

Case No.

695

Application, Transcript,
Small Exhibits, Etc.

BEFORE THE
OIL CONSERVATION COMMISSION
State of New Mexico
Santa Fe, New Mexico

TRANSCRIPT OF PROCEEDINGS

Case No. 695
Special Hearing
May 7, 1954

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 5-9546
ALBUQUERQUE, NEW MEXICO

- REGISTER -

NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

May 7, 1954

Hearing in Case No. 695

NAME

B. J. Ferris	Shell Oil Company	Roswell, New Mexico
O. V. Lawrence	Shell Oil Company	Roswell, New Mexico
Mel Yost	Oil Conservation Comm.	Santa Fe, New Mexico
W. B. Macey	Oil Conservation Comm.	Santa Fe, New Mexico

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 7, 1954

IN THE MATTER OF:

The Application of Shell Oil Company
for approval of Spencer Unit Agreement,
said unit consisting of 3,840 acres of
land, more or less, in Lea County, New
Mexico, as described: Township 17 South,
Range 36 East, all Sections 23, 24, 25,
26, 35 and 36.

Case No. 695

BEFORE:

Honorable Edwin L. Mechem, Chairman
Mr. E. S. (Johnny) Walker, Member
Mr. R. R. Spurrier, Secretary & Director

(Notice of Publication read by Mr. Spurrier)

TRANSCRIPT OF PROCEEDINGS

MR. FEDERICI: Shell Oil Company, Applicant, appearing by
counsel, Mr. William Federici. I have two witnesses this morning.
First, I wish to offer in evidence here an executed copy of the
unit agreement.

MR. SPURRIER: It will be admitted.

O. V. LAWRENCE

called as a witness, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. FEDERICI:

Q Will you state your name, please?

A O. V. Lawrence.

Q What is your occupation?

A I am employed by Shell Oil Company as Roswell District Land Agent.

Q Have you testified before this Commission before?

A I have.

MR. FEDERICI: Need I go further with Mr. Lawrence's qualifications?

MR. SPURRIER: No. They will be accepted.

Q Will you state the acreage involved in this unit?

A The Spencer Unit covers Sections 23, 24, 25, 26, 35, 36, Township 17 South, Range 36 East, Lea County, New Mexico. The acreage covered totals 3,840, that is the total of six sections. The unit area is located approximately three miles south of the South Lovington Field and approximately five miles east of the Vacuum Field, Lea County. Incidentally, all the acreage in the unit is State owned.

Q Did you stake the general area in relation to other fields?

A Yes, sir, I did.

Q Would this unitization accomplish the best development on a structural basis?

A Yes, sir, it would.

Q And that is one of the purposes for which the unit is requested?

A Yes, sir.

Q Would this unit accomplish the best reservoir practices?

A Yes, sir.

Q Is this unit agreement in the usual form?

A The Spencer unit agreement follows very closely previous unit agreements which have been submitted to the Oil Conservation Commission and have been approved by the Commissioner and the Com-

mission.

MR. SPURRIER: What are the deviations, if any?

A The deviations are the fact this is a communitization type of unit rather than participating area type unit, which means that all the working interest owners will share in the cost of development, and also share in the production all over the entire unit area. The State, of course, owns all the royalty and would share as production developed.

Q Is the minimum size of the unit stated in the agreement?

A Yes.

Q And the entire unit area participates in production?

A That is true.

Q Are all lands involved State lands?

A All are State.

Q Will you show or state to the Commission what percentage of the lease owners have executed the agreement?

A To date, 93% of the total acreage is committed to the unit through execution of the agreement. Phillips, owner of 3% interest, has agreed to sign, which would make a total of 96%.

MR. SPURRIER: Who is left out, the 4%?

A Gulf Oil.

MR. SPURRIER: With what?

A 160 acres, or 4%.

Q Would you state the date when the initial well is to be commenced?

A The unit agreement provides for the drilling of a well to a depth of 12,300 feet to test the Devonian formation. This well is to be commenced on or before June 9, 1954.

4

Q (Interrupting) Does the agreement provide that others may join?

A Before we go into that, sir, I would like to qualify this Devonian test. (Continuing) --unless, of course, unitized substances are discovered in paying quantities. The unit agreement also provides the usual provision for the period of six months between the completion of one well and the commencement of another.

Q Does the agreement provide that others may join?

A Yes, sir, it does.

MR. SPURRIER: In other words, for enlargement?

A The unit can be expanded, yes, sir. Also, Gulf, if they should decide to join the unit later, they may do so.

Q Who will be the operator under this agreement?

A Shell Oil Company is designated as unit operator.

Q Under this agreement, if approved, will the State receive its fair share of the oil and gas?

A Yes, sir.

Q Will the agreement tend to the orderly development in the area?

A Yes, sir, it will.

Q Will development under the proposed unit lead to better utilization of reservoir energy and promote the conservancy of oil and gas?

A Yes, sir.

Q Will development under the agreement be to the best interests of the State of New Mexico?

A Yes, sir.

Q Does the agreement purport to modify the terms of the State

leases in their entirety?

A The unit agreement contains the usual provision for segregation of State leases.

Q Has this agreement been submitted to the Commissioner of Public Lands for approval, and fees paid?

A Yes, sir, it has been submitted to the Commissioner for approval, and filing fee in the amount of \$30.00 has been paid.

MR. FEDERICI: That is all.

MR. SPURRIER: Anyone have a question of the witness? If not, the witness may be excused.

(Witness excused)

B. J. FERRIS

called as a witness, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. FEDERICI:

Q Will you state your name?

A B. J. Ferris.

Q What is your occupation?

A District Geologist, Roswell District, Shell Oil Company, Roswell, New Mexico.

Q Have you testified before this Commission before?

A Yes, sir, I have.

MR. FEDERICI: Will the qualifications of this witness be accepted by the Commission?

MR. SPURRIER: They will.

Q Are you acquainted with this unit agreement?

A Yes, sir, I am.

Q Would you give a brief statement of the geology of the

area covered by the unit agreement?

A In terms of regional geology, the Spencer unit area is situated in the north basin geological province immediately north-west of the central basin platform. Our sources of geological information in this area were two, one being a few scattered wells which have been drilled in the area, and the other source, which is most important, is seismic data. These data have been obtained through extensive surveys throughout the area whereby seismic profiles were run at intervals of one-half to one mile both north-south and east-west in direction. The data derived from these seismic lines provided us with information which enabled us to make an interpretation of geological structure. This interpretation indicates an anticlinal axis of fault drilling north-south between Lovington Field and Monument Fields. Superimposed upon this anticlinal axis there are local anticlinal closures which are separated one from the other by normal faulting. It is our plan to drill a Siluro-Devonian well upon one of these local closures.

Q If there is an indicated structure, is it within the area?

A There is an indicated structure, yes, sir, and it is within the unit area.

Q Does the unit area include an excessive amount of acreage outside of the indicated structure?

A No, sir, it does not.

Q Is there a reasonable expectation of encountering oil or gas?

A Yes, there is.

Q Will you state, please, the formations which are expected to be encountered?

A We expect to penetrate with our proposed test about 1600 feet of surface beds, 8850 feet of Permian beds, 750 feet of Pennsylvanian beds, 900 feet of Mississippian beds, and 200 feet of Siluro-Devonian strata, the Siluro-Devonian being the lowermost formation to be tested.

Q Would you state to the Commission the proposed location of the initial well?

A Yes, sir. We propose that this initial location be in the southwest quarter of the southwest quarter, Section 25, Township 17 South, Range 36 East.

MR. SPURRIER: Which is all State land, Commissioner, it is all State land.

Q Will unit operation under the agreement lead to better utilization of reservoir energy and lead to greater ultimate recovery?

A Yes, sir.

Q Will the State receive its fair share of the oil and gas?

A Yes, sir, it will.

Q Will the agreement promote the development of the area?

A Yes, sir, it will.

MR. FEDERICI: I think that is all I have.

MR. SPURRIER: Anyone have a question of the witness?

Witness may be excused.

(Witness excused)

MR. SPURRIER: Does anyone else have a comment or a question? If not, we will take the case under advisement, and the meeting is adjourned.

STATE OF NEW MEXICO)
 : ss.
COUNTY OF BERNALILLO)

I, Bernice Lopez, Court Reporter, do hereby
certify that the foregoing and attached transcript of proceedings
before the New Mexico Oil Conservation Commission at Santa Fe,
New Mexico, is a true and correct record to the best of my
knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial
seal this 8th day of May, 1954.

Bernice Lopez
Notary Public, Court Reporter

My Commission Expires:

December 18, 1957.

TEW:AW
4/13/54
M-79-54

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. 695
ORDER NO. R-462

THE APPLICATION OF SHELL OIL COMPANY
FOR APPROVAL OF THE SPENCER UNIT AGREEMENT
EMBRACING 3,840 ACRES IN LEA COUNTY, NEW
MEXICO, WITHIN TOWNSHIP 17 SOUTH, RANGE
36 EAST, N.M.P.M.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at Santa Fe, N. M. on May 7, 1954,
at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico,
hereinafter referred to as the "Commission."

NOW, on this the 7th day of May, 1954 the Commission, a quorum being
present, having before it for consideration the testimony adduced at the hearing
of said case 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 proposed unit plan will in principle tend to promote
the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

SECTION 1. That this order shall be known as the

SPENCER UNIT AGREEMENT ORDER

SECTION 2. (a) That the project herein referred to shall be known
as the Spencer Unit Agreement, and shall hereafter be referred to as the "Project."

(b) That the plan by which the Project shall be operated
shall be embraced in the form of a unit agreement for the development and opera-
tion of the Spencer Unit Area referred to in the Petitioner's petition and filed
with said petition, and such plan shall be known as the Spencer Unit Agreement
Plan.

SECTION 3. That the Spencer Unit Agreement Plan shall be, and hereby
is, 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, duties or obligations which are now, or may hereafter, be vested in the

New Mexico Oil Conservation Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said Spencer Unit Agreement, or relative to the production of oil or gas therefrom.

SECTION 4. (a) That the Unit Area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

Twp. 17 South, Rge. 36 East
Sections 23, 24, 25, 26, 35
and 36, Lea County, New Mexico.

Total unit area: 3840 acres, more or less.

(b) The unit area may be enlarged as provided in
said Plan.

SECTION 5. That the unit operator shall file with the Commission an executed original or executed counterpart of the Spencer Unit Agreement within 30 days after the effective date thereof.

SECTION 6. That any party owning rights in the unitized substances who does not commit such rights to said unit agreement before the effective date thereof may thereafter become a party thereto by subscribing to such agreement or counterpart thereof, or by ratifying the same as set out in Section 21 thereof. The unit operator shall file with the Commission within 30 days after execution thereof an original of any such counterpart or ratification.

SECTION 7. That this order shall become effective upon approval of said unit agreement by the Commissioner of Public Lands of the State of New Mexico and shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall immediately notify the Commissioner in writing of such termination.

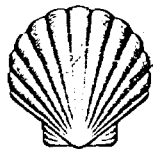
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

By E. L. Mechem
EDWIN L. MECHEM, Chairman

E. S. Walker
E. S. WALKER, Member

R. R. Spurrer
R. R. SPURRIER, Secretary



*Please return
for case file*
MAIN OFFICE

1954 APR 26 AM 9:22

Case 695
THIS LETTER IS FROM OUR
FIELD OFFICE

AT P. O. Box 845
Roswell, New Mexico

April 23, 1954

Subject: Lea County, New Mexico
Spencer Unit

AIR MAIL

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

Attention: Mr. Bill Macy

Gentlemen:

After we handed you our application for approval of the Spencer Unit Agreement while in Santa Fe on April 20, we talked with Mr. Oscar Jordon, attorney for the Land Office. In our discussion with Mr. Jordon, he pointed out that Paragraph 13 on Page 8 of the Unit Agreement did not provide for segregation of State leases located within the unit from that part located outside the unit. For this reason, we have redrawn Page 8 of the Spencer Unit Agreement and ask that you please replace Page 8 of said agreement with the attached page prior to your filing same for future consideration at the special hearing on May 7, 1954.

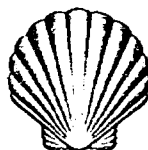
Thank you for your cooperation in this matter.

Yours very truly,

O. V. Lawrence
O. V. Lawrence
Roswell District Land Agent

Attachments (2)

Continued on next page
NR



SHELL OIL COMPANY

THIS LETTER IS FROM OUR
FIELD OFFICE

AT P. O. Box 845
Roswell, New Mexico

April 15, 1954

Subject: Lea County, New Mexico
Spencer Unit

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

Herewith we enclose two copies of application by Shell Oil Company for an order approving a unit agreement covering certain lands in and around Section 25, Township 17 South, Range 36 East, which lands we have designated as the Spencer Unit Area. Kindly file the application and advise us when you shall have done so, using the enclosed stamped and addressed envelope and issue notices thereon promptly and see if possible that the notices are published in time for the matter to be heard at your meeting on May 7. The expediting of this matter so that it can be heard on May 7 is of real importance for the reason that most of the leases in the area affected by the unit agreement will expire on June 10, 1954, and in order to protect these leases, provision is made in the unit agreement for the beginning of a test well not later than June 9, 1954, in the event approval of the unit agreement can be obtained.

Thanking you in advance for your expediting the matter in every way possible, we are

Very truly yours,

SHELL OIL COMPANY

By *P. V. Lawrence*
Roswell District Land Agent

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
SANTA FE - NEW MEXICO

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the rules and regulations of said Commission promulgated thereunder of the following public hearings to be held at 9 o'clock a.m. on May 7, 1954, in the offices of the Commission, State Capitol, Santa Fe, New Mexico.

STATE OF NEW MEXICO TO:

All named parties and persons
having any right, title, interest
or claim in the following case,
and notice to the public.

CASE 695:

In the matter of the application of Shell Oil Company for approval of the Spencer Unit Agreement, said unit consisting of 3,840 acres of land, more or less, in Lea County, New Mexico, as described:

NEW MEXICO PRINCIPAL MERIDIAN

Twp. 17 South, Rge. 36 East
All of Sections 23, 24, 25,
26, 35 and 36

GIVEN under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico, on this 12th day of April, 1954.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. Spurrier
R. R. Spurrier, Secretary

S E A L

New Mexico
OIL CONSERVATION COMMISSION

GOVERNOR EDWIN L. MECHEM
CHAIRMAN
LAND COMMISSIONER E.S. WALKER
MEMBER
STATE GEOLOGIST R.R. SPURRIER
SECRETARY AND DIRECTOR



P. O. BOX 871
SANTA FE, NEW MEXICO

April 12 1954

Editor
Hobbs Daily News-Sun
HOBBS N M

Dear Sir:

Re: Notice of Publication

Case 695

Special Hearing May 7 1954

Please publish the enclosed notices one time immediately on receipt of this request. Please proofread carefully and send a copy of the paper carrying such notices to this office.

Immediately upon completion of publication, send publisher's affidavit in duplicate. For payment, please submit statement in duplicate and sign and return the enclosed voucher. (Do not fill in.) We should have these immediately after publication in order that the legal notice will be on hand for the holding of the hearing which it advertises, and also so that there will be no delay in your receiving proper payment.

Please publish the notices not later than as soon as possible, please

Very truly yours,

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. SPURRIER,
Secretary-Director

Encl.

AFFIDAVIT OF PUBLICATION

State of New Mexico,

County of Lea.

I, Robert L. Summers,
Publisher

Of the Hobbs Daily News-Sun, a daily newspaper published at Hobbs, New Mexico, do solemnly swear that the clipping attached hereto was published once a week in the regular and entire issue of said paper, and not in a supple-

ment thereof for a period of —

One time weeks.

beginning with the issue dated —

April 15, 1954

and ending with the issue dated —

April 15, 1954

Robert L. Summers
Publisher.

Sworn and subscribed to before

me this 15 day of —

April, 1954

M. L. Bennett
Notary Public.

My commission expires —

3/17, 1957
(Seal)

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937, and payment of fees for said publication has been made.

LEGAL NOTICE

April 15, 1954

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION
COMMISSION

SANTA FE, NEW MEXICO

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the rules and regulations of said Commission promulgated thereunder of the following public hearings to be held at 9 o'clock a.m. on May 7, 1954, in the offices of the Commission, State Capitol, Santa Fe, New Mexico.

STATE OF NEW MEXICO TO:

All named parties and persons having any right, title, interest or claim in the following case, and notice to the public.

CASE 695:

In the matter of the application of Shell Oil Company for approval of the Spencer Unit Agreement, said unit consisting of 3,840 acres of land, more or less, in Lea County, New Mexico, as described:

NEW MEXICO PRINCIPAL
MERIDIAN

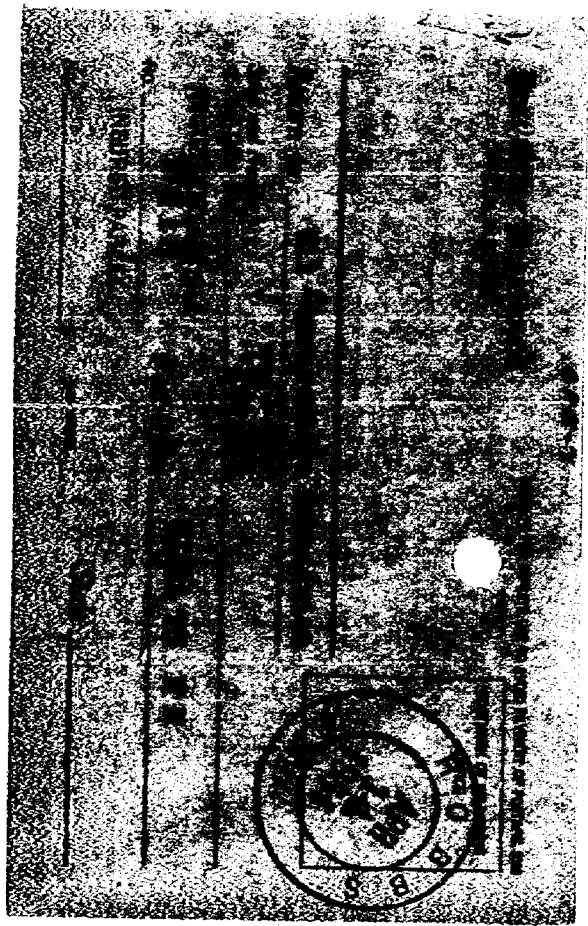
Twp. 17 South, Rge. 36 East
All of Sections 23, 24, 25, 26, 35 and 36.

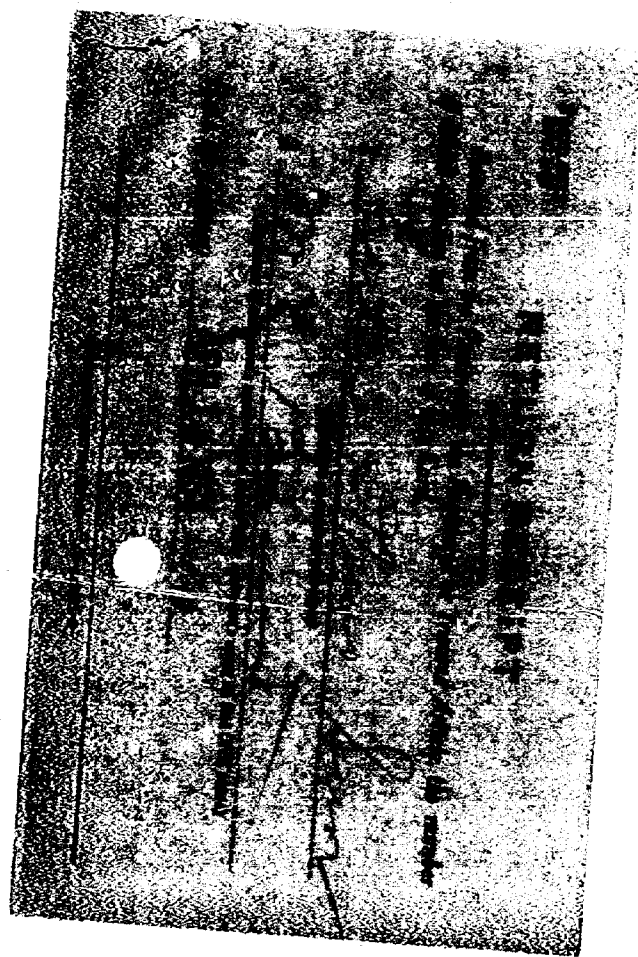
GIVEN under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico, on this 12th day of April, 1954.

STATE OF NEW MEXICO
OIL CONSERVATION
COMMISSION

R. R. Spurrer, Secretary

SEAL





New Mexico
OIL CONSERVATION COMMISSION

GOVERNOR EDWIN L. MECHEN
CHAIRMAN.
LAND COMMISSIONER E.S. WALKER
MEMBER
STATE GEOLOGIST R.R. SPURRIER
SECRETARY AND DIRECTOR



P. O. BOX 871
SANTA FE, NEW MEXICO

April 12 1954

Editor
THE NEW MEXICAN
Santa Fe N M

Dear Sir:

Re: Notice of Publication

Case 695

Special hrng May 7

Please publish the enclosed notices one time immediately on receipt of this request. Please proofread carefully and send a copy of the paper carrying such notices to this office.

Immediately upon completion of publication, send publisher's affidavit in duplicate. For payment, please submit statement in duplicate and sign and return the enclosed voucher. (Do not fill in.) We should have these immediately after publication in order that the legal notice will be on hand for the holding of the hearing which it advertises, and also so that there will be no delay in your receiving proper payment.

Please publish the notices not later than as soon as possible, please

Very truly yours,

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. SPURRIER,
Secretary-Director

Encl.

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
SANTA FE — NEW MEXICO

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the rules and regulations of said Commission promulgated thereunder of the following public hearings to be held at 9 o'clock a.m. on May 7, 1954, in the offices of the Commission, State Capitol, Santa Fe, New Mexico.

STATE OF NEW MEXICO TO:
All named parties and persons having any right, title, interest or claim in the following case, and notice to the public.

CASE 696:
In the matter of the application of Shell Oil Company for approval of the Spencer Unit Agreement, said unit consisting of 3,840 acres of land, more or less, in Lea County, New Mexico, as described:
NEW MEXICO PRINCIPAL MERIDIAN
Twp. 17 South, Rge. 36 East
All of Sections 23, 24, 25, 26, 35 and 36
GIVEN under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico, on this 12th day of April, 1954.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
R. R. Spurrer, Secretary
(Seal)
(Pub. April 15, 1954).

Affidavit of Publication

State of New Mexico } ss.
County of Santa Fe

I, Emory J. Bahr, being first duly sworn, declare and say that I am the (Business Manager) (~~Editor~~) of the New Mexican, a daily newspaper, published in the English Language, and having a general circulation in the City and County of Santa Fe, State of New Mexico, and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 of the Session Laws of 1937; that the publication, a copy which is hereto attached, was published in said paper once each week for one time consecutive weeks, and on the same day of each week in the regular issue of the paper during the time of publication, and that the notice was published in the newspaper proper, and not in any supplement, once each week for one time weeks consecutively, the first publication being on the 15th day of April, 1954 and the last publication on the 15th day of April, 1954; that payment for said advertisement has been (duly made), or (assessed as court costs); that the undersigned has personal knowledge of the matters and things set forth in this affidavit.

Emory J. Bahr
~~Editor~~ - Manager.

Subscribed and sworn to before me this 15th

day of April, A. D. 1954

Leslie Overfelt
Notary Public

My Commission expires

June 16, 1957

PUBLISHER'S BILL

_____ lines, one time at \$_____

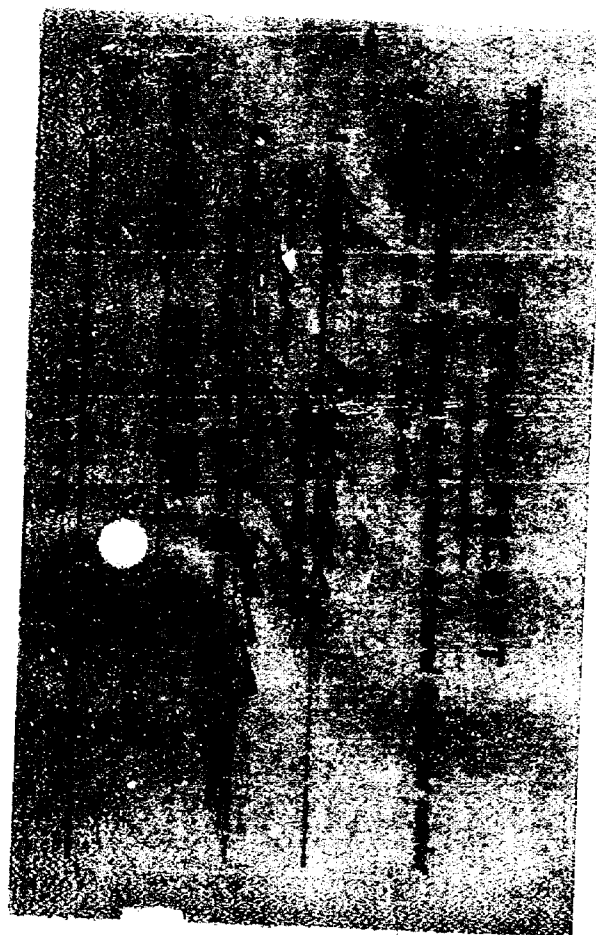
35 lines, 1 times, \$ 3.50

Tax \$_____

Total - - \$_____

Received payment,

By _____







SHELL OIL COMPANY

*May 7,
Special Case 695*

THIS LETTER IS FROM OUR
FIELD OFFICE

AT P. O. Box 845
Roswell, New Mexico

April 9, 1954

Subject: Lea County, New Mexico
Spencer Unit

AIR MAIL

Mr. R. R. Spurrier
State Conservation Commission
Santa Fe, New Mexico

Dear Sir:

With reference to our letter of April 2, 1954, we respectfully request a special hearing on Friday, May 7, 1954, for the Conservation Commission's approval of our Spencer Unit located in Lea County, New Mexico, more particularly described as follows:

. T-17-S, R-36-E

Section 23	Section 26
Section 24	Section 35
Section 25	Section 36

All of the above described acreage is State of New Mexico land, and totals 3,840 acres, more or less. You have advised that you would need this description of the Spencer Unit area prior to the publication date of the notice on April 15, 1954.

We shall appreciate your confirming the special hearing date of May 7, 1954, for consideration of this matter.

Yours very truly,

O. V. Lawrence

O. V. Lawrence
Roswell District Land Agent



MAIN OFFICE SHELL OIL COMPANY

1954 APR 15 AM 11:43

THIS LETTER IS FROM OUR
FIELD OFFICE

AT P. O. Box 845
Roswell, New Mexico

April 2, 1954

Subject: Lea County, New Mexico
Spencer Unit

AIR MAIL

Mr. R. R. Spurrier
State Conservation Commission
Santa Fe, New Mexico

Dear Sir:

In our letter of March 15, 1954, we requested a hearing on April 15, 1954, for the Conservation Commission's approval of our Spencer Unit located in Township 17-South, Range 36-East, Lea County, New Mexico.

Since we were unable to furnish you with an exact description of the unit area, we talked with Mr. Bill Macy in your office and he advised that it would be permissible for us to have a special hearing on Friday, May 7, 1954. He further advised that it would be necessary for us to furnish the description of the acreage to be included on or before April 15, 1954, so that it may be available for publication.

We will be in a position to furnish you with the description of the unit area before the 15th of this month and will advise you further in this regard at an early date.

Yours very truly,

O. V. Lawrence
O. V. Lawrence
Roswell District Land Agent



MAIN OFFICE OCC

SHELL OIL COMPANY

17 AM 8:39

THIS LETTER IS FROM OUR
FIELD OFFICE

AT P. O. Box 845
Roswell, New Mexico

March 15, 1954

Subject: Lea County, New Mexico
Spencer Unit

file

AIR MAIL

Mr. R. R. Spurrier
State Conservation Commission
Santa Fe, New Mexico

Dear Sir:

We respectfully request a hearing on April 15, 1954, for the Conservation Commission's approval of our Spencer Unit located in Township 17-South, Range 36-East, Lea County, New Mexico. We are not certain at this time whether the unit will comprise 4,400 acres or 2560 acres, however, in either event, all of the acreage will be State owned. We talked with your Mr. Macy about this matter, and he advised that we might work out some way of handling the description of the acreage in the official notice when published on the 24th of this month if by that date we cannot furnish you with the exact description of the unit area.

We shall appreciate your advising us if it will be possible to have a hearing before the Conservation Commission concerning this matter on April 15, 1954.

Yours very truly,

O. V. Lawrence

O. V. Lawrence
Roswell District Land Agent

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

695
February 2, 1955

C
O
P
Y
Shell Oil Company
Box 845
Roswell, New Mexico

Attention: Mr. O. V. Lawrence

Gentlemen:

Enclosed herewith is a sample form of an application for extension of time in which to commence additional test well on a unit area composed entirely of State Lands. Inasmuch as the Spencer Unit Agreement covers only State Lands, this form may be used and approval required only from the Commissioner of Public Lands of the State of New Mexico.

We would appreciate having a copy of the application filed with the Oil Conservation Commission, however, in order that we may keep our files up to date on progress being made in this unit.

Yours very truly,

W. B. MACEY,
Secretary-Director

WBM/ir

cc: Commissioner of Public Lands - Santa Fe

Enclosure

APPLICATION FOR EXTENSION OF TIME FOR COMMENCEMENT OF
TEST WELL

TO THE COMMISSIONER OF PUBLIC LANDS OF THE STATE OF NEW MEXICO:

(Company) _____, as unit operator of the unit agreement for the
Development and Operation of the _____ Unit Area, County of _____,
State of New Mexico, has heretofore completed the first test well referred to in
Article _____ of said Unit Agreement, such well being a dry hole. The said
Unit Operator is now obligated to commence the drilling of an additional test well
on the unit area on or before _____, 19____; however, further study
is being made of this area based on _____

(resume of what has been done and what studies are under progress)

and unit operator believes that a reasonable extension of time for the commencement
of such additional test well would be proper.

Premises considered, _____, unit operator under the _____
_____ Unit Agreement, hereby makes application to the
Commissioner of Public Lands of the State of New Mexico, pursuant to Article _____
_____ of said unit agreement, for an extension of six months for the commence-
ment of the additional test well hereinabove referred to, so that said well shall be
commenced on or before _____, 19____. A copy of this application
has been filed with the Oil Conservation Commission of the State of New Mexico.

IN WITNESS WHEREOF, this application is hereby made this _____
day of _____, 19____.

(Company name)

Unit Operator of the _____
_____ Unit Agreement

Attest

Title

BY _____
TITLE _____

The foregoing application is hereby approved this _____ day of
_____, 19____, and the time for the commencement
of the test well referred to in the foregoing application is hereby
extended to _____, 19____.

Commissioner of Public Lands - St. of N.M.

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

February 2, 1955

Shell Oil Company
Box 845
Roswell, New Mexico

Attention: Mr. O. V. Lawrence

Gentlemen:

Enclosed herewith is a sample form of an application for extension of time in which to commence additional test well on a unit area composed entirely of State Lands. Inasmuch as the Spencer Unit Agreement covers only State Lands, this form may be used and approval required only from the Commissioner of Public Lands of the State of New Mexico.

We would appreciate having a copy of the application filed with the Oil Conservation Commission, however, in order that we may keep our files up to date on progress being made in this unit.

Yours very truly,

W. B. MACEY,
Secretary-Director

WBM/lr

cc: Commissioner of Public Lands - Santa Fe

Enclosure

C

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P

Y

file
com 695

695

APPLICATION FOR EXTENSION OF TIME FOR COMMENCEMENT OF
TEST WELL

TO THE COMMISSIONER OF PUBLIC LANDS OF THE STATE OF NEW MEXICO:

(Company) _____, as unit operator of the unit agreement for the
Development and Operation of the _____ Unit Area, County of _____,
State of New Mexico, has heretofore completed the first test well referred to in
Article _____ of said Unit Agreement, such well being a dry hole. The said
Unit Operator is now obligated to commence the drilling of an additional test well
on the unit area on or before _____, 19____; however, further study
is being made of this area based on _____

(resume of what has been done and what studies are under progress)
and unit operator believes that a reasonable extension of time for the commencement
of such additional test well would be proper.

Premises considered, _____, unit operator under the _____
_____ Unit Agreement, hereby makes application to the
Commissioner of Public Lands of the State of New Mexico, pursuant to Article _____
_____ of said unit agreement, for an extension of six months for the commence-
ment of the additional test well hereinabove referred to, so that said well shall be
commenced on or before _____, 19____. A copy of this application
has been filed with the Oil Conservation Commission of the State of New Mexico.

IN WITNESS WHEREOF, this application is hereby made this _____
day of _____, 19____.

(Company name)
Unit Operator of the _____
_____ Unit Agreement

Attest

Title BY _____
TITLE _____

The foregoing application is hereby approved this _____ day of
_____, 19____, and the time for the commencement
of the test well referred to in the foregoing application is hereby
extended to _____, 19____.

Commissioner of Public Lands - St.

BEFORE THE
OIL CONSERVATION COMMISSION

State of New Mexico
Santa Fe, New Mexico

TRANSCRIPT OF PROCEEDINGS

Case No. 695

Special Hearing

May 7, 1954

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 108-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 8-9846
ALBUQUERQUE, NEW MEXICO

- REGISTER -

NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

May 7, 1954

Hearing in Case No. 695

NAME

B. J. Ferris	Shell Oil Company	Roswell, New Mexico
O. V. Lawrence	Shell Oil Company	Roswell, New Mexico
Mel Yost	Oil Conservation Comm.	Santa Fe, New Mexico
W. B. Macey	Oil Conservation Comm.	Santa Fe, New Mexico

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 7, 1954

IN THE MATTER OF:

The Application of Shell Oil Company
for approval of Spencer Unit Agreement,
said unit consisting of 3,840 acres of
land, more or less, in Lea County, New
Mexico, as described: Township 17 South,
Range 36 East, all Sections 23, 24, 25,
26, 35 and 36.

Case No. 695

BEFORE:

Honorable Edwin L. Mechem, Chairman
Mr. E. S. (Johnny) Walker, Member
Mr. R. R. Spurrier, Secretary & Director

(Notice of Publication read by Mr. Spurrier)

TRANSCRIPT OF PROCEEDINGS

MR. FEDERICI: Shell Oil Company, Applicant, appearing by
counsel, Mr. William Federici. I have two witnesses this morning.
First, I wish to offer in evidence here an executed copy of the
unit agreement.

MR. SPURRIER: It will be admitted.

O. V. LAWRENCE

called as a witness, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. FEDERICI:

Q Will you state your name, please?

A O. V. Lawrence.

Q What is your occupation?

A I am employed by Shell Oil Company as Roswell District Land Agent.

Q Have you testified before this Commission before?

A I have.

MR. FEDERICI: Need I go further with Mr. Lawrence's qualifications?

MR. SPURRIER: No. They will be accepted.

Q Will you state the acreage involved in this unit?

A The Spencer Unit covers Sections 23, 24, 25, 26, 35, 36, Township 17 South, Range 36 East, Lea County, New Mexico. The acreage covered totals 3,840, that is the total of six sections. The unit area is located approximately three miles south of the South Lovington Field and approximately five miles east of the Vacuum Field, Lea County. Incidentally, all the acreage in the unit is State owned.

Q Did you stake the general area in relation to other fields?

A Yes, sir, I did.

Q Would this unitization accomplish the best development on a structural basis?

A Yes, sir, it would.

Q And that is one of the purposes for which the unit is requested?

A Yes, sir.

Q Would this unit accomplish the best reservoir practices?

A Yes, sir.

Q Is this unit agreement in the usual form?

A The Spencer unit agreement follows very closely previous unit agreements which have been submitted to the Oil Conservation Commission and have been approved by the Commissioner and the Com-

mission.

MR. SPURRIER: What are the deviations, if any?

A The deviations are the fact this is a communitization type of unit rather than participating area type unit, which means that all the working interest owners will share in the cost of development, and also share in the production all over the entire unit area. The State, of course, owns all the royalty and would share as production developed.

Q Is the minimum size of the unit stated in the agreement?

A Yes.

Q And the entire unit area participates in production?

A That is true.

Q Are all lands involved State lands?

A All are State.

Q Will you show or state to the Commission what percentage of the lease owners have executed the agreement?

A To date, 93% of the total acreage is committed to the unit through execution of the agreement. Phillips, owner of 3% interest, has agreed to sign, which would make a total of 96%.

MR. SPURRIER: Who is left out, the 4%?

A Gulf Oil.

MR. SPURRIER: With what?

A 160 acres, or 4%.

Q Would you state the date when the initial well is to be commenced?

A The unit agreement provides for the drilling of a well to a depth of 12,300 feet to test the Devonian formation. This well is to be commenced on or before June 9, 1954.

Q (Interrupting) Does the agreement provide that others may join?

A Before we go into that, sir, I would like to qualify this Devonian test. (Continuing) --unless, of course, unitized substances are discovered in paying quantities. The unit agreement also provides the usual provision for the period of six months between the completion of one well and the commencement of another.

Q Does the agreement provide that others may join?

A Yes, sir, it does.

MR. SPURRIER: In other words, for enlargement?

A The unit can be expanded, yes, sir. Also, Gulf, if they should decide to join the unit later, they may do so.

Q Who will be the operator under this agreement?

A Shell Oil Company is designated as unit operator.

Q Under this agreement, if approved, will the State receive its fair share of the oil and gas?

A Yes, sir.

Q Will the agreement tend to the orderly development in the area?

A Yes, sir, it will.

Q Will development under the proposed unit lead to better utilization of reservoir energy and promote the conservancy of oil and gas?

A Yes, sir.

Q Will development under the agreement be to the best interests of the State of New Mexico?

A Yes, sir.

Q Does the agreement purport to modify the terms of the State

leases in their entirety?

A The unit agreement contains the usual provision for segregation of State leases.

Q Has this agreement been submitted to the Commissioner of Public Lands for approval, and fees paid?

A Yes, sir, it has been submitted to the Commissioner for approval, and filing fee in the amount of \$30.00 has been paid.

MR. FEDERICI: That is all.

MR. SPURRIER: Anyone have a question of the witness? If not, the witness may be excused.

(Witness excused)

B. J. FERRIS

called as a witness, being first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. FEDERICI:

Q Will you state your name?

A B. J. Ferris.

Q What is your occupation?

A District Geologist, Roswell District, Shell Oil Company, Roswell, New Mexico.

Q Have you testified before this Commission before?

A Yes, sir, I have.

MR. FEDERICI: Will the qualifications of this witness be accepted by the Commission?

MR. SPURRIER: They will.

Q Are you acquainted with this unit agreement?

A Yes, sir, I am.

Q Would you give a brief statement of the geology of the

area covered by the unit agreement?

A In terms of regional geology, the Spencer unit area is situated in the north basin geological province immediately northwest of the central basin platform. Our sources of geological information in this area were two, one being a few scattered wells which have been drilled in the area, and the other source, which is most important, is seismic data. These data have been obtained through extensive surveys throughout the area whereby seismic profiles were run at intervals of one-half to one mile both north-south and east-west in direction. The data derived from these seismic lines provided us with information which enabled us to make an interpretation of geological structure. This interpretation indicates an anticlinal axis of fault drilling north-south between Lovington Field and Monument Fields. Superimposed upon this anticlinal axis there are local anticlinal closures which are separated one from the other by normal faulting. It is our plan to drill a Siluro-Devonian well upon one of these local closures.

Q If there is an indicated structure, is it within the area?

A There is an indicated structure, yes, sir, and it is within the unit area.

Q Does the unit area include an excessive amount of acreage outside of the indicated structure?

A No, sir, it does not.

Q Is there a reasonable expectation of encountering oil or gas?

A Yes, there is.

Q Will you state, please, the formations which are expected to be encountered?

A We expect to penetrate with our proposed test about 1600 feet of surface beds, 8850 feet of Permian beds, 750 feet of Pennsylvanian beds, 900 feet of Mississippian beds, and 200 feet of Siluro-Devonian strata, the Siluro-Devonian being the lowermost formation to be tested.

Q Would you state to the Commission the proposed location of the initial well?

A Yes, sir. We propose that this initial location be in the southwest quarter of the southwest quarter, Section 25, Township 17 South, Range 36 East.

MR. SPURRIER: Which is all State land, Commissioner, it is all State land.

Q Will unit operation under the agreement lead to better utilization of reservoir energy and lead to greater ultimate recovery?

A Yes, sir.

Q Will the State receive its fair share of the oil and gas?

A Yes, sir, it will.

Q Will the agreement promote the development of the area?

A Yes, sir, it will.

MR. FEDERICI: I think that is all I have.

MR. SPURRIER: Anyone have a question of the witness?
Witness may be excused.

(Witness excused)

MR. SPURRIER: Does anyone else have a comment or a question? If not, we will take the case under advisement, and the meeting is adjourned.

STATE OF NEW MEXICO)
 : ss.
COUNTY OF BERNALILLO)

I, Bernice Lopez, Court Reporter, do hereby
certify that the foregoing and attached transcript of proceedings
before the New Mexico Oil Conservation Commission at Santa Fe,
New Mexico, is a true and correct record to the best of my
knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial
seal this 8th day of May, 1954.

Bernice Lopez
Notary Public, Court Reporter

My Commission Expires:

December 18, 1957.

MAIN OFFICE OCC

SEP 27 AM 8:03

September 27, 1956

In reply refer to:
Unit Division

Mr. J. C. Williamson
703 V & J Tower
P. O. Box 16
Midland, Texas

Aztec Oil and Gas Co.
920 Mercantile Securities Building
Dallas, Texas

Phillips Petroleum Co.
Bartlesville, Oklahoma

McAlester Fuel Company
P. O. Box 210
Magnolia, Arkansas

The Atlantic Refining Co.
P. O. Box 2819
Dallas, Texas

Shell Oil Co.
Petroleum Building
Midland, Texas

Stanolind Oil and Gas Co.
P. O. Box 1410
Fort Worth, Texas

Re: Termination of Spencer Unit

Dear Mr. Williams:

The Commissioner of Public Lands on May 3, 1956, granted your request extending the Spencer Unit Agreement for 120 days, or up to and including September 4, 1956.

This extension was granted in order to give you time to drill another well and to determine whether your test well was capable of producing. Therefore, by your own request dated September 20, 1956, and in accordance with the terms

Spencer Unit -2-

of Paragraph 8 and Paragraph 15 of the Spencer Unit Agreement, we are terminating this unit effective as of September 5, 1956.

Very truly yours,



E. S. WALKER
Commissioner of Public Lands

MMR/m

cc: OCC-Santa Fe

MAIN OFFICE 600
63 SEP 11 AM 1:32

J. C. WILLIAMSON
GEOLOGIST - OIL INVESTMENT
703 V & J TOWER - P. O. BOX 16
PHONE 4-8850
MIDLAND, TEXAS

September 20, 1956

Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico

Commissioner of Public Lands
State of New Mexico
Santa Fe, New Mexico

Gentlemen:

Subject: Termination of Spencer Unit
Agreement covering all of Sections 23,
24, 25, 35 and 36, T-17-S, R-36-E, Lea
County, New Mexico

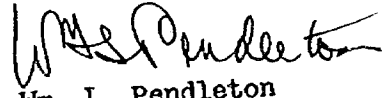
Your records will show that the Spencer Unit Agreement dated April 9, 1954 was approved by you on May 7, 1954 for a term of two years and as long thereafter as unitized substances are being produced therefrom. Your records will also show that the term of the Spencer Unit Agreement was extended until September 7, 1956.

Three wells have been drilled on the Spencer Unit, one of them producing a small amount of oil for a short time, the other two having been completed as dry holes. The well which was completed as a producer was plugged and abandoned prior to September 7, 1956. On September 7, 1956 no unitized substances were being produced from the unit area and no operations were being conducted thereon for the drilling of a new well or for the reworking of an old well for the purpose of restoring the well to production.

In view of the foregoing and pursuant to Paragraph 15 of the Unit Agreement, it is apparent that the Unit Agreement terminated effective September 7, 1956. In order that I and the other parties to the Unit Agreement may adjust our records and show thereon that the Unit Agreement has so terminated definitely, I will appreciate your writing to each of them that you agree that the Unit Agreement terminated effective September 7, 1956. The names and addresses of the other parties to the Unit Agreement are as stated below.

Yours very truly,

J. C. WILLIAMSON


By Wm. L. Pendleton

/mes

Page 2
9-20-56

CC To Atlantic Refining Company
Box 6640
Roswell, New Mexico
Attention Roland F. Champion

Stanolind Oil & Gas Company
Box 899
Roswell, New Mexico
Attention Mr. W. A. Blankenship, Jr.

McAlester Fuel Company
503 Leggett Building
Midland, Texas
Attention Mr. Jno. W. Bennett

Shell Oil Company
Box 1509
Midland, Texas
Attention Mr. J. V. Lindsey

Phillips Petroleum Company
Box 791
Midland, Texas
Attention Mr. C. F. Keller

Aztec Oil & Gas Company
920 Mercantile Securities Building
Dallas, Texas
Attention Mr. Van Thompson

RLH:AW
9/29/55
M-79-54

#695

APPLICATION FOR EXTENSION OF TIME FOR COMMENCE-
MENT OF TEST WELL

TO THE COMMISSIONER OF PUBLIC LANDS OF THE STATE OF NEW MEXICO:

Shell Oil Company, as unit operator of the unit agreement for the development and operation of the Spencer Unit Area, County of Lea, State of New Mexico, has heretofore completed the first test well referred to in Article 8 of said unit agreement, such well being a dry hole. The said unit operator is now obligated to commence the drilling of an additional test well on the unit area on or before October 11, 1955; it having been granted a six months extension of the time for the commencement of such test in order that data obtained from electric, radioactive and velocity surveys on the Spencer Unit No. 1 Well and from approximately five miles of additional seismic profile might be studied. Negotiations with a major operator are now under way the object of which is to cause an additional test well to be drilled on the unit and the prospects of a contract for the additional well are such that unit operator believes that a reasonable extension of time for the commencement of the additional test well would be proper.

Premises considered, Shell Oil Company, unit operator under the Spencer Unit Agreement, hereby makes application to the Commissioner of Public Lands of the State of New Mexico, pursuant to Article 8 of said unit agreement, for an extension of three months for the commencement of the additional test well hereinabove referred to, so that said well shall be commenced on or before January 11, 1956. A copy of this application has been filed with the Oil Conservation Commission of the State of New Mexico.

IN WITNESS WHEREOF, this application is hereby made this 30 day
of September, 1955.

ATTEST:

Rayton Howard
Assistant Secretary

SHELL OIL COMPANY
Unit Operator of the
Spencer Unit Agreement

By J. E. Coan
Vice President

APPROVED THIS 10th DAY OF October, 1955.

E. Walker
COMMISSIONER OF PUBLIC LANDS

MAIN OFFICE 000

RECEIVED MAR 16 1955

March 16, 1955

Mr. O. V. Lawrence
Shell Oil Company
Box 845
Roswell, New Mexico

Re: Extension of time for commencement
of test Well - SPENCER UNIT AGREEMENT
Lea County, New Mexico

Dear Sir:

We have your letter of March 1, 1955 together with application for an extension of time for commencement of a test Well under the above Unit Agreement.

Please be advised that we are approving this extension of time under this Agreement and we are enclosing your approved copies herewith.

Very truly yours,



E. S. WALKER
COMMISSIONER OF PUBLIC LANDS

cc - Oil Conservation Commission ✓
Santa Fe, New Mexico

United States Geological Survey
Roswell, New Mexico

RTT/t

000



SHELL OIL COMPANY

P. O. Box 845
Roswell, New Mexico

March 1, 1955

Subject: Lea County, New Mexico
Spencer Unit

AIR MAIL

Commissioner of Public Lands
State of New Mexico
Santa Fe, New Mexico

Dear Sir:

We are attaching the original and two copies of Application for Extension of Time for Commencement of Test Well in connection with our Spencer Unit. As you know, the initial test in this unit area was drilled to a depth of 11,110 feet where it encountered water in the Siluro-Devonian, and it was plugged and abandoned on October 11, 1954. Under the provision of Article 8 of the Unit Agreement, a second test must be commenced on or before April 11, 1955, unless an extension is granted.

We shall appreciate your considering the attached application and the information contained therein, and advising us if you are agreeable to granting the extension requested.

All of the land in the Spencer Unit Area is State of New Mexico acreage.

Yours very truly,

O. V. Lawrence
O. V. Lawrence
Roswell Division Land Manager

OVL:MT

Attachments (3)

cc - Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico

APPLICATION FOR EXTENSION OF TIME FOR COMMENCEMENT OF
TEST WELL

TO THE COMMISSIONER OF PUBLIC LANDS OF THE STATE OF NEW MEXICO:

Shell Oil Company, as unit operator of the unit agreement for the development and operation of the Spencer Unit Area, County of Lea, State of New Mexico, has heretofore completed the first test well referred to in Article 8 of said unit agreement, such well being a dry hole. The said unit operator is now obligated to commence the drilling of an additional test well on the unit area on or before April 11, 1955; however, further study is being made of this area based on the electric, radioactive and velocity surveys which were run on the Spencer Unit No. 1 test, and additional information has been obtained from shooting approximately five miles of new seismic profile in the Spencer Unit Area. Data from all of these sources are currently being studied, and revised structural interpretations are being prepared, and unit operator believes that a reasonable extension of time for the commencement of such additional test well would be proper.

Premises considered, Shell Oil Company, unit operator under the Spencer Unit Agreement, hereby makes application to the Commissioner of Public Lands of the State of New Mexico, pursuant to Article 8 of said unit agreement, for an extension of six months for the commencement of the additional test well hereinabove referred to, so that said well shall be commenced on or before October 11, 1955. A copy of this application has been filed with the Oil Conservation Commission of the State of New Mexico.

IN WITNESS WHEREOF, this application is hereby made this 20th day
of February, 1955.

SHELL OIL COMPANY

Unit Operator of the
Spencer Unit Agreement

ATTEST:

Richard L. Hargston
Assistant Secretary

BY

J. E. Clark
Vice President

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

THIS AGREEMENT, entered into as of the 9th day of April, 1954, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto",

W I T N E S S E T H:

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chapter 162, Laws of 1951) to amend with the approval of the lessee, 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 of 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) to approve this agreement and the conservation provisions hereof; and,

WHEREAS, the parties hereto hold sufficient interests in the Spencer 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:

All of Sections 23, 24, 25, 26, 35 and 36, Twp. 17 South, Range 36 East, Lea County, New Mexico, containing 3840 acres, more or less.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner".

The above described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement. Such expansion shall be effected in the following manner.

(a) Unit Operator, on its own motion or on demand of the Commissioner shall prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof.

(b) Said notice shall be delivered to the Commissioner and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 30

days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Commissioner evidence of mailing of the notice of expansion and a copy of any objections thereto which have been filed with the Unit Operator.

(d) After due consideration of all pertinent information, the expansion shall, upon approval by the Commissioner, become effective as of the date prescribed in the notice thereof, provided, however, if more than 25% on an acreage basis object to such expansion, the same shall not be approved; provided, however, that should the interest of any objecting working interest owner equal or exceed 25% on an acreage basis, then and in that event in order to make such objection effective hereunder one additional working interest owner must join in such objection.

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

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

3. UNIT OPERATOR. Shell Oil Company, a Delaware Corporation, is hereby designated as Unit Operator and by signature hereto commits to this agreement all interests in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time but such resignation shall not become effective until a successor Unit Operator has been selected and approved in the manner provided for in Article 5 of this agreement. The resigna-

tion of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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

The resignation or removal of the Unit Operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor Unit Operator; provided that, if a majority but less than 65 per cent 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 65 per cent 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 by and between the Unit Operator and the other 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 article, 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. After the effective date hereof and on or before June 9, 1954, the Unit Operator shall commence operations upon a test well for oil and gas located in the approximate center of the SW/4 of the SW/4 of Section 25, Township 17 South, Range 36 East, and shall drill said well with due diligence to a depth of 12,300 feet, or to a depth sufficient in the opinion of Unit Operator, to test the Devonian, whichever is the shallower, or until at a lesser depth, unitized substances shall be

discovered which can be produced in paying quantities, or until it shall in the opinion of the Unit Operator be determined that the further drilling of said well shall be unwarranted or impracticable. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities, Unit Operator shall continue drilling diligently one well at a time allowing not more than six months between the completion of one well and the beginning of the next well until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Failure to comply with the drilling provisions of this article shall automatically terminate this agreement as to all its terms, conditions and provisions and all rights, privileges and obligations granted by this Unit Agreement shall cease and terminate as of the date of any such default.

9. PARTICIPATION AND ALLOCATION AFTER DISCOVERY. All unitized substances produced from the unit area, except any part thereof used within the unit area for production or development purposes, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land, and for the purpose of determining any benefits accruing under this agreement in such unitized substances and the distribution of the royalty payable to the State of New Mexico each such tract shall have allocated to it such percentage of such production as its area bears to the entire unitized area. Production of unitized substances from the unit area shall be so allocated regardless of whether or not any particular tract has a well thereon.

Notwithstanding any provision 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.

10. ROYALTY AND RENTAL PAYMENT. 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.

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 operations 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.

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

11. 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.

12. DRAINAGE. The Unit Operator shall take appropriate and

adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED IN SO FAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, sub-leases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of the lands committed to this agreement, shall, upon approval hereof by the Commissioner be and the same are hereby expressly modified and amended in so far 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 length of the secondary term as to lands within such area will be extended in so far as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the lessee, shall, without further action of the Commissioner or the lessee, be effective to conform the provisions and extend the term of 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 in so far as it applies to lands within the unitized area, shall continue in force beyond the term provided therein so 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 shall continue in full force and effect thereafter. The commencement, completion, operation or production of a well on any part of unitized land shall be respectively construed and considered as the commencement or completion or operation or production of a well within the terms and provisions of each of the oil and gas leases to the same extent as though such commencement, completion, operation or production was carried on, conducted and/or obtained from any such leased tract; provided, however, that any lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof.

14. 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 of any working, royalty or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

15. 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 can be produced from the unitized land in paying quantities, 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 65 per cent on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, as provided in Article 8 hereof, the failure to comply with the drilling provisions of this Unit Agreement shall as of the date of any such default automatically terminate this Unit Agreement.

16. 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.

17. 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 regulation or in any proceedings 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.

18. 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 personally delivered to the party or 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.

19. 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.

20. 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.

21. 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 either by the Commission or 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 any operating agreement affecting the allocation of costs of exploration, development and operation. After operations are commenced hereunder, the right of subsequent joinder by a working interest owner shall be subject to all of the requirements of any applicable operating agreement between the working interest owners relative to 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 filing with the Commissioner and the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to Unit Operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the Unit Operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

22. 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 opposite
their signatures.

SIGNATURE AND ADDRESSES

SHELL OIL COMPANY

By

Joe T. Dickerson
Vice President

ATTEST:

SEAL

Rayton Howard
Assistant Secretary

Address: Petroleum Building
Midland Texas

Date

April 27, 1954

UNIT OPERATOR

DESCRIPTION OF INTERESTS
COMMITTED TO SPENCER UNIT
AGREEMENT BY REFERENCE TO
TRACT NUMBERS IN EXHIBIT "B"
ATTACHED TO UNIT AGREEMENT

Tracts: 1, 2, 3, 4, 7, 9, and
11.

WORKING INTEREST OWNERS

GULF OIL CORPORATION

Tract: 8

By

Vice President

ATTEST:

SEAL

Assistant Secretary

Address: Life of America Building
Fort Worth, Texas

Date

_____, 1954.

STANOLIND OIL AND GAS COMPANY

Tracts: 12 and 14

By

Vice President

ATTEST:

SEAL

Assistant Secretary

Address: _____

Date

_____, 1954

McALESTER FUEL COMPANY

Tract: 6

By

President

ATTEST:

SEAL

Assistant Secretary

Address: _____

Date

_____, 1954.

DESCRIPTION OF INTERESTS
COMMITTED TO SPENCER UNIT
AGREEMENT BY REFERENCE TO
TRACT NUMBERS IN EXHIBIT "B"
ATTACHED TO UNIT AGREEMENT

SIGNATURE AND ADDRESSES

WORKING INTEREST OWNERS (Cont'd)

PHILLIPS PETROLEUM COMPANY

Tracts: 10 and 15

By _____
President

ATTEST:

SEAL

Assistant Secretary

Address: _____

Date _____ 1954.

SOUTHERN UNION GAS COMPANY

Tract: 5

By _____
President

ATTEST:

SEAL

Assistant Secretary

Address: _____

Date _____ 1954.

THE ATLANTIC REFINING COMPANY

Tract: 13

By _____
President

ATTEST:

SEAL

Assistant Secretary

Address: _____

Date _____ 1954.

* * *

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

Before me, the undersigned authority, on this the 27 day of April, 1954, appeared Joe T. Dickerson, to me personally known, who, being by me duly sworn, did say that he is Vice President of SHELL OIL COMPANY, that the seal affixed to said instrument is the corporate seal of said corporation, that same was signed and sealed in behalf of said corporation by authority of its Board of Directors, and he acknowledged said instrument to be the free act and deed of said corporation, same having been executed by him for the purposes and consideration therein expressed and in the capacity therein stated.

Witness my hand and official seal the day and year last above written.

My Commission expires:

June 1, 1955

Jean Akins
Notary Public in and for Midland
County, Texas.
Jean Akins
Notary Public in and for
Midland County, Texas

DESCRIPTION OF INTERESTS
COMMITTED TO SPENCER UNIT
AGREEMENT BY REFERENCE TO
TRACT NUMBERS IN EXHIBIT "B"
ATTACHED TO UNIT AGREEMENT

SIGNATURE AND ADDRESSES

WORKING INTEREST OWNERS (Cnt'd)

PHILLIPS PETROLEUM COMPANY

Tracts: 10 and 15

By _____
President

ATTEST:

SEAL

Assistant Secretary

Address: _____

Date _____ 1954.

SOUTHERN UNION GAS COMPANY

Tract: 5

By _____
President

ATTEST:

SEAL

Assistant Secretary

Address: _____

Date _____ 1954.

THE ATLANTIC REFINING COMPANY

Tract: 13

By *R. A. Dunkel*
Vice President *b.w. w. des.*

ATTEST:

SEAL

M. M. Miller
Assistant Secretary

Address: *Box 2819*

Dallas, Texas

Date *April 30,* 1954.

* * *

STATE OF TEXAS)
COUNTY OF MIDLAND)

Before me the undersigned authority, on this the _____ day of _____, 1954, appeared Joe T. Dickerson, to me personally known, who, being by me duly sworn, did say that he is Vice President of SHELL OIL COMPANY, that the seal affixed to said instrument is the corporate seal of said corporation, that same was signed and sealed in behalf of said corporation by authority of its Board of Directors, and he acknowledged said instrument to be the free act and deed of said corporation, same having been executed by him for the purposes and consideration therein expressed and in the capacity therein stated.

Witness my hand and official seal the day and year last above written.

My Commission expires:

Notary Public in and for Midland
County, Texas.

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 1954, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ President of PHILLIPS PETROLEUM COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year first above written.
(SEAL)
My Commission Expires: _____
Notary Public in and for _____
County, _____

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 1954, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ President of SOUTHERN UNION GAS COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year first above written.
(SEAL)
MY COMMISSION EXPIRES: _____
Notary Public in and for _____
County, _____

STATE OF TEXAS)
COUNTY OF DALLAS)

On this 30 day of April, 1954, before me appeared L. A. Sunkel, to me personally known, who, being by me duly sworn, did say that he is Vice President of THE ATLANTIC REFINING COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said L. A. Sunkel acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year first above written.
(SEAL)
My Commission expires: June 1, 1955

Holly Mae Tippett
Notary Public in and for Dallas
County, Texas
HOLLY MAE TIPPETT

DESCRIPTION OF INTERESTS
COMMITTED TO SPENCER UNIT
AGREEMENT BY REFERENCE TO
TRACT NUMBERS IN EXHIBIT "B"
ATTACHED TO UNIT AGREEMENT

SIGNATURE AND ADDRESSES

WORKING INTEREST OWNERS (Cont'd)

PHILLIPS PETROLEUM COMPANY

Tracts: 10 and 15

By _____
President

ATTEST:

SEAL

Assistant Secretary

Address: _____

Date _____ 1954.

SOUTHERN UNION GAS COMPANY

Tract: 5

By *J. C. Smith*
President

ATTEST:

SEAL

Ann T. Smith
Assistant Secretary

Address: *Bart Bell*
Dallas, Texas

Date *4-30* 1954.

THE ATLANTIC REFINING COMPANY

Tract: 13

By _____
President

ATTEST:

SEAL

Assistant Secretary

Address: _____

Date _____ 1954.

* * *

STATE OF TEXAS)
COUNTY OF MIDLAND)

Before me the undersigned authority, on this the _____ day of _____, 1954, appeared Joe T. Dickerson, to me personally known, who, being by me duly sworn, did say that he is Vice President of SHELL OIL COMPANY, that the seal affixed to said instrument is the corporate seal of said corporation, that same was signed and sealed in behalf of said corporation by authority of its Board of Directors, and he acknowledged said instrument to be the free act and deed of said corporation, same having been executed by him for the purposes and consideration therein expressed and in the capacity therein stated.

Witness my hand and official seal the day and year last above written.

My Commission expires: _____

Notary Public in and for Midland
County, Texas.

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 1954, before me appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ President of PHILLIPS PETROLEUM COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

(SEAL)

My Commission Expires: _____

Notary Public in and for _____
County, _____

STATE OF Texas)
COUNTY OF Dallas)

On this 3 day of May, 1954, before me appeared J. C. Reid, to me personally known, who, being by me duly sworn, did say that he is Vice President of SOUTHERN UNION GAS COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said J. C. Reid acknowledged said instrument to be the free act and deed of said corporation.

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

(SEAL)

MY COMMISSION EXPIRES: _____

6-1-55

Mary Ann Watkins
Notary Public in and for Dallas
County, Texas

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 1954, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ President of THE ATLANTIC REFINING COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

(SEAL)

My Commission expires: _____

Notary Public in and for _____
County, _____

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 opposite their signatures.

SIGNATURE AND ADDRESSES

SHELL OIL COMPANY

By _____
Vice President

ATTEST:

SEAL

Assistant Secretary

Address: Petroleum Building
Midland, Texas

Date _____ 1954

UNIT OPERATOR

WORKING INTEREST OWNERS

GULF OIL CORPORATION

Tract: 8

By _____
Vice President

ATTEST:

SEAL

Assistant Secretary

Address: Life of America Building
Fort Worth, Texas

Date _____ 1954.

STANCLIND OIL AND GAS COMPANY

Tracts: 12 and 14

Frank L. Linder
Vice President

ATTEST:

SEAL

Ray A. McQuinn
Assistant Secretary

Address: P.O. Box 1410

Fort Worth, Texas

Date May 3, 1954

MCALISTER FUEL COMPANY

Tract: 6

By _____
President

ATTEST:

SEAL

Assistant Secretary

Address: _____

Date _____ 1954.

DESCRIPTION OF INTERESTS
COMMITTED TO SPENCER UNIT
AGREEMENT BY REFERENCE TO
TRACT NUMBERS IN EXHIBIT "B"
ATTACHED TO UNIT AGREEMENT

Tracts: 1, 2, 3, 4, 7, 9, and
11.

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 1954, before me appeared _____ to me personally known who, being by me duly sworn, did say that he is Vice President of GULF OIL CORPORATION, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission expires:

SEAL

Notary Public in and for _____
County, _____

STATE OF Oklahoma)
COUNTY OF LeFlore)

On this 3rd day of May, 1954, before me appeared Frank Lindeman, Jr. to me personally known who, being by me duly sworn, did say that he is Vice President of STANOLIND OIL AND GAS COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said Frank Lindeman, Jr. acknowledged said instrument to be the free act and deed of said corporation.

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

SEAL

My Commission expires:

My Commission Expires October 4, 1955

Maxine McAdams
Notary Public in and for State of
County, Oklahoma

Maxine McAdams

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 1954, before me appeared _____ to me personally known, who, being by me duly sworn, did say that he is _____ President of MCALESTER FUEL COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

SEAL

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

My Commission expires:

Notary Public in and for _____
County, _____

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 opposite
their signatures.

SIGNATURE AND ADDRESSES

SHELL OIL COMPANY

By _____
Vice President

ATTEST:

SEAL

Assistant Secretary

Address: Petroleum Building
Midland Texas

Date _____ 1954

UNIT OPERATOR

DESCRIPTION OF INTERESTS
COMMITTED TO SPENCER UNIT
AGREEMENT BY REFERENCE TO
TRACT NUMBERS IN EXHIBIT "B"
ATTACHED TO UNIT AGREEMENT

Tracts: 1, 2, 3, 4, 7, 9, and
11.

WORKING INTEREST OWNERS

GULF OIL CORPORATION

Tract: 8

By _____
Vice President

ATTEST:

SEAL

Assistant Secretary

Address: Life of America Building
Fort Worth, Texas

Date _____ 1954.

STANOLIND OIL AND GAS COMPANY

Tracts: 12 and 14

By _____
Vice President

ATTEST:

SEAL

Assistant Secretary

Address: _____

Date _____ 1954

MCALISTER FUEL COMPANY

Tract: 6

By *[Signature]*
VICE President

ATTEST:

SEAL

[Signature]
Assistant Secretary

Address: _____

Date _____ 1954.

STATE OF _____ }
COUNTY OF _____ }

On this _____ day of _____, 1954, before me appeared _____, to me personally known who, being by me duly sworn, did say that he is Vice President of GULF OIL CORPORATION, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission expires: _____

SEAL _____

Notary Public in and for _____
County, _____

STATE OF _____ }
COUNTY OF _____ }

On this _____ day of _____, 1954, before me appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ President of STANOLIND OIL AND GAS COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

SEAL _____

My Commission expires: _____

Notary Public in and for _____
County, _____

STATE OF Arkansas }
COUNTY OF Columbia }

On this 24 day of April, 1954, before me appeared C.R. Cole, to me personally known who, being by me duly sworn, did say that he is Vice President of McALESTER FUEL COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said C.R. Cole acknowledged said instrument to be the free act and deed of said corporation.

SEAL _____

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

My Commission expires: _____

November 24, 1957

Sylvia M. Meador
Notary Public in and for Columbia
County, Arkansas

CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW
MEXICO OF UNIT AGREEMENT FOR DEVELOPMENT AND
OPERATION OF SPENCER UNIT AREA, LEA COUNTY,
NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the Spencer Unit Area, Lea County, New Mexico, dated the 9th day of April, 1954, in which Shell Oil Company is designated as Operator and which has been executed by various parties owning and holding oil and gas leases embracing lands within the Unit Area and upon examination of said Agreement, the Commissioner finds:

- (a) That such Agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said field;
- (b) That under the operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its land in the area affected;
- (c) That the agreement is in other respects for the best interest of the State;
- (d) That the agreement provides for the unit operation of the field, for the allocation of production, and the sharing of proceeds from a part of the area covered by the agreement on an acreage basis as specified in the agreement.

NOW, THEREFORE, by virtue of the authority conferred upon me by Section 3, Chapter 88 of the laws of the State of New Mexico, 1943, approved April 14, 1943, as amended by Sec. 1 of Chapter 162, Laws of 1951, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, as to the lands of the State of New Mexico included in said Spencer Unit Agreement, and all leases embracing lands of the State of New Mexico committed to said Unit Agreement shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid Section 3, Chapter 88 of the New Mexico Session Laws of 1943, as amended by Sec. 1 of Chapter 162, Laws of 1951.

EXECUTED THIS _____ day of _____, 1954.

Commissioner of Public Lands of the
State of New Mexico

[illegible]

EXHIBIT "B"

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS IN ALL LAND IN THE
SPENCER UNIT AGREEMENT

TRACT NO.	DESCRIPTION	NO. OF ACRES	LEASE NO. AND EXPIRATION DATE OF LEASE	LAND OWNER	RECORD OWNER OF LEASE
1	All of Section 23, T-17-S, R-36-E	640	B-11281 6-10-54	State of New Mexico	Shell Oil Company
2	SW/4 of NW/4 of Section 24 and N/2 of SE/4 of Section 25, T-17-S, R-36-E	120	E-2313 12-10-58	State of New Mexico	Shell Oil Company
3	SW/4, N/2 of NW/4, SE/4 of NW/4 and SE/4 of SE/4 of Section 24, T-17-S, R-36-E	320	B-11284 6-10-54	State of New Mexico	Shell Oil Company
4	W/2 of E/2 of Section 24, T-17-S, R-36-E	160	E-835 4-10-56	State of New Mexico	Shell Oil Company
5	E/2 of NE/4 and NE/4 of SE/4 of Section 24, T-17-S, R-36-E	120	E-5766 11-10-61	State of New Mexico	Southern Union Gas Company
6	NW/4 of NW/4 of Section 26, T-17-S, R-36-E	40	E-5822 12-10-61	State of New Mexico	McAlester Fuel Company
7	N/2 of Section 25, NE/4, E/2 of NW/4, SW/4 of NW/4 and SW/4 of Section 26, T-17-S, R-36-E	760	B-11282 6-10-54	State of New Mexico	Shell Oil Company
8	SE/4 of Section 26, T-17-S, R-36-E	160	E-1630 12-10-57	State of New Mexico	Gulf Oil Corporation
9	SW/4 of Section 25, T-17-S, R-36-E	160	E-2805 7-10-59	State of New Mexico	Shell Oil Company
10	S/2 of SE/4 of Section 25, T-17-S, R-36-E	80	B-2517 H.B.P.	State of New Mexico	Phillips Petroleum Company
11	NW/4 of NW/4 and SE/4 of NW/4 of Section 35, T-17-S, R-36-E	80	E-1775 3-10-58	State of New Mexico	Shell Oil Company

12	NE/4, NE/4 of NW/4, SW/4 of NW/4, N/2 of SW/4, SE/4 of SW/4, NW/4 of SE/4 and S/2 of SE/4 of Section 35, T-17-S, R-36-E	480	B-11286 6-10-54	State of New Mexico	Stanolind Oil and Gas Company
13	SW/4 of SW/4 and NE/4 of SE/4 of Section 35 and SE/4 of SE/4 of Section 36, T-17-S, R-36-E	120	E-1252 3-10-57	State of New Mexico	The Atlantic Refining Company
14	NE/4, NE/4 of NW/4, S/2 of NW/4, SW/4, N/2 of SE/4 and SW/4 of SE/4 of Section 36, T-17-S, R-36-E	560	B-11287 6-10-54	State of New Mexico	Stanolind Oil and Gas Company
15	NW/4 of NW/4 of Section 36, T-17-S, R-36-E	40	B-1861 H.B.P.	State of New Mexico	Phillips Petroleum Company

<u>RECAPITULATION OF OWNERSHIP</u>		
<u>NAME</u>	<u>ACRES</u>	<u>PERCENTAGE OWNED</u>
SHELL OIL COMPANY	2,240	58.3333333
STANOLIND OIL AND GAS COMPANY	1,040	27.0833333
GULF OIL CORPORATION	160	4.1666667
PHILLIPS PETROLEUM COMPANY	120	3.1250000
SOUTHERN UNION OIL COMPANY	120	3.1250000
THE ATLANTIC REFINING COMPANY	120	3.1250000
McALESTER FUEL COMPANY	40	1.0416667
	<u>3,840</u>	<u>100.0000000%</u>

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

APPLICATION FOR APPROVAL OF UNIT AGREEMENT FOR DEVELOPMENT
AND OPERATION OF THE SPENCER UNIT AREA
LEA COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

COMES the undersigned, Shell Oil Company, a corporation, with offices at Midland, Texas, and files herewith a copy of a proposed Unit Agreement for the development and operation of the Spencer Unit Area embracing land situated in Lea County, New Mexico, and hereby makes application for an order approving said Unit Agreement, and in support thereof shows:

1.

That the unit area designated in said agreement and the source of supply to be affected by the order hereby sought comprises 3840 acres, more or less, situated in Lea County, New Mexico, more particularly described as follows:

Sections 23, 24, 25, 26, 35 and 36, in Township 17-South, Range 36-East, N.M.P.M.

That all of the above described lands are lands owned by the State of New Mexico upon which the applicant and others are owners of Oil and Gas Leases issued by the Commissioner of Public Lands of the State of New Mexico.

2.

That there is attached to said copy of the proposed Unit Agreement, as Exhibit "A" thereto, a plat of the proposed Unit Area, and because of the geological and geophysical information available applicant believes that the above said area is an area suitable and proper for unitization.

3.

That the undersigned, Shell Oil Company, is designated as the Unit Operator in said agreement, and the Unit Operator is given the authority under the terms thereof to carry on all operations which are necessary for the development and operation of the Unit Area for oil and gas subject to all

applicable laws and regulations. That said Unit Agreement provides for the commencement of a test well for oil and gas upon some part of the lands committed to the Unit Agreement on or before June 9, 1954, and for the drilling of a said well to a depth of 12,300 feet, or a depth sufficient to test the Devonian Formation expected to be encountered at about said depth.

4.

That said Unit Agreement is in substantially the same form as unit agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico, and by the New Mexico Oil Conservation Commission; and that under the terms of the proposed Unit Agreement, the rights of the royalty owner, the State of New Mexico, are fairly protected and said royalty owner will receive its fair share of recoverable oil and gas in place under its lands embraced in the Unit Area.

5.

That operations to be carried on under the terms of said Unit Agreement will tend to promote the conservation of oil and gas in place under the lands in the proposed unit area and to prevent waste in that if production in paying quantities is obtained from such unit area (1) the production may be controlled without regard to interior lease lines to the end that reservoir energy will be utilized to the greatest advantage, (2) recovery methods that might not be practicable on a small area will be feasible and more efficient on the area of the proposed unit, and (3) the drilling of unnecessary wells with attendant fire and other hazards conducive to waste may be avoided. That said Unit Agreement is believed in all respects for the best interest of the State of New Mexico with respect to the lands embraced therein.

96⁷₀ 6.

That approximately 85 per cent of the owners of oil and gas leases embracing lands within said area have agreed to join in said Unit Agreement, and it is believed that all such owners will have joined therein by the time this application is heard.

7.

That an application is being filed for approval of said Unit Agreement by the Commissioner of Public Lands, and it is believed that his approval will be had if this Commission enters the order of approval hereby requested.

Wherefore applicant prays for an order permitting the unit operation of said lands and adopting the plan set forth in the said Unit Agreement and approving the said Unit Agreement for development and operation of said lands.

Respectfully submitted,

SHELL OIL COMPANY

By

D. V. Lawrence
Agent

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

APPLICATION FOR APPROVAL OF UNIT AGREEMENT FOR DEVELOPMENT
AND OPERATION OF THE SPENCER UNIT AREA
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SHELL OIL COMPANY

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