1 located in Unit H, Section 27, Township 18 North, Range 7 West, McKinley County, New Mexico.

CASE 4749: (Reopened)

In the matter of Case No. 4749 being reopened pursuant to the provisions of Order No. R-4338-A, which order continued special rules for the Humble City-Strawn Pool, Lea County, New Mexico. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing.

CASE 4946: (Reopened)

In the matter of Case No. 4946 being reopened pursuant to the provisions of Order No. R-4581, which order established temporary rules for the Crosby-Fusselman Associated Pool, Lea County, New Mexico. All interested parties may appear and show cause why said rules should not be rescinded.

CASE 5110: (Continued from January 16, 1974)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the institution of gas prorationing in

(Case 5110 continued from Page 3)

the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, to provide for fixing the total allowable natural gas production from said pool to an amount equal to reasonable market demand and to the capacity of the gas transportation facilities. Also to be considered will be the adoption of special rules and regulations for said pool including a provision for allocating the allowable production among the wells in the pool. NOTE: This case will be continued to the first Examiner Hearing in January, 1975.

CASE 5274: Southeastern nomenclature case calling for the creation, abolishment, and extension of certain pools in Lea, Eddy, and Chaves Counties, New Mexico.

(a) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Black River-Wolfcamp Gas Pool. The discovery well is Amoco Production Company Herren Federal Gas Com Well No. 1 located in Unit K of Section 7, Township 24 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 27 EAST, NMPM
Section 7: SW/4

(b) Create a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Cooper-Morrow Gas Pool. The discovery well is the El Paso Natural Gas Company Cooper Federal Well No. 1 located in Unit F of Section 21, Township 24 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
Section 21: N/2

(c) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Malaga-Morrow Gas Pool. The discovery well is Phillips Petroleum Company Malaga A Well No. 1 located in Unit L of Section 2, Township 24 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM
Section 2: W/2

(d) Abolish the Bell Lake-Pennsylvanian Gas Pool in Lea County, New Mexico, described as:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM
Section 36: SE/4

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 30: All
Section 31: All

(Case 5274 continued from Page 4)

TOWNSHIP 24 SOUTH, RANGE 33 EAST, NMPM
Section 1: NE/4

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM
Section 6: NW/4

(e) Create a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production with a provision for 160-acre spacing units and designated as the Bell Lake-Atoka Gas Pool. The discovery well is the Continental Oil Company Bell Lake Unit Well No. 2 located in Unit N of Section 30, Township 23 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 30: SW/4

(f) Create a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the South Bell Lake-Atoka Gas Pool. The discovery well is the Continental Oil Company Bell Lake Unit 1 Well No. 4 located in Unit F of Section 6, Township 24 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM
Section 6: W/2

(g) Create a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production with a provision for 160-acre spacing units and designated as the South Bell Lake-Morrow Gas Pool. The discovery well is the Continental Oil Company Bell Lake State 3 Well No. 5 located in Unit G of Section 1, Township 24 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM
Section 36: SE/4

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 31: SW/4

TOWNSHIP 24 SOUTH, RANGE 33 EAST, NMPM
Section 1: NE/4

(h) Extend the North Bagley-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 12 SOUTH, RANGE 33 EAST, NMPM
Section 6: NE/4

- (i) Extend the Black River-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM
Section 12: SW/4

- (j) Extend the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 27: N/2

- (k) Extend the Cabin Lake-Strawn Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM
Section 11: W/2 NE/4

- (l) Extend the Cemetary-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
Section 8: All

- (m) Extend the North Dagger Draw-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
Section 17: N/2

- (n) Extend the Eagle Creek-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 25 EAST, NMPM
Section 13: W/2 SW/4
Section 28: SW/4
Section 29: S/2

- (o) Extend the Hat Mesa-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 10: E/2
Section 11: W/2

- (p) Extend the Loco Hills Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 23: NE/4 NE/4

(q) Extend the Red Lake-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM
Section 18: N/2

(r) Extend the Rocky Arroyo-Canyon Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM
Section 4: S/2
Section 5: S/2

(s) Extend the Townsend-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 9: N/2 and SE/4

(t) Extend the Twin Lakes-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 28 EAST, NMPM
Section 36: SW/4 SE/4

(u) Extend the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

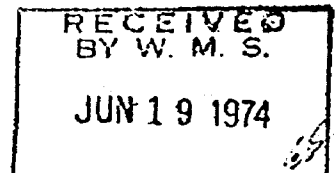
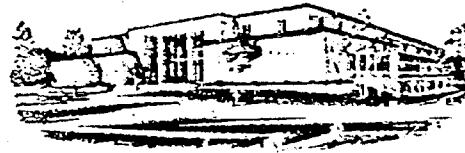
TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 16: SE/4

(v) Extend the Vada-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 11: NW/4

State of New Mexico

TELEPHONE
505-827-2748



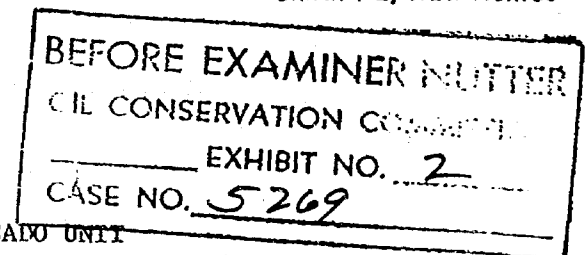
Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

June 17, 1974

P. O. BOX 1148
SANTA FE, NEW MEXICO

Union Oil Company of California
300 Security National Bank Bldg.
Roswell, New Mexico 88201



Re: ESTACADO UNIT
Lea County, New Mexico

ATTENTION: Mr. W. M. Stanley

Gentlemen:

We have reviewed the proposed unexecuted copy of unit agreement, Exhibits "A" and "B" for the Estacado Unit, Lea County, New Mexico; this form of agreement meets with the requirements of the Commissioner of Public Lands, therefore, the Commissioner of Public Lands has this date approved your agreement as to form and content.

Please submit your Engineering Report or any Geological data that you might have.

Upon submitting the unit for final approval the following are required by this office.

1. Application for final approval stating all Tracts committed and Tracts not committed.
2. Two executed copies of Unit Agreement- One must be an original.
3. One copy of Operating Agreement.
4. Two copies of all ratifications from Lessees of Record and Working Interest Owners, one must be an original.
5. Filing Fee in the amount of Twenty (\$20.00) Dollars.

Very truly yours,

Ray D. Graham
RAY D. GRAHAM, Director
Oil and Gas Department

AJA/RDG/s

JAMES T. JENNINGS
SIM B. CHRISTY IX
ROGER L. COPPLE
BRIAN W. COPPLE
ROBERT G. ARMSTRONG

LAW OFFICES OF
JENNINGS, CHRISTY & COPPLE
1012 SECURITY NATIONAL BANK BUILDING
P. O. BOX 1180
ROSWELL, NEW MEXICO 88201

TELEPHONE 622-8432
AREA CODE 505

June 14, 1974

Case 5269

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

Attention: Ida Rodriguez

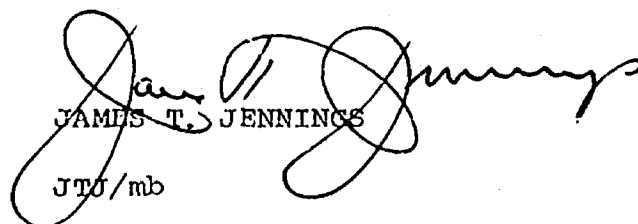
RE: PROPOSED UNIT AGREEMENT

Enclosed herewith you will find an Application in triplicate on behalf of Union Oil Company of California for a Unit Agreement.

Mr. Stanley of Union advises that he has contacted you concerning this and he would like very much to get it on the July 10 docket. The matter has been up before and was on the docket on April 10 and again on April 24; however, the original case which is No. 5209 was dismissed on April 30, 1974.

If there are any questions concerning the Application or if for any reason it will not be possible to get it on the July 10 docket, please call me.

Yours very truly,

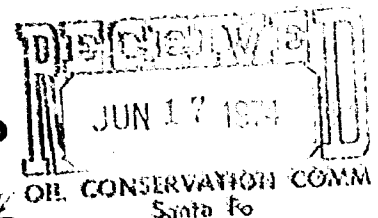

JAMES T. JENNINGS
JTO/mb

Encl.

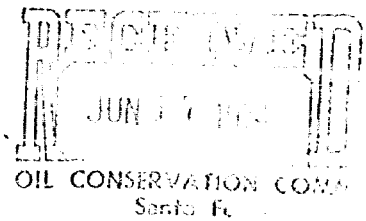
cc: Union Oil Company of California

DOCKET MAILED

Date 6-27-74



BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO



IN THE MATTER OF THE APPLICATION
OF UNION OIL COMPANY OF CALIFORNIA
FOR APPROVAL OF THE ESTACADO UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.

NO. 5-269

APPLICATION

COMES NOW Applicant, Union Oil Company of California,
by its attorneys, Jennings, Christy & Copple, and requests approval
of the Estacado Unit Agreement covering 1280 acres of fee and
state lands, Lea County, New Mexico, and in support of its
Application states:

1. Applicant desires to obtain the Commission's approval
of the Estacado Unit Agreement covering 1280 acres of state and
fee lands described as follows:

LEA COUNTY, NEW MEXICO

TOWNSHIP 14 SOUTH, RANGE 35 EAST, N.M.P.M.

Section 8: All
Section 17: All

2. Applicant proposes to drill a Morrow test to be
located on the Unit and feels that the Unit Agreement will promote
the prevention of waste and the protection of correlative rights
within the Unit Area.

3. Applicant will be the operator of the Unit Area.

4. A copy of the Unit Agreement will be furnished at
the time of the hearing.

WHEREFORE, Applicant requests that the Commission set
this matter down for hearing before an examiner at an early date,

publish notice as required by law, and after hearing issue its
Order approving the Estacado Unit Agreement.

Respectfully submitted,

UNION OIL COMPANY OF CALIFORNIA

By 

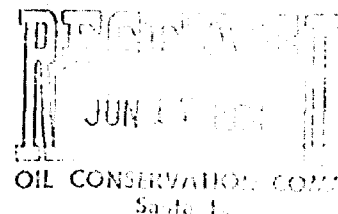
For Jennings, Christy & Copple

Attorneys for Applicant

P. O. Box 1180

Roswell, New Mexico 88201

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO



IN THE MATTER OF THE APPLICATION
OF UNION OIL COMPANY OF CALIFORNIA
FOR APPROVAL OF THE ESTACADO UNIT
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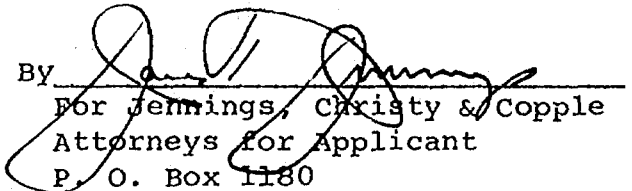
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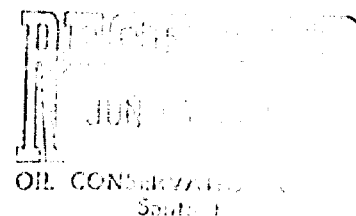
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Order approving the Estacado Unit Agreement.

Respectfully submitted,

UNION OIL COMPANY OF CALIFORNIA

By 
For Jennings, Christy & Copple
Attorneys for Applicant
P. O. Box 1180
Roswell, New Mexico 88201

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO



IN THE MATTER OF THE APPLICATION
OF UNION OIL COMPANY OF CALIFORNIA
FOR APPROVAL OF THE ESTACADO UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.

NO. 5-269

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LEA COUNTY, NEW MEXICO

TOWNSHIP 14 SOUTH, RANGE 35 EAST, N.M.P.M.

Section 8: All

Section 17: All

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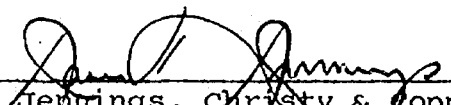
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Order approving the Estacado Unit Agreement.

Respectfully submitted,

UNION OIL COMPANY OF CALIFORNIA

By 
For Jennings, Christy & Dipple
Attorneys for Applicant
P. O. Box 1180
Roswell, New Mexico 88201

DRAFT

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. 5269

Order No. R-4825

APPLICATION OF UNION OIL COMPANY OF CALIFORNIA
FOR APPROVAL OF THE ESTACADO
UNIT AGREEMENT, LEA, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
July 10, 1964, at Santa Fe, New Mexico, before Examiner
Daniel S. Nutter.

NOW, on this _____ day of July, 1964, 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, Union Oil Company of California
seeks approval of the Estacado Unit Agreement
covering 1280 acres, more or less, of State,
Federal lands
and Fee
described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 14 SOUTH, RANGE 35 EAST, NMPM

Section 8: All ✓

Section 17: 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 Estacado 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.

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. 5269
Order No. R-4825

APPLICATION OF UNION OIL COMPANY OF
CALIFORNIA FOR APPROVAL OF THE
ESTACADO UNIT AGREEMENT, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
July 10, 1974, at Santa Fe, New Mexico, before Examiner
Daniel S. Nutter.

NOW, on this 30th day of July, 1974, 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, Union Oil Company of California,
seeks approval of the Estacado Unit Agreement covering 1280 acres,
more or less, of State and Fee lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 14 SOUTH, RANGE 35 EAST, NMPM
Section 8: All
Section 17: All

(3) That approval of the proposed unit agreement should
promote the prevention of waste and the protection of correlative
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IT IS THEREFORE ORDERED:

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-2-

Case No. 5269
Order No. R-4825

(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.

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(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



I. R. Trujillo
I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

dr/