

CASE NO. 5412: PHILLIPS PET. CO.
for approval of the Eaves Unit
Area Agreement, Lea County

CASE No.

5412

Application,

Transcripts,

Small Exhibits

ETC.

Unit Name EAVER UNIT (EXPLORATORY)
 Operator PHILLIPS PETROLEUM COMPANY
 County LEA

STATE TRACT NO.	LEASE NO.	INST-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
1	K-4738-5	C.S.	29	21S	33E	All	1-28-75	640.00		Mesa Petroleum Company
2	K-5003-2	C.S.	17 18	21S 21S	33E 33E	SW/4, W/2NW/4 SE/4	1-31-75	400.00		Phillips Petroleum Company
3	K-5642	C.S.	8	21S	33E	N/2NE/4, NW/4, NW/4SE/4	1-31-75	280.00		Phillips Petroleum Company
4	K-5955	C.S.	20	21S	33E	NW/4	1-31-75	160.00		Phillips Petroleum Company
5	K-6043	C.S.	19	21S	33E	Lots 1, 2, E/2NW/4, NE/4	1-31-75	312.04		Phillips Petroleum Company
6	L-6376	C.S.	18	21S	33E	Lots 3, 4, E/2SW/4	1-31-75	151.87		Amoco Production Company
7	L-6678	C.S.	19	21S	33E	Lots 3, 4, E/2SW/4, SE/4	2-3-75	312.20		Union Oil Co. of Calif.
8	LC-1046	C.S.	17	21S	33E	E/2, E/2NW/4	1-28-75	400.00		Mesa Petroleum Company
9	LC-1144	C.S.	8	21S	33E	S/2NE/4, SW/4, NE/4SE/4, S/2SE/4	1-30-75	360.00		Gulf Oil Corporation
10	LC-1206	C.S.	20	21S	33E	E/2, SW/4	1-28-75	480.00		Mesa Petroleum Company

TERMINATED
 26: 11-21-75

Unit Name EAVES UNIT (EXPLORATORY)
Operator PHILLIPS PETROLEUM COMPANY
County LEA

QCC

DATE	OCC CASE NO. 5412	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO. R-4961	2-5-75	3,496.11	3,496.11	-0-	-0-	Yes	5 yrs.

2-5-75

UNIT AREA

TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM

SECTION 8: All
Section 17: All
Section 18: S/2
Section 19: All
Section 20: All
Section 29: All

TERMINATED
CH: 11-21-75



PHIL R. LUCERO
COMMISSIONER

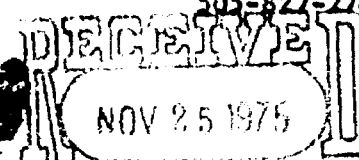
State of New Mexico



Commissioner of Public Lands

November 21, 1975

TELEPHONE
505-827-2748



Oil Conservation Comm.

Santa Fe

P. O. BOX 1148
SANTA FE, NEW MEXICO 87301

REGISTERED MAIL

Phillips Petroleum Company
311 Phillips Building
Odessa, Texas 79761

Re: Eaves Unit
TERMINATION
Lea County, New Mexico

ATTENTION: Mr. E. M. Gorence

Gentlemen:

The Eaves Unit Agreement, Lea County, New Mexico, was approved February 5, 1975, 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 well, until a well capable of producing unitized substances in paying quantities is completed.

Our records show the first test well was plugged and abandoned May 21, 1975 therefore your second test well was due November 21, 1975. Inasmuch as the second test well was not commenced, the Eaves Unit Agreement is considered to have terminated automatically as of November 21, 1975, pursuant to Section 9 of the agreement.

Please notify all interest 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 ✓

Unit Name EAVES UNIT (EXPLORATORY)
Operator PHILLIPS PETROLEUM COMPANY
County IEA

0000

DATE	OCC CASE NO. 5412	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
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TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM

SECTION 8: All
Section 17: All
Section 18: S/2
Section 19: All
Section 20: All
Section 29: All

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 Operator PHILLIPS PETROLEUM COMPANY
 County LEA

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OIL CONSERVATION COMMISSION

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

February 11, 1975

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
PHIL R. LUCERO
MEMBER

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

Mr. Tom Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 5412
ORDER NO. R-4961

Applicant:

Phillips Petroleum Co.

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.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC _____
Aztec OCC _____

Other Unit Division - State Land Office

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5412
Order No. R-4961

APPLICATION OF PHILLIPS PETROLEUM
COMPANY FOR APPROVAL OF THE EAVES
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 5, 1975, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 11th day of February, 1975, 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, Phillips Petroleum Company, seeks approval of the Eaves Unit Agreement covering 3,496.11 acres, more or less, of State land as described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM
Section 8: All
Section 17: All
Section 18: S/2
Sections 19 and 20: All
Section 29: 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 Eaves Unit Agreement is hereby approved.

-2-
CASE NO. 5412
Order No. R-4961

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

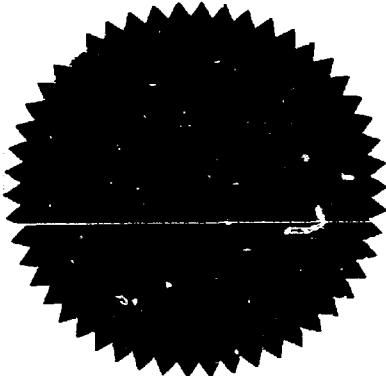
(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately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

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman


Phil R. Lucero
PHIL R. LUCERO, Member

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

S E A L

jr/

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 5, 1975

EXAMINER HEARING

IN THE MATTER OF:

Application of Phillips Petroleum
Company for a unit agreement,
Lea County, New Mexico.

CASE NO. 5412

BEFORE: Richard L. Stamets, Examiner

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:

Thomas Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico

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

I N D E X

PAGE

PAUL E. HANNA

Direct Examination by Mr. Kellahin

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E X H I B I T S

Applicant's Exhibits Nos. 1 through 5

9

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HANNA-DIRECT

MR. STAMETS: Case 5412.

MR. DERRYBERRY: Case 5412. Application of Phillips Petroleum Company for a unit agreement, Lea County, New Mexico.

MR. STAMETS: We call for appearances in this case.

MR. KELLAHIN: Tom Kellahin of Kellahin and Fox, Santa Fe, New Mexico, appearing on behalf of Phillips Petroleum Company, the Applicant, and I have one witness to be sworn.

MR. STAMETS: The witness will stand and be sworn, please.

(Witness sworn.)

MR. STAMETS: You may proceed, Mr. Kellahin.

PAUL E. HANNA

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, by whom you are employed, and in what capacity?

A My name is Paul E. Hanna. I am a land man for Phillips Petroleum Company, Odessa, Texas.

Q Mr. Hanna, have you previously testified before

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HANNA-DIRECT

this Commission?

A I have not.

Q Would you explain briefly your educational background for the benefit of the Examiner?

A I am a graduate of the University of Oklahoma with a B.S. degree in business management. I have worked for Phillips Petroleum Company for 22 years. I have been a land man for 18 years.

Q Does your area of responsibility under your employment with Phillips include the organization and the completion of this unit agreement for the Eaves Unit Area?

A Yes, sir.

Q Have you made a study of and are you familiar with the facts surrounding this particular Application?

A Yes, sir.

MR. KELLAHIN: If the Examiner please, are the witness' qualifications as an expert with regard to this unit agreement acceptable?

MR. STAMETS: They are.

BY MR. KELLAHIN:

Q Mr. Hanna, would you please refer to what has been marked as Applicant's Exhibit No. 1, which is the plat, and identify it and explain what Phillips Petroleum

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Company is seeking?

A This is a plat that covers a 5 1/2 section unit, all on State-owned land, and we want to unitize this as to all depths, and we will proceed if approved to drill a Morrow test, 14,500 foot to be located in the southwest of the southeast quarter of Section 18.

There are five owners in this five-and-a-half sections of land, and that is: Mesa Petroleum Company, Phillips Petroleum Company, Gulf Oil Corporation, Union Oil Company of California, and Amoco Production Company.

Q Does your plat, Exhibit 1 show the site location of your test well?

A It does, in the southwest of the southeast quarter of Section 18, 21 South, 33 East.

Q Your proposed unit area is outlined in the green pencil?

A Yes. Now, the outline in brown shows the R-111A Potash area of this part of New Mexico.

Q This is placed upon the plat simply as a reference for the Examiner?

A Yes, sir.

Q All right. Would you refer now to what has been marked as Applicant's Exhibit No. 2 and identify it?

A This is the Unit Agreement for the development and operation of the Eaves Unit Area, Lea County, New Mexico.

Q Is the form of Unit Agreement essentially the same as that which has been previously approved by the Oil Conservation Commission in the past?

A It is.

Q This is the proposed State of New Mexico Unit Agreement form, is it not?

A Yes, sir.

Q The proposed Eaves Unit Area consists of how many acres, Mr. Hanna?

A 3496.11 acres.

Q Would you please refer to the exhibits attached as appendices to Exhibit 2 and identify them?

A Exhibit A, the second exhibit, is a plat of the acreage included in the unit area.

Q What is Exhibit B?

A Exhibit B is a description of the unit area by ownership.

Q All right. Would you refer to what has been marked as Exhibit 3 and identify it?

A This is the proposed Eaves Unit covering 3496.11 acres, being all of Sections 8 and 17 and the south half

HANNA-DIRECT

Page 7

of 18 and all of Sections 19, 20 and 29, of 21 South, 33 East, Lea County, New Mexico. In this exhibit it shows Mesa Petroleum Company having 43.4769 percent, Phillips Petroleum Company having 32.9521 percent, Gulf Oil Corporation having 10.2971 percent, Union Oil Company of California having 8.9299 percent, and Amoco Production Company having 4.3440 percent. Phillips is designated operator of this unit.

Q What is the basis of the tract participation or your participation formula for the unit?

A The participation formula is acreage.

Q Strictly the acreage participation, is that correct?

A Yes.

Q What percentage of those entities have either ratified or agreed to execute the unit agreement?

A 100 percent. I might say as a word of explanation, Union of California has agreed to the unit, but they are withholding judgement as to either joining or farming out at this time. All others have designated that they will join in the unit.

Q At this point, you have a sufficient number of participants to assure a successful and efficient operation

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of this unit?

A Yes, sir.

Q Would you please refer to what has been marked as Exhibit No. 4 and identify it?

A This is a letter from Mr. H. M. Clark, Senior Vice President of Potash Company of America. Is this the one you are talking about?

Q Yes.

A Which acknowledge a letter which we wrote to them seeking whether or not they would object to drilling in this location, and they have answered that they will not object to the oil-gas drilling in this position.

Q Please refer to what has been marked as Exhibit 5 and identify it?

A This is a letter from Phil R. Lucero, Commissioner of Public Lands, signed by Ray D. Graham, concerning our tentative approval of the unit agreement, and Exhibits A and B of the Eaves Unit Area. Mr. Graham says: (Reading) This form of agreement meets with the requirements of the Commissioner of Public Lands, therefore, the Commissioner of Public Lands has this day approved your agreement as to project and as to form and content.

Q In your opinion, Mr. Hanna, will approval of this

Application prevent waste and promote conservation and protect the correlative rights of others?

A Yes, it will.

Q Were Exhibits 1 through 5 either prepared by you directly or compiled under your direction and supervision?

A I was a joint person in compiling this information. Mr. E. M. Gorence, the District Land Man helped in the matter.

Q To the best of your knowledge and information, the exhibits are true and correct?

A Yes, sir.

MR. KELLAHIN: We move the introduction of Exhibits 1 through 5.

MR. STAMETS: Exhibits 1 through 5 will be admitted.

(Whereupon, Applicant's Exhibits 1 through 5 were marked for identification, and were admitted into evidence.)

MR. KELLAHIN: That concludes our direct examination of this witness.

MR. STAMETS: Are there any questions of the witness?

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He may be excused.

(Witness dismissed.)

MR. STAMETS: Is there anything further in this
case?

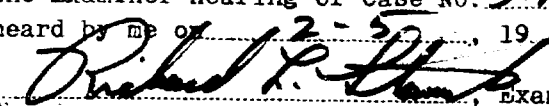
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STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

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.


COURT REPORTER

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5412
heard by me on 2-5-75, 1975.

Examiner
New Mexico Oil Conservation Commission

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There are five owners in this five-and-a-half sections of land, and that is: Mesa Petroleum Company, Phillips Petroleum Company, Gulf Oil Corporation, Union Oil Company of California, and Amoco Production Company.

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A Exhibit A, the second exhibit, is a plat of the acreage included in the unit area.

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of 18 and all of Sections 19, 20 and 29, of 21 South, 33 East, Lea County, New Mexico. In this exhibit it shows Mesa Petroleum Company having 43.4769 percent, Phillips Petroleum Company having 32.9521 percent, Gulf Oil Corporation having 10.2971 percent, Union Oil Company of California having 8.9299 percent, and Amoco Production Company having 4.3440 percent. Phillips is designated operator of this unit.

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

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.

COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5412, heard by me on 2-5, 1975.
Richard L. Nye, 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



PHILLIPS PETROLEUM COMPANY

ODESSA, TEXAS 79761
PHILLIPS BUILDING

NATURAL RESOURCES GROUP
Exploration and Production

February 10, 1975

Oil Conservation Commission of New Mexico
P. O. Box 2008
Santa Fe, New Mexico 87501

Re: G.F. 19327 - Eaves Unit -
Lea County, New Mexico

Gentlemen:

We forward herewith copy of Unit Agreement for the Development and Operation of the Eaves Unit Area, Lea County, New Mexico, with execution, acknowledgment and ratification pages evidencing execution by all owners of interests under the Unit Agreement.

Hearing was held on the Phillips Petroleum Company's application for approval of the Unit under Case No. 5412 on February 5, 1975.

If anything further is needed in connection with this Unit Agreement, please advise.

Very truly yours,

PHILLIPS PETROLEUM COMPANY


S. A. Rever
Contractman

SAR:jhd
Enclosure

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

No. _____

THIS AGREEMENT, entered into as of the 20th day of January, 1975, 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. 1, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, New Mexico statutes 1953 Annotated), 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 agreement provides for the unit operation or development of part of or all of any oil or gas, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by Act of Legislature (Sec. 1, Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 41, New Mexico 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, Sec. 14, New Mexico Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Eaves 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 21 South, RANGE 33 East, N.M.P.M.

All of Sections 8 and 17, S/2 Section 18, all of Section 19, 20 and 29, containing 3,496.11 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 lands are unitized under the terms of this agreement and herein are called "unitized substances."

3. UNIT OPERATOR. PHILLIPS PETROLEUM COMPANY, whose address is Phillips Building, 4th and Washington Streets, Odessa, Texas 79761, 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, if any, 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 elected 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 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 interests 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, on or before February 16, 1975, 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 14,500 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 6 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.

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 for his approval 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 a deposit of unitized substances capable of being produced in paying quantities as herein provided, unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the final completion of one well and the beginning of the next well, until the unit area has been fully developed to a density of one well on each proration unit as prescribed by order of the Oil Conservation Commission of New Mexico for the formation in which unitized substances are discovered.

If the unit operator should fail to comply with the above covenant for reasonable development without prior consent or approval of the Commissioner of Public Lands, this agreement shall terminate as to all lands of the State of New Mexico embracing regular well spacing or proration units upon which no well has been drilled or commenced 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.

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, and of overriding royalties, production payments and other charges in addition to royalty, 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 substance 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.

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 on 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 interest as to lands within the unitized area 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 as to lands within the unitized area 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 of which only a portion is 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 two separate leases as to such segregated portions, commencing as of the effective date hereof. 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 within the unitized area and committed to this agreement, in accordance with the terms of this agreement. 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 which part is committed to this agreement at the expiration of the secondary term of such lease, such production shall not be considered as production from lands embraced in such lease which are not within the unitized area, and which are not committed thereto, and drilling or reworking operations upon some part of the lands embraced within the unitized area and committed to this agreement shall be considered as drilling and reworking operations only as to lands embraced within the unit agreement and not as to lands embraced within the lease and not committed to this unit agreement; provided, however, as to any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto upon which oil and gas or either of them has been discovered or is discovered upon that portion of such lands not committed to this agreement, and are being produced in paying quantities prior to the expiration of the primary term of such lease, such production in paying quantities shall serve to continue such lease in full force and effect in accordance with its terms as to all of the lands embraced in said lease.

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 by 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 interested 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 retro-active adjustment of 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.

UNIT OPERATOR

PHILLIPS PETROLEUM COMPANY

January 31, 1975
(Date)

By: [Signature]
Attorney-In-Fact

Address: Phillips Building
4th and Washington Streets
Odessa, Texas 79761

WORKING INTEREST OWNERS

MESA PETROLEUM CO.

ATTEST:
[Signature]
Ass't. Secretary
January 28, 1975
(Date)

By: [Signature]
Vice President RYM

Address: P.O. Box 2009
Amarillo, Texas 79105

GULF OIL CORPORATION

By: _____

Address: P. O. Box 1150
Midland, Texas 79701

(Date)

UNION OIL COMPANY OF CALIFORNIA

By: _____

Address: 300 Security National Bank Bldg.
Roswell, New Mexico 88201

AMOCO PRODUCTION COMPANY

By: _____

Address: P. O. Box 3092
Houston, Texas 77001

STATE OF TEXAS |

COUNTY OF ECTOR |

On this 31st day of January, 1975, before me personally appeared
Ired Sanford, to me known to be the person who executed the
foregoing instrument as Attorney-In-Fact of PHILLIPS PETROLEUM COMPANY, a Delaware
Corporation, and acknowledged that he executed the same as the free act and deed of said
Phillips Petroleum Company.

My Commission Expires:

June 1, 1975

June H. Delman
Notary Public in and for
Ector County, Texas

STATE OF TEXAS |

COUNTY OF POTTER |

The foregoing instrument was acknowledged before me this 28th day of January,
1975, by J. O. Upchurch, Vice President of MESA PETROLEUM
CO., a Delaware Corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1975

Virginia L. Bernier
Notary Public in and for
Potter County, Texas

STATE OF _____ |

COUNTY OF _____ |

The foregoing instrument was acknowledged before me this _____ day of _____,
1975, by _____ of GULF OIL CORPORATION,
a _____ Corporation, on behalf of said corporation.

My Commission Expires:

Notary Public in and for
_____ County, _____

UNION OIL COMPANY OF CALIFORNIA

By: _____

Address: 300 Security National Bank Bldg.
Roswell, New Mexico 88201

AMOCO PRODUCTION COMPANY

By: [Signature]

ATTORNEY-IN-FACT

Address: P. O. Box 3092
Houston, Texas 77001

APPROVED
Ad

(Date)

January 31, 1975
(Date)

STATE OF TEXAS

COUNTY OF ECTOR

On this 4th day of February, 1975, before me personally appeared Fred Forward, to me known to be the person who executed the foregoing instrument as Attorney-In-Fact of PHILLIPS PETROLEUM COMPANY, a Delaware Corporation, and acknowledged that he executed the same as the free act and deed of said Phillips Petroleum Company.

My Commission Expires:

June 1, 1975

June H. Holman
Notary Public in and for
Ector County, Texas

STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____ of MESA PETROLEUM CO., a _____ Corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1975

Notary Public in and for
Midland County, Texas

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____ of GULF OIL CORPORATION, a _____ Corporation, on behalf of said corporation.

My Commission Expires:

Notary Public in and for
_____ County, _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____, _____ of UNION OIL COMPANY OF CALIFORNIA, a _____ Corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public in and for
_____ County, _____

STATE OF Texas

COUNTY OF Harris

The foregoing instrument was acknowledged before me this 31st day of January, 1975, by C. N. MENNINGER, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware Corporation, on behalf of said corporation.

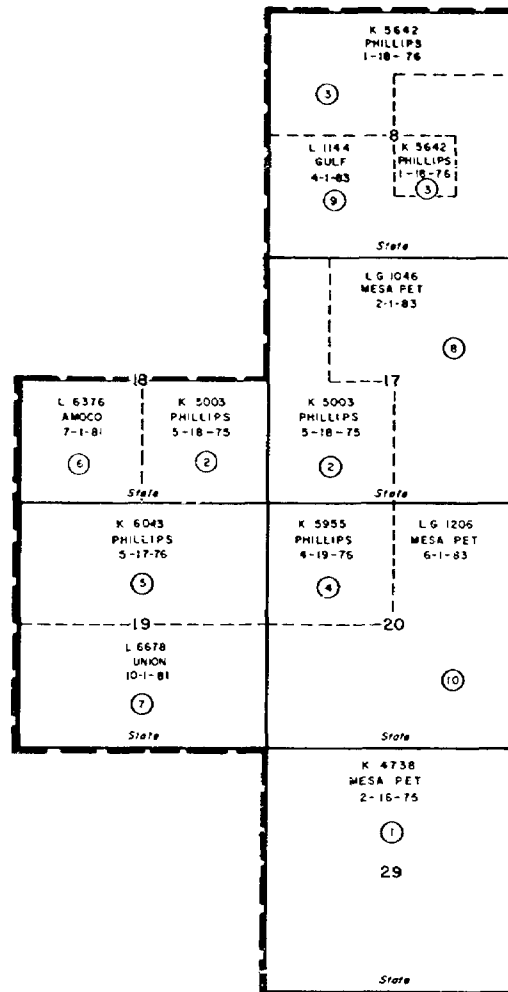
My Commission Expires: 6-1-75

Irene Haldas

Notary Public in and for
Harris County, Texas

IRENE HALDAS
Notary Public in and for Harris County, Texas

R 33 E



T
21
S

LEGEND

Exhibit "A"

Unit Outline - 3,496.11 acres
(100% State Lands)

EAVES UNIT

Tract Number

Leo County,

Scale - 1" = 4000'

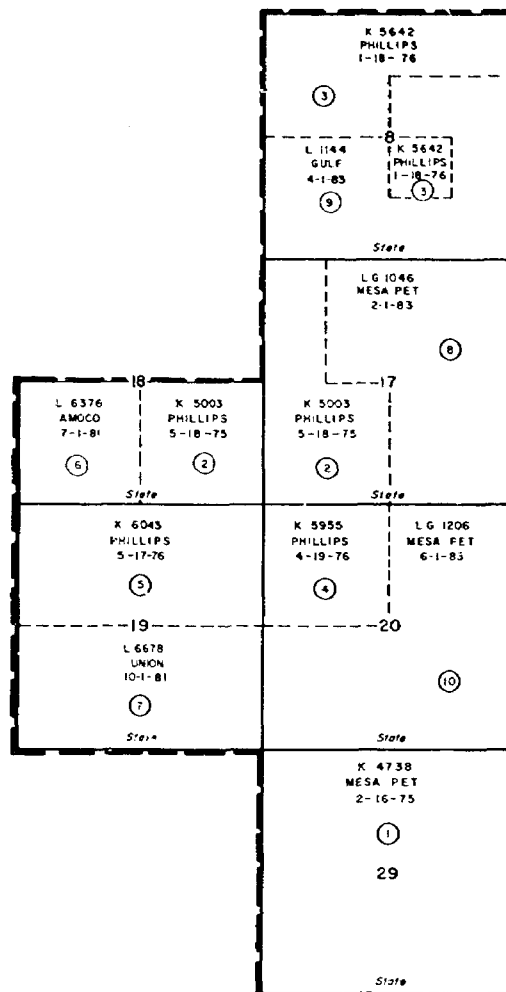
New Mexico

EAVES UNIT

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Leases	Basic Royalty (All 12-1/2%)	Lessee of Record	ORR or	Working Interest
						Production Payment Percentage	and Percentage

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Leases	Basic Royalty (All 12-1/2%)	Lessee of Record	ORR or	
						Production Payment Percentage	Working Interest and Percentage
<u>All in T21S-R33E</u>							
1.	Sec. 29: All	640.00	K-4738-5 2-16-75	State of N.M.	Mesa Petroleum Co.	320 Minerals Ltd. - 6.25%	Mesa Petro. Co. 100%
2.	Sec. 17: SW/4 & W/2 NW/4 Sec. 18: SE/4	400.00	K-5003-2 5-18-75	State of N.M.	Phillips Petroleum Co.	320 Minerals Ltd. - 5%	Phillips Petro. Co. 100%
3.	Sec. 8: N/2 NE/4, NW/4 & NW/4 SE/4	280.00	K-5642 1-18-76	State of N.M.	Phillips Petroleum Co.	None	Phillips Petro. Co. 100%
4.	Sec. 20: NW/4	160.00	K-5955 4-19-76	State of N.M.	Phillips Petroleum Co.	None	Phillips Petro. Co. 100%
5.	Sec. 19: Lots 1 & 2, E/2 NW/4 & NE/4	312.04	K-6043 5-17-76	State of N.M.	Phillips Petroleum Co.	None	Phillips Petro. Co. 100%
6.	Sec. 18: Lots 3 & 4, E/2 SW/4	151.87	L-6376-1 7-1-81	State of N.M.	Amoco Production Co.	None	Amoco Production Co. 100%
7.	Sec. 19: Lots 3 & 4, E/2 SW/4 & SE/4	312.20	L-6678 10-1-81	State of N.M.	Union Oil Co. of Calif.	None	Union Oil Co. of Calif. 100%
8.	Sec. 17: E/2 & E/2 NW/4	400.00	LG-1046 2-1-83	State of N.M.	Mesa Petroleum Co.	None	Mesa Petroleum Co. 100%
9.	Sec. 3: S/2 NE/4, SW/4, NE/4 SE/4 & S/2 SE/4	360.00	LG-1144 4-1-83	State of N.M.	Gulf Oil Corporation	None	Gulf Oil Corporation 100%
10.	Sec. 20: E/2 & SW/4	480.00	LG-1206 6-1-83	State of N.M.	Mesa Petroleum Co.	None	Mesa Petroleum Co. 100%
TOTAL: 10 Tracts (all State lands) 3,496.11 acres in entire Unit Area							

R 33 E



T
21
S

LEGEND

Unit Outline - 3,496.11 acres
(100% State Lands)

○ --- Tract Number

Scale --- 1" = 4000'

Exhibit "A"

EAVES UNIT

Lea County,
New Mexico

CONSENT AND RATIFICATION
EAVES UNIT AGREEMENT
COVERING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Eaves Unit covering all of Sections 8 and 17, S/2 Section 18, all of Sections 19, 20 and 29, Township 21 South, Range 33 East, Lea County, New Mexico, which Agreement is dated the 20th day of January, 1975; and the undersigned acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of interests in all or parts of said lands do hereby adopt and consent to said Unit Agreement and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the originals of said Agreement or counterparts thereof.

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

ATTEST:

Assistant Secretary

GULF OIL CORPORATION

By: J. A. Hord
Attorney-in-Fact

Law	<u>GRS</u>
Serv.	
Exp.	<u>10/1/75</u>
Prod.	

CORPORATE

STATE OF TEXAS
COUNTY OF MIDLAND

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

January, 1975, by J. A. HORD who is
Attorney-in-Fact of GULF OIL CORPORATION a

Pennsylvania corporation, for and on behalf of said corporation.
(State)

My Commission Expires:
June 1, 1975

Gladys M. Evans
Notary Public in and for
Midland County, Texas

INDIVIDUAL

STATE OF _____
County of _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1975, by _____.

My Commission Expires:

Notary Public in and for
_____, County, _____

CONSENT AND RATIFICATION
EAVES UNIT AGREEMENT
COVERING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned hereby acknowledge receipt of a copy of the Unit Agreement for the Development and operation of the Eaves Unit covering all of Sections 8 and 17, S/2 Section 18, all of Sections 19, 20 and 29, Township 21 South, Range 33 East, Lea County, New Mexico, which Agreement is dated the 20th day of January, 1975; and the undersigned acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of interests in all or parts of said lands do hereby adopt and consent to said Unit Agreement and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the originals of said Agreement or counterparts thereof.

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

UNION OIL COMPANY OF CALIFORNIA

By Samuel C. Terry
Attorney-in-Fact

CORPORATE

STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 3rd day of

February, 1975, by Samuel C. Terry who is

an Attorney-in-Fact of Union Oil Company of California a

California corporation, for and on behalf of said corporation.

(State)

My Commission Expires:

June 1, 1975

Elma H. Sloan (Elma H. Sloan)
Notary Public in and for
Midland County, Texas

INDIVIDUAL

STATE OF _____

County of _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1975, by _____.

My Commission Expires:

Notary Public in and for
_____, County, _____

CONSENT AND RATIFICATION
EAVES UNIT AGREEMENT
COVERING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Eaves Unit covering all of Sections 8 and 17, S/2 Section 18, all of Sections 19, 20 and 29, Township 21 South, Range 33 East, Lea County, New Mexico, which Agreement is dated the 20th day of January, 1975; and the undersigned acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of interests in all or parts of said lands do hereby adopt and consent to said Unit Agreement and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the originals of said Agreement or counterparts thereof.

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

320 MINERALS, LTD.

By: H. Brace Wiggell
H. Brace Wiggell
General Partner

CORPORATE

STATE OF _____ §

COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____ who is _____ of _____ a _____ corporation, for and on behalf of said corporation.
(State)

My Commission Expires: _____

Notary Public in and for
County, _____

INDIVIDUAL

STATE OF TEXAS §

County of MIDLAND §

The foregoing instrument was acknowledged before me this 23rd day of January, 1975, by H. Brace Wiggell, General Partner of 320 Minerals, Ltd.

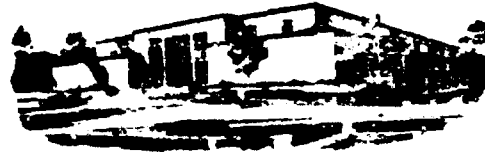
My Commission Expires: _____

June 1, 1975

Edith B. Joyce
Notary Public in and for
Midland County, Texas

State of New Mexico

TELEPHONE
505-827-2743



Commissioner of Public Lands

February 5, 1975

PHIL R. LUCERO
COMMISSIONER

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

Phillips Petroleum Company
311 Phillips Building
Odessa, Texas 79761

Re: Proposed Leases Unit
Lea County, New Mexico

ATTENTION: Mr. E. M. Garence

Gentlemen:

The Commissioner of Public Lands has this date given final approval to the Leases Unit, Lea County, New Mexico. The effective date to be as of the date of approval.

Please submit one copy of the Operating Agreement when you finish negotiating with Union Oil Company of California.

Enclosed are Five (5) Certificates of approval.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

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

PHL/RDG/s
encls.
cc:

OCC-Santa Fe, New Mexico ✓

<p>28</p> <p>U.S.</p> <p>27</p> <p>U.S.</p> <p>26</p> <p>U.S.</p> <p>25</p> <p>U.S.</p> <p>30</p> <p>U.S.</p> <p>29</p> <p>U.S.</p> <p>32</p> <p>U.S.</p> <p>33</p> <p>U.S.</p> <p>34</p> <p>U.S.</p> <p>35</p> <p>U.S.</p> <p>36</p> <p>U.S.</p>	<p>2132</p> <p>U.S.</p> <p>23</p> <p>U.S.</p> <p>24</p> <p>U.S.</p> <p>19</p> <p>U.S.</p> <p>20</p> <p>U.S.</p> <p>21</p> <p>U.S.</p> <p>22</p> <p>U.S.</p> <p>23</p> <p>U.S.</p> <p>24</p> <p>U.S.</p> <p>25</p> <p>U.S.</p> <p>26</p> <p>U.S.</p> <p>27</p> <p>U.S.</p> <p>28</p> <p>U.S.</p> <p>29</p> <p>U.S.</p> <p>30</p> <p>U.S.</p> <p>31</p> <p>U.S.</p> <p>32</p> <p>U.S.</p> <p>33</p> <p>U.S.</p> <p>34</p> <p>U.S.</p> <p>35</p> <p>U.S.</p> <p>36</p> <p>U.S.</p>	<p>2133</p> <p>U.S.</p> <p>23</p> <p>U.S.</p> <p>24</p> <p>U.S.</p> <p>14</p> <p>U.S.</p> <p>15</p> <p>U.S.</p> <p>16</p> <p>U.S.</p> <p>17</p> <p>U.S.</p> <p>18</p> <p>U.S.</p> <p>19</p> <p>U.S.</p> <p>20</p> <p>U.S.</p> <p>21</p> <p>U.S.</p> <p>22</p> <p>U.S.</p> <p>23</p> <p>U.S.</p> <p>24</p> <p>U.S.</p> <p>25</p> <p>U.S.</p> <p>26</p> <p>U.S.</p> <p>27</p> <p>U.S.</p> <p>28</p> <p>U.S.</p> <p>29</p> <p>U.S.</p> <p>30</p> <p>U.S.</p> <p>31</p> <p>U.S.</p> <p>32</p> <p>U.S.</p> <p>33</p> <p>U.S.</p> <p>34</p> <p>U.S.</p> <p>35</p> <p>U.S.</p> <p>36</p> <p>U.S.</p>
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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
EAVES UNIT AREA
LEA COUNTY, NEW MEXICO

No. _____

THIS AGREEMENT, entered into as of the 20th day of January, 1975, 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. 1, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, New Mexico statutes 1953 Annotated), 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 agreement provides for the unit operation or development of part of or all of any oil or gas, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by Act of Legislature (Sec. 1, Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 41, New Mexico 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, Sec. 14, New Mexico Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Hayes 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 21 South, RANGE 33 East, N.M.P.M.

All of Sections 8 and 17, S/2 Section 18, all of Section 19, 20 and 29, containing 3,496.11 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 lands are unitized under the terms of this agreement and herein are called "unitized substances."

3. UNIT OPERATOR. PHILLIPS PETROLEUM COMPANY, whose address is Phillips Building, 4th and Washington Streets, Odessa, Texas 79761, 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, if any, 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 elected 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 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 interests 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, on or before February 16, 1975, 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 14,500 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 6 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.

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 for his approval 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 a deposit of unitized substances capable of being produced in paying quantities as herein provided, unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the final completion of one well and the beginning of the next well, until the unit area has been fully developed to a density of one well on each proration unit as prescribed by order of the Oil Conservation Commission of New Mexico for the formation in which unitized substances are discovered.

If the unit operator should fail to comply with the above covenant for reasonable development without prior consent or approval of the Commissioner of Public Lands, this agreement shall terminate as to all lands of the State of New Mexico embracing regular well spacing or proration units upon which no well has been drilled or commenced 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.

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, and of overriding royalties, production payments and other charges in addition to royalty, 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 substance 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 cut of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same.

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 on 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 interest as to lands within the unitized area 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 as to lands within the unitized area 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 of which only a portion is 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 two separate leases as to such segregated portions, commencing as of the effective date hereof. 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 within the unitized area and committed to this agreement, in accordance with the terms of this agreement. 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 which part is committed to this agreement at the expiration of the secondary term of such lease, such production shall not be considered as production from lands embraced in such lease which are not within the unitized area, and which are not committed thereto, and drilling or reworking operations upon some part of the lands embraced within the unitized area and committed to this agreement shall be considered as drilling and reworking operations only as to lands embraced within the unit agreement and not as to lands embraced within the lease and not committed to this unit agreement; provided, however, as to any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto upon which oil and gas or either of them has been discovered or is discovered upon that portion of such lands not committed to this agreement, and are being produced in paying quantities prior to the expiration of the primary term of such lease, such production in paying quantities shall serve to continue such lease in full force and effect in accordance with its terms as to all of the lands embraced in said lease.

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 by 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 interested 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 retro-active adjustment of 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.

UNIT OPERATOR

PHILLIPS PETROLEUM COMPANY

By: _____
Attorney-In-Fact

Address: Phillips Building
4th and Washington Streets
Odessa, Texas 79761

WORKING INTEREST OWNERS

MESA PETROLEUM COMPANY

By: _____

Address: 904 GIHLS Tower West
Midland, Texas 79701

GULF OIL CORPORATION

By: _____

Address: P. O. Box 1150
Midland, Texas 79701

UNION OIL COMPANY OF CALIFORNIA

By: _____

Address: 300 Security National Bank Bldg.
Roswell, New Mexico 88201

AMOCO PRODUCTION COMPANY

By: _____

Address: P. O. Box 3092
Houston, Texas 77001

(Date)

(Date)

STATE OF TEXAS *¶*

COUNTY OF ECTOR *¶*

On this _____ day of _____, 1975, before me personally appeared _____, to me known to be the person who executed the foregoing instrument as Attorney-In-Fact of PHILLIPS PETROLEUM COMPANY, a Delaware Corporation, and acknowledged that he executed the same as the free act and deed of said Phillips Petroleum Company.

My Commission Expires:

June 1, 1975

Notary Public in and for
Ector County, Texas

STATE OF TEXAS *¶*

COUNTY OF MIDLAND *¶*

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____, _____ of MESA PETROLEUM COMPANY, a _____ Corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1975

Notary Public in and for
Midland County, Texas

STATE OF _____ *¶*

COUNTY OF _____ *¶*

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____, _____ of GULF OIL CORPORATION, a _____ Corporation, on behalf of said corporation.

My Commission Expires:

Notary Public in and for
_____ County, _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____ of UNION OIL COMPANY OF CALIFORNIA, a _____ Corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public in and for

County, _____

STATE OF _____

COUNTY OF _____

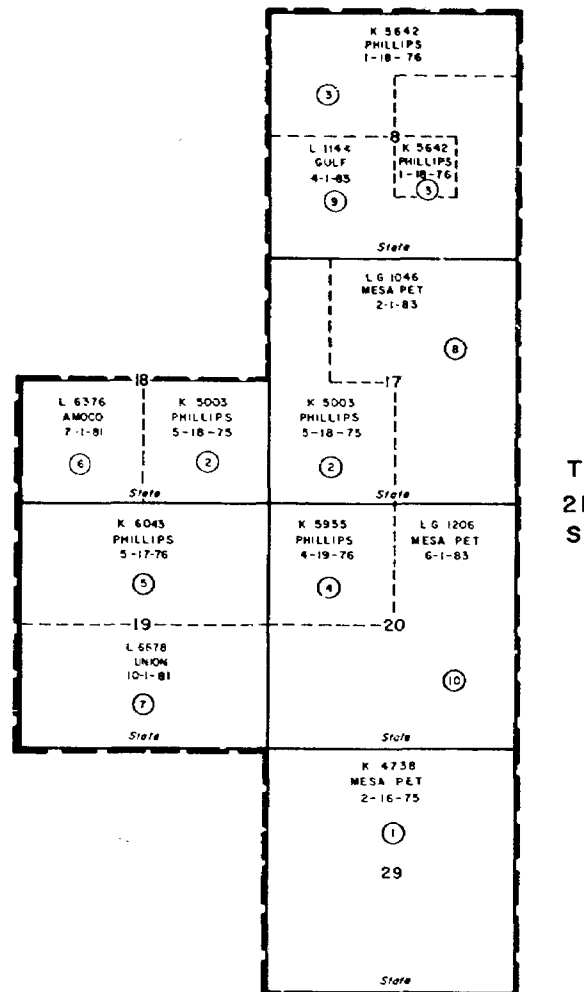
The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____ of AMOCO PRODUCTION COMPANY, a _____ Corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public in and for

County, _____

R 33 E



LEGEND

Unit Outline - 3,496.11 acres
(100% State Lands)

Tract Number

Scale - 1" = 4000'

Exhibit "A"

EAVES UNIT

Lea County,
New Mexico

EXHIBIT "B"

EAVES UNIT

LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Leases	Basic Royalty (All 12-1/2%)	Lessee of Record	ORR or	
						Production Payment Percentage	Working Interest and Percentage
All in T21S-R33E							
1.	Sec. 29: All	640.00	K-4738-5 2-16-75	State of N.M.	Mesa Petroleum Co.	320 Minerals Ltd. - 6.25%	Mesa Petro. Co. 100%
2.	Sec. 17: SW/4 & W/2 NW/4 Sec. 18: SE/4	400.00	K-5003-2 5-18-75	State of N.M.	Phillips Petroleum Co.	320 Minerals Ltd. - 5%	Phillips Petro. Co. 100%
3.	Sec. 8: N/2 NE/4, NW/4 & NW/4 SE/4	280.00	K-5642 1-18-76	State of N.M.	Phillips Petroleum Co.	None	Phillips Petro. Co. 100%
4.	Sec. 20: NW/4	160.00	K-5955 4-19-76	State of N.M.	Phillips Petroleum Co.	None	Phillips Petro. Co. 100%
5.	Sec. 19: Lots 1 & 2, E/2 NW/4 & NE/4	312.04	K-6043 5-17-76	State of N.M.	Phillips Petroleum Co.	None	Phillips Petro. Co. 100%
6.	Sec. 18: Lots 3 & 4, E/2 SW/4	151.87	L-6376-1 7-1-81	State of N.M.	Amoco Production Co.	None	Amoco Production Co. 100%
7.	Sec. 19: Lots 3 & 4, E/2 SW/4 & SE/4	312.20	L-6678 10-1-81	State of N.M.	Union Oil Co. of Calif.	None	Union Oil Co. of Calif. 100%
8.	Sec. 17: E/2 & E/2 NW/4	400.00	LG-1046 2-1-83	State of N.M.	Mesa Petroleum Co.	None	Mesa Petroleum Co. 100%
9.	Sec. 8: S/2 NE/4, SW/4, NE/4 SE/4 & S/2 SE/4	360.00	LG-1144 4-1-83	State of N.M.	Gulf Oil Corporation	None	Gulf Oil Corporation 100%
10.	Sec. 20: E/2 & SW/4	480.00	LG-1206 6-1-83	State of N.M.	Mesa Petroleum Co.	None	Mesa Petroleum Co. 100%
TOTAL: 10 Tracts (all State Lands)		3,496.11	acres in entire Unit Area				

PROPOSED EAVES UNIT

3,496.11 acres, being all of Sections 8 and 17, S/2 Section 18 and
all of Sections 19, 20 and 29, T21S-R33E, Lea County, New Mexico

	Acreage		Percent of Unit
	Gross	Net	
<u>Mesa Petroleum Company</u>			
E/2 & E/2 NW/4 Section 17-21S-33E	400.00	400.00	
E/2 & SW/4 Section 20-21S-33E	480.00	480.00	
All Section 29-21S-33E	<u>640.00</u>	<u>640.00</u>	43.4769%
	1,520.00	1,520.00	
<u>Phillips Petroleum Company</u>			
N/2 NE/4, NW/4 & NW/4 SE/4 Section 8-21S-33E	280.00	280.00	
SW/4 & W/2 NW/4 Section 17-21S-33E	240.00	240.00	
SE/4 Section 18-21S-33E	160.00	160.00	
Lots 1, 2, E/2 NW/4 & NE/4 Section 19-21S-33E	312.04	312.04	
NW/4 Section 20-21S-33E	<u>160.00</u>	<u>160.00</u>	32.9521%
	1,152.04	1,152.04	
<u>Gulf Oil Corporation</u>			
S/2 NE/4, SW/4, NE/4 SE/4 & S/2 SE/4 Section 8-21S-33E	360.00	360.00	10.2971%
<u>Union Oil Company of California</u>			
Lots 3, 4, E/2 SW/4 & SE/4 Section 19-21S-33E	312.20	312.20	8.9299%
<u>Amoco Production Company</u>			
Lots 3, 4, & E/2 SW/4 Section 18-21S-33E	<u>151.87</u>	<u>151.87</u>	4.3440%
	3,496.11	3,496.11	100.0000%

H. N. Clark
Senior Vice President, Operations

Ideal Basic Industries
Potash Company of America Division

P. O. Box 31
Carlsbad, New Mexico 88220
505 887-2844

January 8, 1975

Phillips Petroleum Company
Phillips Building
Odessa, Texas 79761

Attention: Mr. E. M. Gorence
Regional Landman

Re: Eaves Unit
Lea County, New Mexico

RECEIVED

JAN 13 1975

LAND SECTION
PHILLIPS PETROLEUM CO.

Gentlemen:

This will acknowledge your letter of January 7 and advise you that we will not object to an oil and gas drilling location in the SW/SE of Section 18, T-21S, R-33E provided we are furnished a copy of an open hole gamma-sonic log through the salt section.

Very truly yours,

H. N. Clark

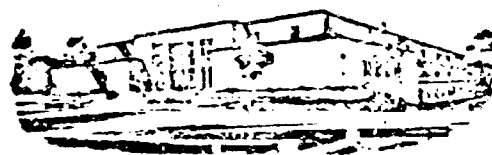
H. N. Clark
Senior Vice President

cc: Mr. R. S. Fulton, U.S.G.S., Carlsbad
Mr. Don Van Sickle, U.S.G.S., Roswell
Mr. A. L. Porter, New Mexico Oil Conservation Commission



PHIL R. LUCERO
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

January 22, 1975

TELEPHONE
505-827-2748

RECEIVED
JAN 27 1975

LEASING
PHILLIPS PETROLEUM CO.

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

Phillips Petroleum Company
311 Phillips Building
Odessa, Texas 79761

Re: Proposed Eaves Unit
Lea County, New Mexico

ATTENTION: Mr. E. M. Gorence

Gentlemen:

We have reviewed the proposed unexecuted copy of unit agreement, Exhibits "A" and "B" for the Eaves Unit Area, 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 project and as to form and content.

Please show the assignment number right after the lease number.
(K-4738-5, K-5003-2, L-6376-1).

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. Order of the New Mexico Oil Conservation Commission.
6. Your Initial Plan of Operation.

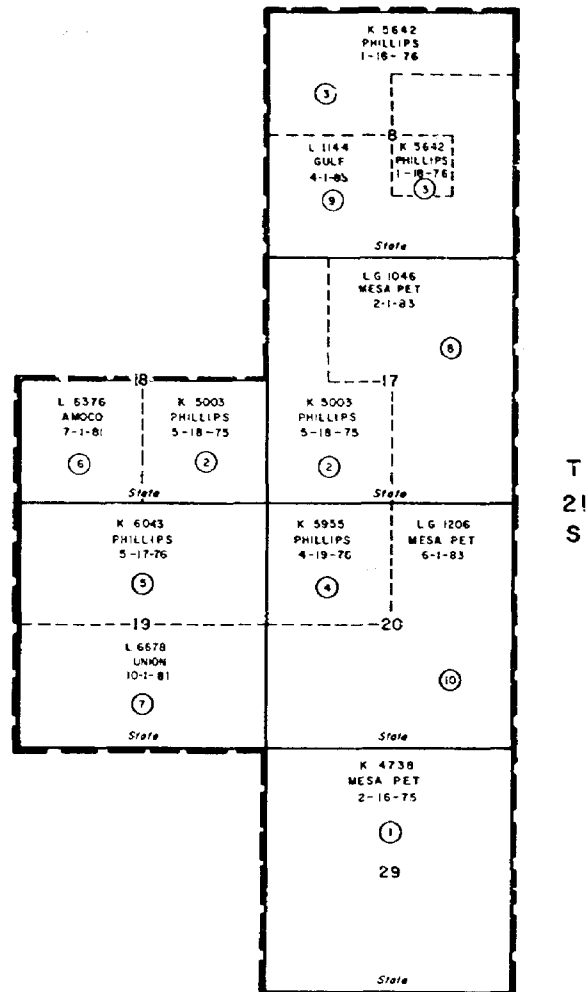
Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*
RAY D. GRAHAM, DIRECTOR
Oil and Gas Division

PRL/RDG/s

R 33 E



LEGEND

Unit Outline - 3,496.11 acres
(100% State Lands)

Tract Number

Scale - 1" = 4000'

Exhibit "A"

EAVES UNIT

Lea County,
New Mexico

[illegible]

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
EAVES UNIT AREA
LEA COUNTY, NEW MEXICO
No. _____

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
Phillips	EXHIBIT NO. <u>2</u>
CASE NO. <u>5412</u>	
Submitted by _____	
Hearing Date <u>5 Feb 75</u>	

THIS AGREEMENT, entered into as of the 20th day of January, 1975, 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. 1, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, New Mexico statutes 1953 Annotated), 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 agreement provides for the unit operation or development of part of or all of any oil or gas, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by Act of Legislature (Sec. 1, Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 41, New Mexico 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, Sec. 14, New Mexico Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Eaves 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 21 South, RANGE 33 East, N.M.P.M.

All of Sections 8 and 17, S/2 Section 18, all of Section 19, 20 and 29, containing 3,496.11 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 lands are unitized under the terms of this agreement and herein are called "unitized substances."

3. UNIT OPERATOR. PHILLIPS PETROLEUM COMPANY, whose address is Phillips Building, 4th and Washington Streets, Odessa, Texas 79761, 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, if any, 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 elected 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 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 interests 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, on or before February 16, 1975, 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 14,500 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 6 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.

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 for his approval 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 a deposit of unitized substances capable of being produced in paying quantities as herein provided, unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the final completion of one well and the beginning of the next well, until the unit area has been fully developed to a density of one well on each proration unit as prescribed by order of the Oil Conservation Commission of New Mexico for the formation in which unitized substances are discovered.

If the unit operator should fail to comply with the above covenant for reasonable development without prior consent or approval of the Commissioner of Public Lands, this agreement shall terminate as to all lands of the State of New Mexico embracing regular well spacing or proration units upon which no well has been drilled or commenced 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.

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, and of overriding royalties, production payments and other charges in addition to royalty, 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 substance 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 cut of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same.

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 on 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 interest as to lands within the unitized area 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 as to lands within the unitized area 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 of which only a portion is 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 two separate leases as to such segregated portions, commencing as of the effective date hereof. 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 within the unitized area and committed to this agreement, in accordance with the terms of this agreement. 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 which part is committed to this agreement at the expiration of the secondary term of such lease, such production shall not be considered as production from lands embraced in such lease which are not within the unitized area, and which are not committed thereto, and drilling or reworking operations upon some part of the lands embraced within the unitized area and committed to this agreement shall be considered as drilling and reworking operations only as to lands embraced within the unit agreement and not as to lands embraced within the lease and not committed to this unit agreement; provided, however, as to any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto upon which oil and gas or either of them has been discovered or is discovered upon that portion of such lands not committed to this agreement, and are being produced in paying quantities prior to the expiration of the primary term of such lease, such production in paying quantities shall serve to continue such lease in full force and effect in accordance with its terms as to all of the lands embraced in said lease.

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 by 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 interested 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 retro-active adjustment of 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.

UNIT OPERATOR

PHILLIPS PETROLEUM COMPANY

By: _____
Attorney-In-Fact

Address: Phillips Building
4th and Washington Streets
Odessa, Texas 79761

WORKING INTEREST OWNERS

MESA PETROLEUM COMPANY

By: _____

Address: 904 GHLS Tower West
Midland, Texas 79701

GULF OIL CORPORATION

By: _____

Address: P. O. Box 1150
Midland, Texas 79701

UNION OIL COMPANY OF CALIFORNIA

By: _____

Address: 300 Security National Bank Bldg.
Roswell, New Mexico 88201

AMOCO PRODUCTION COMPANY

By: _____

Address: P. O. Box 3092
Houston, Texas 77001

(Date)

(Date)

STATE OF TEXAS |
COUNTY OF ECTOR |

On this _____ day of _____, 1975, before me personally appeared _____, to me known to be the person who executed the foregoing instrument as Attorney-In-Fact of PHILLIPS PETROLEUM COMPANY, a Delaware Corporation, and acknowledged that he executed the same as the free act and deed of said Phillips Petroleum Company.

My Commission Expires:

June 1, 1975

Notary Public in and for
Ector County, Texas

STATE OF TEXAS |
COUNTY OF MIDLAND |

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____, _____ of MESA PETROLEUM COMPANY, a _____ Corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1975

Notary Public in and for
Midland County, Texas

STATE OF _____ |
COUNTY OF _____ |

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____, _____ of GULF OIL CORPORATION, a _____ Corporation, on behalf of said corporation.

My Commission Expires:

Notary Public in and for
_____ County, _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____, _____ of UNION OIL COMPANY OF CALIFORNIA, a _____ Corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public in and for
_____ County, _____

STATE OF _____

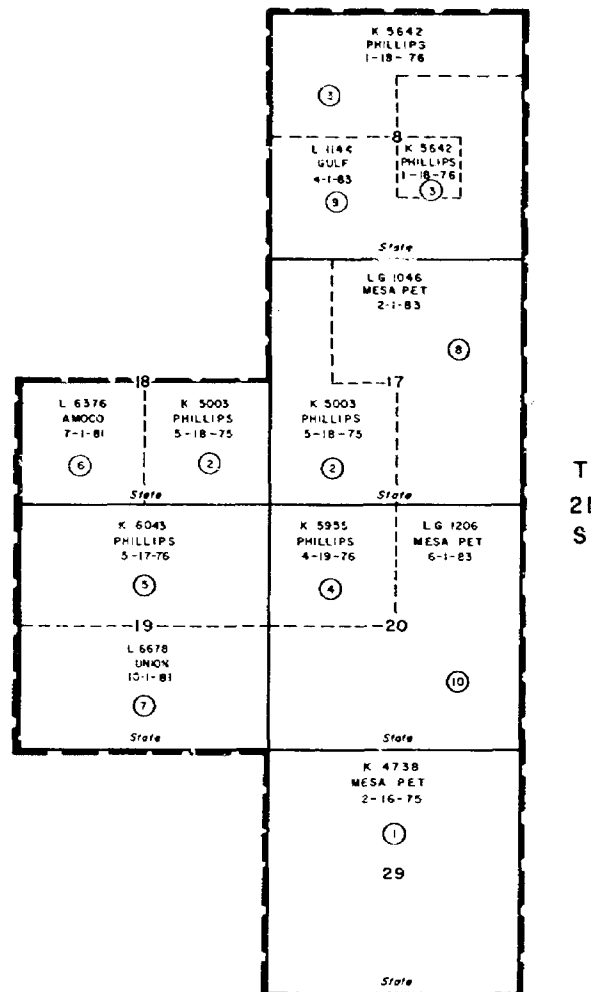
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____, _____ of AMOCO PRODUCTION COMPANY, a _____ Corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public in and for
_____ County, _____

R 33 E



LEGEND

Unit Outline - 3,496.11 acres
(100% State Lands)

Tract Number

Scale - 1" = 4000'

Exhibit "A"

EAVES UNIT

Lea County,

New Mexico

EXHIBIT "B"

EAVES UNIT

LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Leases	Basic Royalty (All 12-1/2%)	Lessee of Record	ORR or	
						Production Payment Percentage	Working Interest and Percentage
All in T21S-R33E							
1.	Sec. 29: All	640.00	K-4738-5 2-16-75	State of N.M.	Mesa Petroleum Co.	320 Minerals Ltd. - 6.25%	Mesa Petro. Co. 100%
2.	Sec. 17: SW/4 & W/2 NW/4 Sec. 18: SE/4	400.00	K-5003-2 5-18-75	State of N.M.	Phillips Petroleum Co.	320 Minerals Ltd. - 5%	Phillips Petro. Co. 100%
3.	Sec. 8: N/2 NE/4, NW/4 & NW/4 SE/4	280.00	K-5642 1-18-76	State of N.M.	Phillips Petroleum Co.	None	Phillips Petro. Co. 100%
4.	Sec. 20: NW/4	160.00	K-5955 4-19-76	State of N.M.	Phillips Petroleum Co.	None	Phillips Petro. Co. 100%
5.	Sec. 19: Lots 1 & 2, E/2 NW/4 & NE/4	312.04	K-6043 5-17-76	State of N.M.	Phillips Petroleum Co.	None	Phillips Petro. Co. 100%
6.	Sec. 18: Lots 3 & 4, E/2 SW/4	151.87	L-6376-1 7-1-81	State of N.M.	Amoco Production Co.	None	Amoco Production Co. 100%
7.	Sec. 19: Lots 3 & 4, E/2 SW/4 & SE/4	312.20	L-6678 10-1-81	State of N.M.	Union Oil Co. of Calif.	None	Union Oil Co. of Calif. 100%
8.	Sec. 17: E/2 & E/2 NW/4	400.00	L-61046 2-1-83	State of N.M.	Mesa Petroleum Co.	None	Mesa Petroleum Co. 100%
9.	Sec. 8: S/2 NE/4, SW/4, NE/4 SE/4 & S/2 SE/4	360.00	L-61144 4-1-83	State of N.M.	Gulf Oil Corporation	None	Gulf Oil Corporation 100%
10.	Sec. 20: E/2 & SW/4	480.00	L-61206 6-1-83	State of N.M.	Mesa Petroleum Co.	None	Mesa Petroleum Co. 100%
TOTAL: 10 Tracts (all State Lands)		3,496.11 acres in entire Unit Area					

PROPOSED EAVES UNIT

3,496.11 acres, being all of Sections 8 and 17, S/2 Section 18 and
all of Sections 19, 20 and 29, T21S-R33E, Lea County, New Mexico

	Acreage		Percent of Unit
	Gross	Net	
<u>Mesa Petroleum Company</u>			
E/2 & E/2 NW/4 Section 17-21S-33E	400.00	400.00	
E/2 & SW/4 Section 20-21S-33E	480.00	480.00	
All Section 29-21S-33E	<u>640.00</u>	<u>640.00</u>	43.4769%
	1,520.00	1,520.00	
<u>Phillips Petroleum Company</u>			
N/2 NE/4, NW/4 & NW/4 SE/4 Section 8-21S-33E	280.00	280.00	
SW/4 & W/2 NW/4 Section 17-21S-33E	240.00	240.00	
SE/4 Section 18-21S-33E	160.00	160.00	
Lots 1, 2, E/2 NW/4 & NE/4 Section 19-21S-33E	312.04	312.04	
NW/4 Section 20-21S-33E	<u>160.00</u>	<u>160.00</u>	32.9521%
	1,152.04	1,152.04	
<u>Gulf Oil Corporation</u>			
S/2 NE/4, SW/4, NE/4 SE/4 & S/2 SE/4 Section 8-21S-33E	360.00	360.00	10.2971%
<u>Union Oil Company of California</u>			
Lots 3, 4, E/2 SW/4 & SE/4 Section 19-21S-33E	312.20	312.20	8.9299%
<u>Amoco Production Company</u>			
Lots 3, 4, & E/2 SW/4 Section 18-21S-33E	<u>151.87</u>	<u>151.87</u>	4.3440%
	3,496.11	3,496.11	100.0000%

BEFORE EXAMINER STAMETS OIL CONSERVATION COMMISSION	
<u>Phillips</u>	EXHIBIT NO. <u>3</u>
CASE NO. <u>5412</u>	
Submitted by _____	
Hearing Date <u>5 Feb 75</u>	

H. N. Clark
Senior Vice President, Operations

Ideal Basic Industries
Potash Company of America Division
P. O. Box 31
Carlsbad, New Mexico 88220
505 887-2844

January 8, 1975

Phillips Petroleum Company
Phillips Building
Odessa, Texas 79761

Attention: Mr. E. M. Gorence
Regional Landman

Re: Eaves Unit
Lea County, New Mexico

RECEIVED
JAN 13 1975
LAND SECTION
PHILLIPS PETROLEUM CO.

Gentlemen:

This will acknowledge your letter of January 7 and advise you that we will not object to an oil and gas drilling location in the SW/SE of Section 18, T-21S, R-33E provided we are furnished a copy of an open hole gamma-sonic log through the salt section.

Very truly yours,

H. N. Clark

H. N. Clark
Senior Vice President

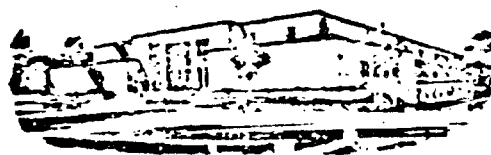
cc: Mr. R. S. Fulton, U.S.G.S., Carlsbad
Mr. Don Van Sickle, U.S.G.S., Roswell
Mr. A. L. Porter, New Mexico Oil Conservation Commission

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
Phillips	EXHIBIT NO. 4
CASE NO.	5412
Submitted by	
Hearing Date	5 Feb 75



PHIL R. LUCERO
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

January 22, 1975

TELEPHONE
505-827-2748

RECEIVED

JAN 27 1975

PHILLIPS PETROLEUM CO.

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

Phillips Petroleum Company
311 Phillips Building
Odessa, Texas 79761

Re: Proposed Eaves Unit
Lea County, New Mexico

ATTENTION: Mr. E. M. Gorence

Gentlemen:

We have reviewed the proposed unexecuted copy of unit agreement, Exhibits "A" and "B" for the Eaves Unit Area, 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 project and as to form and content.

Please show the assignment number right after the lease number. (K-4738-5, K-5003-2, L-6376-1).

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. Order of the New Mexico Oil Conservation Commission.
6. Your Initial Plan of Operation.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*
RAY D. GRAHAM, DIRECTOR
Oil and Gas Division

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
Phillips	EXHIBIT NO. 5
CASE NO.	5412
SUBMITTED BY	
Hearing Date	5 Feb 75

5

CASE 5411: Application of David C. Collier for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Kersey Well No. 1-Y, to be drilled 1980 feet from the South line and 2330 feet from the West line of Section 33, Township 18 South, Range 28 East, Artesia Pool, Eddy County, New Mexico.

CASE 5412: Application of Phillips Petroleum Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Eaves Unit Area, comprising 3,496 acres, more or less, of State lands in Township 21 South, Range 33 East, Lea County, New Mexico.

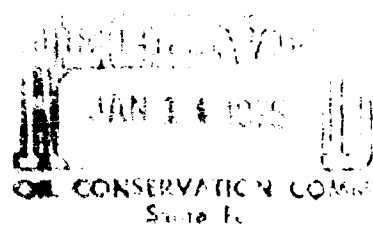
CASE 5413: Application of Anadarko Production Company for three unorthodox injection well locations and amendment of Order No. R-4907, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the relocation at unorthodox locations of three of its injection wells in its Artesia State Unit Waterflood Project, all in Township 18 South, Range 27 East, Eddy County, New Mexico, as follows: Well No. 6-2 to 1530 feet from the South line and 1310 feet from the West line of Section 13; Well No. 7-1 to 10 feet from the North line and 2580 feet from the East line of Section 23; and Well No. 10-1 to 1310 feet from the South line and 1435 feet from the East line of Section 14. Applicant further seeks the amendment of Order No. R-4907 to permit administrative approval of unorthodox producing and injection well locations to within 200 feet of the outer unit boundary.

CASE 5414: Application of Continental Oil Company for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a non-standard 360-acre gas proration unit comprising the SE/4 and E/2 SW/4 of Section 28 and the N/2 NE/4 and NE/4 NW/4 of Section 33, both in Township 20 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its Meyer B-28 A Com Acct. 2 Wells Nos. 2 and 3, located, respectively, in Unit O of said Section 28 and in Unit B of said Section 33.

CASE 5404: Southeastern Nomenclature case calling for the creation, abolishment, and extension of certain pools in Lea and Chaves Counties, New Mexico:

(a) CREATE A new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the South Brunson-Abo Pool. The discovery well is the Cities Service Oil Company State P Well No. 4 located in Unit M of Section 32, Township 22 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM
SECTION 32: SW/4



BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF PHILLIPS PETROLEUM COMPANY
FOR APPROVAL OF A UNIT AGREEMENT,
LEA COUNTY, NEW MEXICO

CASE NO. _____

A P P L I C A T I O N

COMES NOW PHILLIPS PETROLEUM COMPANY and applies to the Oil Conservation Commission of New Mexico for approval of its Eaves Unit Agreement, Lea County, New Mexico, as an exploratory unit, and in support thereof would show the Commission:

1. The unit area of the Eaves Unit consists of 3,496.11 acres consisting of the following described land:

Township 21 South, Range 33 East, N.M.P.M

Section 8 - All
Section 17 - All
Section 18 - S/2
Section 19 - All
Section 20 - All
Section 29 - All

all of which is State of New Mexico land. All formations will be unitized.

2. Phillips Petroleum Company seeks designation as Unit Operator. As Unit Operator it proposes to drill a test well in Section 18, Township 21 South, Range 33 East to a depth of approximately 14,500 feet to test the Morrow

DOCKET MAILED

Date 1-24-75

formation, or to production at a lesser depth.

3. The proposed unit has heretofore been submitted to the Commissioner of Public Lands for approval.

4. The proposed unit is an area subject to efficient development under a unit plan of operation, and approval of this unit is in the interests of conservation and the protection of correlative rights. It is believed that approval of the unit will result in the recovery of oil or gas, or both, that would not otherwise be recovered from the area.

WHEREFORE applicant prays that this application be set for hearing before the Commission or before the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Commission enter its order approving the Eaves Unit, and unit agreement.

Respectfully submitted,

PHILLIPS PETROLEUM COMPANY

BY Jason W. Kellahin
KELLAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

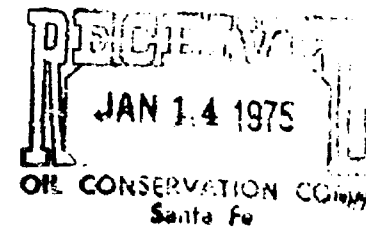
Case 5412

KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1759
SANTA FE, NEW MEXICO 87501

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN

TELEPHONE 982-4315
AREA CODE 505

January 10, 1975



Oil Conservation Commission
of New Mexico
P. O. Box 2008
Santa Fe, New Mexico 87501

ATTENTION: Ida Rodriguez

Dear Ida:

Enclosed is the original and two copies of the Application to be filed on behalf of Phillips Petroleum Company for approval of a unit agreement, Lea County, New Mexico.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Jason".

Jason W. Kellahin

JWK:ks

Enclosure

cc: Mr. Joe Peacock
w/ encls.

RECEIVED

Date 1-27-75

H. N. Clark
Senior Vice President, Operations

Ideal Basic Industries
Potash Company of America Division

P. O. Box 31
Carlsbad, New Mexico 88220
505 887-2844

January 8, 1975

Phillips Petroleum Company
Phillips Building
Odessa, Texas 79761

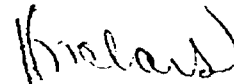
Attention: Mr. E. M. Gorence
Regional Landman

Re: Eaves Unit
Lea County, New Mexico

Gentlemen:

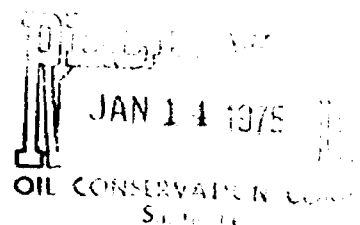
This will acknowledge your letter of January 7 and advise you that we will not object to an oil and gas drilling location in the SW/SE of Section 18, T-21S, R-33E provided we are furnished a copy of an open hole gamma-sonic log through the salt section.

Very truly yours,



H. N. Clark
Senior Vice President

cc: Mr. R. S. Fulton, U.S.G.S., Carlsbad
Mr. Don Van Sickle, U.S.G.S., Roswell
Mr. A. L. Porter, New Mexico Oil Conservation Commission



BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF PHILLIPS PETROLEUM COMPANY
FOR APPROVAL OF A UNIT AGREEMENT,
LEA COUNTY, NEW MEXICO

CASE NO. _____

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Respectfully submitted,

PHILLIPS PETROLEUM COMPANY

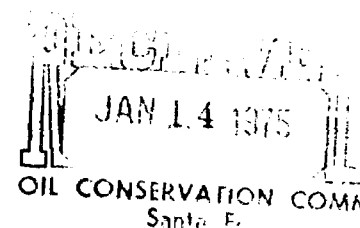
BY

Jason W. Kellahin
KELLAHIN & FOX

P. O. Box 1769

Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT



BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF PHILLIPS PETROLEUM COMPANY
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A P P L I C A T I O N

COMES NOW PHILLIPS PETROLEUM COMPANY and applies to the Oil Conservation Commission of New Mexico for approval of its Eaves Unit Agreement, Lea County, New Mexico, as an exploratory unit, and in support thereof would show the Commission:

1. The unit area of the Eaves Unit consists of 3,496.11 acres consisting of the following described land:

Township 21 South, Range 33 East, N.M.P.M

Section 8 - All
Section 17 - All
Section 18 - S/2
Section 19 - All
Section 20 - All
Section 29 - All

all of which is State of New Mexico land. All formations will be unitized.

2. Phillips Petroleum Company seeks designation as Unit Operator. As Unit Operator it proposes to drill a test well in Section 18, Township 21 South, Range 33 East to a depth of approximately 14,500 feet to test the Morrow

formation, or to production at a lesser depth.

3. The proposed unit has heretofore been submitted to the Commissioner of Public Lands for approval.

4. The proposed unit is an area subject to efficient development under a unit plan of operation, and approval of this unit is in the interests of conservation and the protection of correlative rights. It is believed that approval of the unit will result in the recovery of oil or gas, or both, that would not otherwise be recovered from the area.

WHEREFORE applicant prays that this application be set for hearing before the Commission or before the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Commission enter its order approving the Eaves Unit, and unit agreement.

Respectfully submitted,

PHILLIPS PETROLEUM COMPANY

BY Jason W. Kellahin
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ATTORNEYS FOR APPLICANT

DRAFT

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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. 5412

Order No. R- 771

APPLICATION OF PHILLIPS PETROLEUM COMPANY
FOR APPROVAL OF THE EAVES
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
February 5, 1965, at Santa Fe, New Mexico, before Examiner
Richard L. Stamets.

NOW, on this _____ day of February, 1965, 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, Phillips Petroleum Company,
seeks approval of the Eaves Unit Agreement
covering 3,496.11 acres, more or less, of State ~~Federal~~ lands
described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 21 SOUTH RANGE 33 EAST, NMPM

Section 8 : A11
Section 17 : A11
Section 18 : S/2
Sections 19 and 20 : A11
Section 29 : A11

(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 Eaves 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.