

1367: Belmont Oil Corp. application for
Approval of Etcheverry Unit Agreement, Inc.
Buntz, N.M.

7

Case No.

1367

Application, Transcript,
Small Exhibits, Etc.

EXAMINER HEARING
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 8, 1958

IN THE MATTER OF: Case No. 1367

TRANSCRIPT OF PROCEEDINGS

DEARNLEY, MEIER & ASSOCIATES
INCORPORATED
GENERAL LAW REPORTERS
ALBUQUERQUE, NEW MEXICO
3-6691 5-9546

EXAMINER HEARING
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 8, 1958

IN THE MATTER OF:

Application of Felmont Oil Corporation for
approval of its Etcheverry Unit Agreement in
Lea County, New Mexico. Applicant, in the
above-styled cause, seeks an order approving
its Etcheverry Unit Agreement embracing 1,920 Case 1367
acres, more or less, of State of New Mexico
lands consisting of S/2 Section 32, S/2
Section 33, Township 14 South, Range 34 East,
and all of Sections 4 and 5, Township 15
South, Range 34 East, Lea County, New Mexico.

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF PROCEEDINGS

MR. NUTTER: We will take up the next case, 1367.

We will take a five-minute recess.

(Recess.)

MR. NUTTER: The hearing will come to order, please. The
next case will be Case 1367.

MR. COOLEY: Case 1367: Application of Felmont Oil Corpora-
tion for approval of its Etcheverry Unit Agreement in Lea County,
New Mexico.

MR. CHRISTY: Sim Christy of Hervey, Dow and Hinkle, for the
Applicant, Felmont Oil Corporation. Mr. Examiner, we have some
small amendments to the application; the matters arose after the
application was filed. In paragraph 1, the acreage is shown as

1920, should be reduced to 1737.08 acres. 1737.08.

The land description in 15 South, 34 East, Section 4; it now reads "All", it should read "North half of the Southwest quarter, and the north half".

MR. NUTTER: Is there objection to the amendments of the unit area and the total acreage included in this unit? If not, the unit area will be amended.

MR. CHRISTY: In paragraph 2, the statement is that the lands embraced within the proposed unit area are all State lands. We should add "except 320 acres which are fee lands".

MR. NUTTER: Is there objection to this modification of the application? If not, it will be amended.

MR. CHRISTY: In paragraph 4, page 2, the proposed depth of the test well now states 14,500 feet, should be 14,700 feet. That arises by virtue of the fact we now believe that the Devonian will only be encountered about 14,500 and we want to go on down another 200 feet.

And in paragraph 6, we will develop this from the witness; it says that the application has been presented to the Commissioner of Public Lands for approval, and we would like to add that it has been approved by the fee owner of the 320 acre tract.

We have one witness in connection with the application.

(Witness sworn.)

L. O. THOMPSON

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

DEARNEY, MEIER & ASSOCIATES
INCORPORATED
GENERAL LAW FIRM
ALBUQUERQUE, NEW MEXICO
3-6691 5-9546

DIRECT EXAMINATION

By MR. CHRISTY:

Q Will you please state your name, address, and occupation?

A L. O. Thompson; I live in Midland, Texas; and I am Division Geologist for Felmont Oil Corporation.

Q Mr. Thompson, have you ever testified before this Commission before?

A No.

Q What degrees of higher learning do you hold, and from where?

A I have a Master's Degree in Geology from the University of Minnesota.

Q What year?

A 1939.

Q Would you tell us briefly what you have done since 1939 in the geological field?

A I worked for Standard of Texas and a California company for nine years, seven and a half years of that in Texas and New Mexico; worked for Slick Oil Company for one and a half years; Hiser and Hurd for a year and a half; I was a consultant for two years; and I worked for Felmont for about four and a half years.

Q Are you familiar with the lands involved in the area and the lands involved in this application which are situated in Townships 14 and 15 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and the wells and ownership area?

A Yes.

MR. CHRISTY: Does the Commission have any questions in relation to the witness's qualification as a geologist?

MR. NUTTER: No, Mr. Thompson is qualified.

Q Mr. Thompson, I believe you have testified that you were familiar with the area involved in this application. Are you likewise familiar with the application itself?

A Yes, sir.

Q Would you please state briefly what is proposed by the application?

A We desire to form a unit for the purpose of drilling a 14,700 foot test to test the Devonian.

Q What is your unit area?

A The unit area is 1737.08 acres, and includes in Township 14 South, Range 34 East the South half of Section 32, the South half of Section 33; and in Township 15 South, Range 34 East, all of Section 5 and the North half and the North half and the North half of the Southwest quarter of Section 4.

MR. COOLEY: Would you repeat that acreage in Section 4 again?

A The North half, and the North half of the Southwest quarter.

MR. COOLEY: Thank you.

Q As to ownership, what type of lands are these?

A It is all State land, except for one 320-acre fee piece.

Q Is that the North half South half, and the South half North half of Section 5?

A It is.

(Applicant's Exhibit No. 1
marked for identification.)

Q I hand you what has been marked Applicant's Exhibit 1 in this case, and ask you to please identify it.

A That is the land plat showing the lease ownership and the outline of the unit and the proposed location for the well.

Q Where is that well located, please?

A In the northeast of the northeast of Section 5.

(Applicant's Exhibit No. 2
marked for identification.)

Q I hand you what has been marked Applicant's Exhibit 2 and ask you what that instrument is, please.

A That is a seismograph interpretation and report by Mr. John Daly, a consulting physicist in Midland, Texas, which shows the seismic structural picture under the proposed unit.

(Applicant's Exhibit No. 3
marked for identification.)

Q I hand you what has been marked Applicant's Exhibit 3 and I'll ask you what that is, please.

A That's the unit agreement for the development and operation of the Etcheverry Unit Area.

Q Now, does the unit area proposed in the agreement and application cover substantially all of the geophysical high within the closing contours?

A Yes, it does.

Q I notice that Exhibit 2 is contoured on the Mississippian and not the Devonian. Would you explain why?

A The best and most continuous reflection on the seismograph work came from that depth, and it was not possible to make a map on the Devonian itself, but in this area the Mississippian and Devonian are essentially conformable, and this picture should reflect the Devonian formation, too.

Q Will the unit agreement permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances?

A I believe it will.

Q In the event that oil and gas in paying quantities is discovered on the lands within the unit, can the field or area be developed more economically and efficiently under the unit agreement?

A We believe so.

Q Will the maximum recovery be obtained of production under the unit agreement?

A I think so.

Q Is the unit agreement in your opinion in the interest of conservation of oil and gas, and the prevention of waste?

A Yes.

Q Now, who are the other parties to the unit agreement?

A The fee owner, Mr. Etcheverry, and the following companies: Skelly, Gulf, Phillips, Magnolia, Continental, and Tidewater, as well as Felmont, of course.

Q Have you received a formal or informal approval from those operators?

A Yes, we have.

Q How about the fee owner, Mr. Etcheverry?

A Yes, he has approved it.

Q You mentioned this is State land. How about the Commissioner of Public Land?

A He has approved it, subject to our giving him a signed copy of the agreement.

Q Does your company recognize that in the event this application is approved, that you still must comply with the Conservation Commission orders and regulations with respect to filing of notices and forms on intention to drill and completion data, and all of that?

A Yes.

Q Do you understand that any approval that may be given by this Commission will be contingent upon your filing with them a fully executed copy of the unit agreement?

A Yes.

Q Fully approved?

A Yes.

MR. CHRISTY: That's all we have.

MR. NUTTER: Any questions of Mr. Thompson?

By MR. NUTTER:

CROSS EXAMINATION

Q Mr. Thompson, in your expert opinion as a geologist, do you believe that the boundaries of this unit are sufficiently large

to afford adequate control of the structure, if developed?

A I believe so.

Q If it results in production?

A I believe so.

Q Do you believe that the unit boundaries are unnecessarily large and include acreage that is not within the reasonable closure of the structure?

A I don't think so.

Q What percent of the working interests in this unit area have been committed, Mr. Thompson?

A All of them have been committed verbally, but the agreement now is being circulated for signing.

Q But you have verbal commitment of all acreage?

A Yes.

Q As far as working interest is concerned?

A Yes.

Q What percent of the royalty ownership has been committed?

A All of it.

Q You have one hundred percent there?

A Yes.

Q Is Mr. Etcheverry's interest in the unit as a working interest owner or as a royalty owner?

A Royalty owner. We have the lease on that property.

Q Felmont owns the lease on that 320?

A Yes.

Q Where will the proposed well be drilled, the initial test on this unit?

A Its proposed location is 660 from the north and east lines of Section 5, Township 15 South, Range 34 East.

Q Is this located on the high, as far as the structure in the area is concerned?

A Yes.

Q What provision is made in the unit agreement for any further wells to be drilled?

A It's paragraph 9 in the unit agreement, the plan of further development and operation.

Q There will be a plan of development filed?

A That's right.

Q With the Commissioner of Public Lands and with the Oil Conservation Commission?

A I believe that is correct.

Q If the initial well is successful?

A Yes.

MR. BILBERRY: In what part of the unit agreement is it mentioned, the plan of development?

A Paragraph 9.

MR. NUTTER: Any further questions, Mr. Bilberry?

MR. BILBERRY: I would like one more question. I believe the seismograph report indicates that the high -- you asked the question relative to this, it shows that the high was found in the

northwest northwest of Section 4, and the well to be located in the southeast northeast of Section 5?

MR. CHRISTY: I believe the well is in the northeast northeast.

MR. BILBERRY: Northeast northeast?

MR. CHRISTY: Yes, immediately adjacent to the high that you mentioned. It shows better on the map. Do you have a copy?

MR. BILBERRY: What was the footage?

MR. CHRISTY: 660 from the north and east line. Here is the map, that will show you the location a little better.

MR. NUTTER: Mr. Thompson, are all of the formations unitized under this unit agreement?

A Yes.

MR. NUTTER: What is the term of the unit agreement?

MR. CHRISTY: Two years, Mr. Examiner.

MR. NUTTER: The unit will expire unless production has been obtained within two years or unless an extension of the unit agreement is granted by the Commissioner of Public Lands?

A Yes.

MR. NUTTER: Any further questions of Mr. Thompson? Mr. Utz.

By MR. UTZ:

Q Mr. Thompson, what would you consider the lowest closing contour to be on your seismic structure?

A The lowest is minus 9601.

Q If this structure proves to be productive, it would be

assumed that that would be the limit of production?

A Approximately so, yes.

Q Can you say at this time why you left out the portion of Section 4 that you have just deleted?

A Because all of the various companies' seismic picture does not agree exactly with ours. Some of them requested that we leave that out.

Q That was based on other companies' seismic pictures, other than yours?

A Yes.

Q Yours shows a good portion of it to be in there?

A Yes, a compromised unit, in other words.

MR. UTZ: That's all I have.

By MR. COOLEY:

Q Mr. Thompson, paragraph 8 as I interpret it would require the drilling of --

A (Interrupting) Paragraph 8?

Q Yes. -- would require the drilling of additional wells, of an additional well within at least six months after the completion of the initial proposed well, if production is not discovered?

A Yes, that is correct.

Q Or the unit would lapse?

A Yes.

Q Does the unit agreement provide for extension or contraction of the unit area as now presented?

A No, it does not.

Q The reason for this being that you feel that it presently encompasses the entire structure?

A Yes.

MR. COOLEY: That's all.

MR. NUTTER: Any further questions of Mr. Thompson? If not, he may be excused.

(Witness excused.)

MR. CHRISTY: Mr. Nutter, we would like to introduce in evidence Applicant's Exhibits 1, 2, and 3.

MR. NUTTER: Without objection Felmont Corporation's Exhibits 1, 2, and 3 will be received in Case 1367.

MR. CHRISTY: We also have a statement in connection with paragraph 9 concerning the development. It is my understanding that the Public Lands Sub-committee met with the State Land Commissioner and an agreement has been made, in principle at least, and has not yet been reduced to writing, to the effect that the plans of further development under State units will be deleted and the State will rely upon its implied covenant of further development, so that this paragraph 9 may in the future, we may come back and ask you to delete paragraph 9, if the State Land Commissioner approves that principle statement, the statement in principle. It will have to be approved both by the Land Commissioner and the Commission, we understand that; but we may come back in the future and ask for that amendment, which will be true in all State units,

is my understanding.

MR. NUTTER: Mr. Thompson, in the event that the plan of development is deleted from the requirements under this unit agreement, would Felmont Oil Corporation be willing to file with the Commission a periodic statement of progress, showing what progress has been made in the development of the unit area?

MR. THOMPSON: Yes.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 1367?

MR. CHRISTY: I would like to state one other thing for the record. That is the urgency of this matter; we were unable to get it in for the December hearing. The well is scheduled to commence on January 15th. We are making every effort, if the Examiner could help us, it is an urgent matter and we would appreciate it.

MR. NUTTER: We will take that under consideration, Mr. Christy. Anything further in this case? If not, we will take the case under advisement.

* * * * *

C E R T I F I C A T E

STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this *11th* day of February, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley
 NOTARY PUBLIC

My commission expires:

June 19, 1959.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. *1367*, heard by me on *1-8*, 19*58*.

John J. Steiner, Examiner
 New Mexico Oil Conservation Commission

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

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, as of the 16th day of December 1957, the undersigned parties hereto entered into a Unit Agreement for the development and operation of the Etcheverry Unit Area embracing the following described land situated in Lea County, New Mexico, to-wit:

NEW MEXICO PRINCIPAL MERIDIAN

Township 14 South, Range 34 East

Section 32: S 1/2
Section 33: S 1/2

Township 15 South, Range 34 East

Section 4: NE 1/4, NW 1/4, N 1/2 SW 1/4
Section 5: All

containing 1737.08 acres, more or less;

and

WHEREAS, said Unit Agreement was approved by the Commissioner of Public Lands of the State of New Mexico on the 20th day of March 1958;
and

WHEREAS, the undersigned parties to said Unit Agreement, with the approval and consent of the Commissioner of Public Lands of the State of New Mexico, are desirous of amending said Unit Agreement in the particulars hereinafter set forth,

NOW, THEREFORE, it is mutually agreed between the undersigned parties, and being all of the parties to the original Unit Agreement above referred to, with the consent and approval of the Commissioner of Public Lands of the State of New Mexico, that said Unit Agreement be and the same is hereby amended as follows:

1. That the following be substituted for Section 8 (Drilling to Discovery) of the Unit Agreement:

8. DRILLING TO DISCOVERY. The Unit Operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Devonian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of Unit Operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 14,700 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit), Unit Operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the Unit Operator and each working interest owner, lessee and lessor at their last known addresses, declare this Unit Agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

2. That the following be substituted for Section 9 (Plan of Further Development and Operation) of the Unit Agreement:

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES. Should unitized substances in paying quantities be discovered upon the unit area the Unit Operator shall on or before six months from the time of the completion of the initial discovery well and within thirty (30) days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

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

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

If the Unit Operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped

regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the Unit Operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N. M. Statutes 1953 Annotated of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N. M. Statutes 1953 Annotated and, provided further, in any event the Unit Operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

3. That the following be substituted for the last paragraph of Section 13

(Leases and Contracts Conformed and Extended Insofar as They Apply to Lands Within the Unitized Area) of the Unit Agreement:

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

4. That the following be substituted for Section 15 (Drainage) of the Unit Agreement:

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

5. That except as amended hereinabove, said Unit Agreement is hereby ratified and confirmed as to all of the terms and provisions hereof.

6. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be

binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

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

ATTEST:

W. C. Martin
Assistant Secretary

Date April 10, 1958

ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date _____

ATTEST:

W. C. Martin
Assistant Secretary

Date MARCH 10, 1958

ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date _____

FELMONT OIL CORPORATION

By *Walter L. Martin*
Vice-President

Address: P.O. Box 1855
Midland, Texas

SKELLY OIL COMPANY

By _____
Vice-President

Address: _____

GULF OIL CORPORATION

By _____
Vice-President

Address: _____

PHILLIPS PETROLEUM COMPANY *J. B.*

By *W. C. Martin*
Vice-President

Address: Bartlesville, Oklahoma

TIDEWATER OIL COMPANY

By _____
Vice-President

Address: _____

CONTINENTAL OIL COMPANY

By _____
Vice-President

Address: _____

STATE OF OKLAHOMA :
COUNTY OF WASHINGTON:

The foregoing instrument was acknowledged before me this 10th day of March 1958, by C.O. STARK, VICE PRESIDENT of PHILLIPS PETROLEUM CO., a DELAWARE corporation, acted on behalf of said corporation.
My commission expires: 9-29-59
Patricia Sue Morris
Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by _____.
My commission expires: _____
Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by MARIE ETCHEVERRY.
My commission expires: _____
Notary Public

STATE OF :
COUNTY OF :

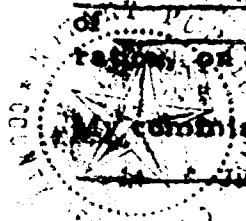
The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY as Attorney-in-Fact on behalf of Pello Etcheverry.
My comission expires: _____
Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY, Trustee.
My commission expires: _____
Notary Public

STATE OF TEXAS :
COUNTY OF MIDLAND :

The foregoing instrument was acknowledged before me this 10th day of April 1958, by Walter H. Walne, Jr., Vice President of Felmont Oil Corporation, a Delaware corporation, on behalf of said corporation.



My commission expires: June 1, 1959

Walter H. Walne, Jr.
Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by _____.

My commission expires: _____

Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by MARIE ETCHEVERRY.

My commission expires: _____

Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY as Attorney-in-Fact on behalf of Pello Etcheverry.

My commission expires: _____

Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY, Trustee.

My commission expires: _____

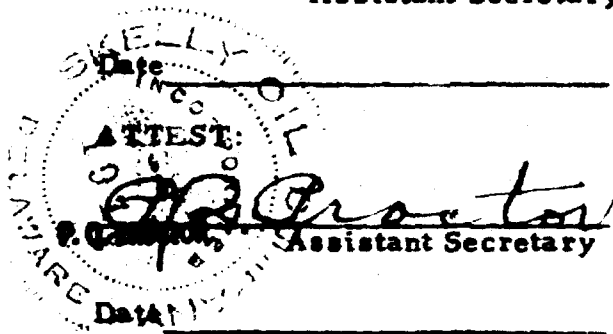
Notary Public

binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

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

ATTEST:

Assistant Secretary



ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date _____

FELMONT OIL CORPORATION

By _____ Vice-President

Address: P.O. Box 1855
Midland, Texas

By *[Signature]* SKELLY OIL COMPANY
By *[Signature]* Vice-President
Address: _____

GULF OIL CORPORATION

By _____ Vice-President

Address: _____

PHILLIPS PETROLEUM COMPANY

By _____ Vice-President

Address: _____

TIDEWATER OIL COMPANY

By _____ Vice-President

Address: _____

CONTINENTAL OIL COMPANY

By _____ Vice-President

Address: _____

STATE OF Oklahoma :

COUNTY OF Tulsa :

The foregoing instrument was acknowledged before me this 25 day of February 1958, by G. L. CASHMAN

President of Shelby Oil Co., a Delaware corporation, on behalf of said corporation.

My commission expires:

NOTARY PUBLIC
W. L. STUEVE
Oklahoma, Tulsa County, Oklahoma
My Commission Expires November 2, 1960

W. L. Stueve
Notary Public

STATE OF :

COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by _____.

My commission expires:

Notary Public

STATE OF :

COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by MARIE ETCHEVERRY.

My commission expires:

Notary Public

STATE OF :

COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY as Attorney-in-Fact on behalf of Pello Etcheverry.

My commission expires:

Notary Public

STATE OF :

COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY, Trustee.

My commission expires:

Notary Public

binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

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

ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date _____

FELMONT OIL CORPORATION

By _____ Vice-President

Address: P. O. Box 1855
Midland, Texas

SKELLY OIL COMPANY

By _____ Vice-President

Address: _____

GULF OIL CORPORATION

By W. A. Shellshear Attorney In Fact Vice-President

Address: P. O. BOX 669
ROSWELL, NEW MEXICO

PHILLIPS PETROLEUM COMPANY

By _____ Vice-President

Address: _____

TIDEWATER OIL COMPANY

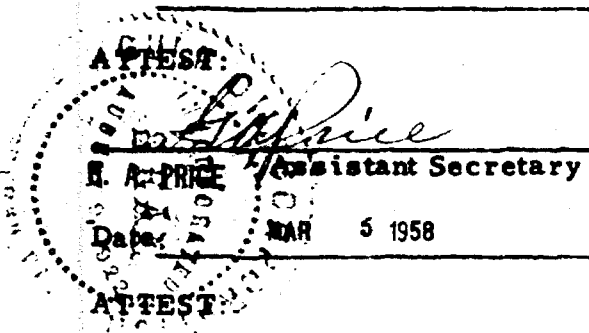
By _____ Vice-President

Address: _____

CONTINENTAL OIL COMPANY

By _____ Vice-President

Address: _____



WOK
E.H.
MAY

STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 5 day of March 1958, by W. A. SHELLSHEAR, Attorney In Fact of GULF OIL CORPORATION, a PENNSYLVANIA corporation, on behalf of said corporation.

My commission expires: 0-8-61

L. B. Taper
Notary Public

STATE OF

COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by _____.

My commission expires: _____

Notary Public

STATE OF

COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by MARIE ETCHEVERRY.

My commission expires: _____

Notary Public

STATE OF

COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY as Attorney-in-Fact on behalf of Pello Etcheverry.

My commission expires: _____

Notary Public

STATE OF

COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY, Trustee.

My commission expires: _____

Notary Public

binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

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

ATTEST:

Assistant Secretary
Date _____

ATTEST:

Assistant Secretary
Date _____

ATTEST:

Assistant Secretary
Date _____

ATTEST:

Assistant Secretary
Date _____

ATTEST:

Assistant Secretary
Date FEB 28 1960

ATTEST:

Assistant Secretary
Date _____

FELMONT OIL CORPORATION

By _____ Vice-President
Address: P.O. Box 1855
Midland, Texas

SKELLY OIL COMPANY

By _____ Vice-President
Address: _____

GULF OIL CORPORATION

By _____ Vice-President
Address: _____

PHILLIPS PETROLEUM COMPANY

By _____ Vice-President
Address: _____

TIDEWATER OIL COMPANY

By Charles R. Krumm Vice-President
Address: P.O. BOX 731, TULSA, OKLAHOMA

CONTINENTAL OIL COMPANY

By _____ Vice-President
Address: _____

STATE OF
COUNTY OF

The foregoing instrument was acknowledged before me this 28th day of February 1958, by Charles A. Brown vice President of Tidewater Oil Company, a Delaware corporation, on behalf of said corporation.

My commission expires: October 16, 1958

Helen Lacey
Notary Public

STATE OF
COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by _____.

My commission expires: _____

Notary Public

STATE OF
COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by MARIE ETCHEVERRY.

My commission expires: _____

Notary Public

STATE OF
COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY as Attorney-in-Fact on behalf of Fello Etcheverry.

My commission expires: _____

Notary Public

STATE OF
COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY, Trustee.

My commission expires: _____

Notary Public

binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

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

ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date _____

ATTEST:

Assistant Secretary

Date March 14, 1958

FELMONT OIL CORPORATION

By _____
Vice-President

Address: P.O. Box 1855
Midland, Texas

SKELLY OIL COMPANY

By _____
Vice-President

Address: _____

GULF OIL CORPORATION

By _____
Vice-President

Address: _____

PHILLIPS PETROLEUM COMPANY

By _____
Vice-President

Address: _____

TIDEWATER OIL COMPANY

By _____
Vice-President

Address: _____

CONTINENTAL OIL COMPANY

By Ray M. Hays
ATTORNEY IN FACT Vice-President

Address: 1710 FAIR BUILDING
FORT WORTH 2, TEXAS

STATE OF Ark. :
COUNTY OF Warrant :

The foregoing instrument was acknowledged before me this 14th day of March 1958, by Ray M. May, Attorney-in-Fact for Continental Oil Company, a Delaware corporation, on behalf of said corporation.

My commission expires: 16-1-59

Edgar A. Richmiller
Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by _____.

My commission expires: _____

Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by MARIE ETCHEVERRY.

My commission expires: _____

Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY as Attorney-in-Fact on behalf of Pello Etcheverry.

My comission expires: _____

Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY, Trustee.

My commission expires: _____

Notary Public

Assistant Secretary

Date Feb. 19, 1950

Date

Date

By H. A. Thompson Vice-President

Address:

Address:

Pello Etcheverry, by Attorney-in-Fact, John Etcheverry

Address:

STATE OF Texas :
COUNTY OF Dallas :

The foregoing instrument was acknowledged before me this 11th day of February 1958, by _____, a Texas corporation, on behalf of said corporation.

My commission expires: _____

Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by _____.

My commission expires: _____

Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by MARIE ETCHEVERRY.

My commission expires: _____

Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY as Attorney-in-Fact on behalf of Pello Etcheverry.

My commission expires: _____

Notary Public

STATE OF :
COUNTY OF :

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY, Trustee.

My commission expires: _____

Notary Public

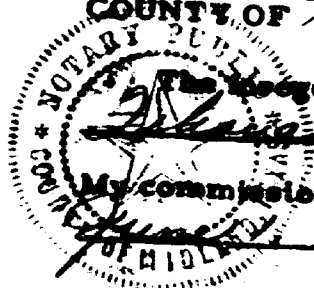
STATE OF
COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by _____, a _____ corporation, on behalf of said corporation.

My commission expires: _____

Notary Public

STATE OF June
COUNTY OF Midland



The foregoing instrument was acknowledged before me this 19th day of June 1958, by G. M. Graham

My commission expires: June 1959

EDITH SMITH
NOTARY PUBLIC

Edith Smith
Notary Public

STATE OF
COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by MARIE ETCHEVERRY.

My commission expires: _____

Notary Public

STATE OF
COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY as Attorney-in-Fact on behalf of Pello Etcheverry.

My commission expires: _____

Notary Public

STATE OF
COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____ 1958, by JOHN ETCHEVERRY, Trustee.

My commission expires: _____

Notary Public

CERTIFICATE OF APPROVAL
OF
COMMISSIONER OF PUBLIC LANDS

That I, the undersigned Commissioner of Public Lands
of the State of New Mexico, do hereby approve the above and
foregoing amendments to the Unit Agreement for the develop-
ment and operation of the Etcheverry Unit Area, Lea County,
New Mexico.

IN WITNESS WHEREOF this certificate of approval is
executed this the _____ day of _____ 1958.

Commissioner of Public Lands
State of New Mexico

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 1367
Order No. R-1109

THE APPLICATION OF FELMONT OIL
CORPORATION FOR THE APPROVAL OF
THE ETCHEVERRY UNIT AGREEMENT
EMBRACING 1,737 ACRES, MORE OR
LESS, LOCATED IN TOWNSHIP 14 SOUTH,
RANGE 34 EAST, AND TOWNSHIP 15 SOUTH,
RANGE 34 EAST, NMPM, LEA COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
January 7, 1958, at Santa Fe, New Mexico, before Daniel S. Nutter,
Examiner duly appointed by the New Mexico Oil Conservation Com-
mission, hereinafter referred to as the "Commission," in accordance
with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 15th day of January, 1958, the Commission, a
quorum being present, having considered the application, the
evidence adduced, and the recommendations of the Examiner, Daniel
S. Nutter, 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:

(1) That this order shall be known as the

ETCHEVERRY UNIT AGREEMENT ORDER

(2) (a) That the project herein referred to shall be
known as the Etcheverry Unit Agreement and shall hereinafter 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 operation of the Etcheverry Unit Area, referred to

in the Petitioner's petition and filed with said petition, and such plan shall be known as the Etcheverry Unit Agreement Plan.

(3) (a) That the Etcheverry 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 Etcheverry Unit Agreement, or relative to the production of oil and gas therefrom.

(b) That the unit operator periodically shall file with the Commission an Etcheverry Unit Statement of Progress, summarizing operations for the exploration and development of any lands committed to said Etcheverry Unit Agreement. This statement of progress shall be filed within 30 days after the expiration of each six-months period during the term of the unit agreement, and shall contain such pertinent data as may be necessary for the Commission to determine the progress being made in the Etcheverry Unit Area.

(4) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 14 SOUTH, RANGE 34 EAST

Section 32: S/2

Section 33: S/2

TOWNSHIP 15 SOUTH, RANGE 34 EAST

Section 4: N/2 and N/2 SW/4

Section 5: All

containing 1,737 acres more or less.

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

(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. The unit operator shall file with the Commission within 30 days an original of any such counterpart or ratification.

(7) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public

-3-

Case No. 1367
Order No. R-1109

Lands for 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 Commission in writing of such termination.

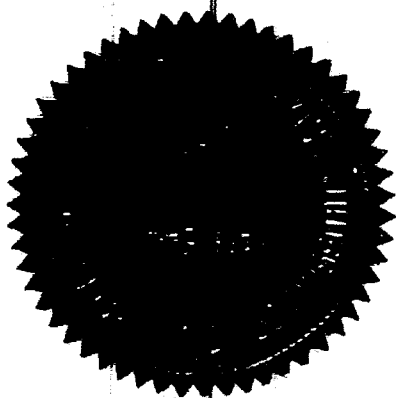
DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


EDWIN L. MECHEM, Chairman


MURRAY E. MORGAN, Member


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



ir/

R 34 E

The map displays the Etcheverry Unit, a large oil and gas field. It is divided into sections labeled with numbers 1 through 24. Key features include the 'Proposed Location' area, 'Unit Outline', and 'Lease' areas. The map is titled 'SAUNDERS' and includes a legend for 'Lease' and 'Proposed Location'. The map is dated 'EXHIBIT A' and 'ETCHEVERRY UNIT AGREEMENT-DEC. 16, 1957'.

ETCHEVERRY UNIT AGREEMENT - DEC. 16, 1957

OIL CONSERVATION BEFORE THE
SANTA FE COMMISSION
CASE 1367

C
O
P
Y

1267
1/1/59

January 23, 1959

Continental Oil Corporation
P. O. Box 1855
Midland, Texas

Re: Stcheverry Unit A resident
Lea County, New Mexico

Gentlemen:

The Commissioner of Public Lands by registered letters dated December 23, 1958, notified you, as operator, and each record owner in the Stcheverry Unit of his intention to terminate this unit.

Therefore, under Section 3, we have terminated the Stcheverry Unit, effective January 23, 1959.

Very truly yours,
GURDAY E. MORGAN
Commissioner of Public Lands

BY:
Ed Wilberry, Supervisor
Oil and Gas Division

cc:

Continental Oil Co.
1715 Main St.
Fort Worth 2, Texas

Quik Oil Corporation
P. O. Box 1290
Fort Worth, Texas

Deputy Oil Co.
P. O. Box 40
Dallas 21, Texas

Stelly Oil Company
Stelly Building
Oklahoma

Mr. C. H. Morgan
1213 Federal Ave.
Midland, Texas

Standard Oil Company
P. O. Box 791
Santa Fe, New Mexico

Oil Conservation Commission
P. O. Box 791
Santa Fe, New Mexico

Robert L. ...
P. O. Box 1861
Albany, Texas

1-20-37

Dr. John C. ...
Attorney-in-Fact
P. O. Box 1861
Albany, Texas

Phillips Petroleum Co.
Cortland, Ohio.

C
O
P
Y

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

January 16, 1958

Mr. S. B. Christy, IV
Hervey, Dow & Hinkle
P.O. Box 547
Roswell, New Mexico

Dear Mr. Christy:

On behalf of your clients, John J. Eisner and Belmont Oil Corporation, we enclose two copies of Order R-1108 and Order R-1109 issued January 15, 1958, by the Oil Conservation Commission in Cases 1350 and 1367, respectively.

Very truly yours,

A. L. Porter, Jr.
Secretary - Director

bp
Encls.

C
O
P
Y

In reply refer to:
Unit Division

April 22, 1958

File Case
1367

Felmont Oil Corporation
P. O. Box 1855
Midland, Texas

Re: Etcheverry Unit
Lea County, New Mexico

Attention: Mr. W. C. Montgomery

Gentlemen:

The Commissioner of Public Lands has approved "Amendments of Unit Agreement for the Development and Operation of the Etcheverry Unit Area, Lea County, New Mexico", as of this date April 22, 1958.

Enclosed you will find seven executed copies of Certificate of Approval as requested in your letter of April 17, 1958.

Very truly yours,

MURRAY E. MORGAN,
Commissioner of Public Lands

BY:

Ted Bilberry, Supervisor
Oil and Gas Division

MEM/ML/s

cc: Oil Conservation Commission /
Santa Fe, New Mexico

United States Geological Survey
Roswell, New Mexico

*Don't 3(b) on file
no fee charge*

(b) That the unit operator periodically shall file with the Commission a ETCHEVERRY Unit Statement of Progress, summarizing operations for the exploration and development of any lands committed to said ETCHEVERRY Unit Agreement. This statement of progress shall be filed within 30 days after the expiration of each six-months period during the term of the unit agreement, and shall contain such pertinent data as may be necessary for the Commission to determine the progress being made in the ETCHEVERRY Unit Area.

(4) ~~X~~ That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 14 SOUTH, RANGE 34 EAST
Section 32: S/2
Section 33: S/2

TOWNSHIP 15 SOUTH, RANGE 34 EAST
Section 4: N/2 and N/2 SW/4
Section 5: All

containing 1,737 acres more or less.

Note → (b) ~~The unit area may be enlarged or contracted as provided in said Plan.
(Omit if Agreement does not so provide.)~~

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

(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. The unit operator shall file with the Commission within 30 days an original of any such counterpart or ratification.

(7) That this Order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico

and shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall immediately notify the Commission 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

, Chairman

, Member

, Member & Secretary

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 1367
Order No. 1109

THE APPLICATION OF Felmont Oil Corporation

FOR THE APPROVAL OF THE ~~ETCHEVERRY~~ ETCHEVERRY
UNIT

AGREEMENT EMBRACING 1.737
ACRES, MORE OR LESS, LOCATED IN TOWNSHIPS 14 SOUTH, RANGE 34 EAST, AND
TWP. 15 SOUTH, RANGE 34 EAST
NMPM, LEA COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on January 7,
19 58 at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner
duly appointed by the New Mexico Oil Conservation Commission, hereinafter
referred to as the "Commission," in accordance with Rule 1214 of the Com-
mission Rules and Regulations.

NOW, on this day of January 19 58, the Commission, a quorum being
present, having considered the application, the evidence adduced, and the
recommendations of the Examiner, Daniel S. Nutter,
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:

- (1) That this order shall be known as the

ETCHEVERRY UNIT AGREEMENT ORDER.

- (2) (a) That the project herein referred to shall be known as the ETCHEVERRY Unit Agreement and shall hereinafter 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 operation of the ETCHEVERRY Unit Area, referred to in the Petitioner's petition and filed with said petition, and such plan shall be known as the ETCHEVERRY Unit Agreement Plan.

- (3) (a) That the ETCHEVERRY 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 ETCHEVERRY Unit Agreement, or relative to the production of oil and gas therefrom.

DEC 16 1958
Graph 3/6/58

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 1-9-58

CASE 1367

Hearing Date 1-7-58

My recommendations for an order in the above numbered cases are as follows:
9 am SF DSN

Enter order approving the
Etchevery Unit Area as
amended at the hearing.

Use standard order for unit
agreements containing no Federal
Lands.

Unit Agreement does not
provide for expansion nor contraction

Stan Rutter
Staff Member
Examiner

NEW MEXICO
OIL CONSERVATION COMMISSION
P. O. Box 871
Santa Fe, New Mexico

Date November 22, 1957

Mr. Clarence Hinkle
Hervey, Dow & Hinkle
Box 547
Roswell, New Mexico

Gentlemen:

Your application for Etcheverry Unit Agreement for Felmont Oil Company

dated November 20, 1957 has been received, and has been tentatively
scheduled for hearing before an Examiner on
January 7, 1958

A copy of the docket will be forwarded to you as soon as the matter is
advertised.

Very truly yours,


A. L. PORTER, Jr.,
Secretary-Director

ga

DOCKET: EXAMINER HEARING JANUARY 7, 1958

Oil Conservation Commission 9 a.m. Mabry Hall, State Capitol, Santa Fe, NM

The following cases will be heard before Daniel S. Nutter, Examiner:

CASE 1356: Application of Cities Service Oil Company for permission to institute a pilot water flood project in Township 14 South, Range 31 East, Caprock-Queen Pool, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks permission to institute a pilot water flood project in the Caprock-Queen Pool, Chaves County, New Mexico, by injecting water into the Queen formation through the following intake wells:

Government "B" No. 5, NW/4 NE/4 Section 10;
Government "B" No. 6, SE/4 SE/4 Section 3;
Government "B" No. 10, NE/4 SE/4 Section 3;
Government "B" No. 14, SE/4 SW/4 Section 3,

all in Township 14 South, Range 31 East.

CASE 1357: Application of Standard Oil Company of Texas for an order authorizing the production into a common tank battery of all oil produced from five leases in the Atoka Pool, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing the production into a common tank battery of all oil produced from the Atoka Pool from the following described leases: SW/4 SE/4, NW/4 NW/4, NW/4 SE/4, SE/4 NW/4, and SW/4 NE/4 of Section 12, Township 18 South, Range 26 East, Eddy County, New Mexico.

CASE 1358: Application of Magnolia Petroleum Company for an order cancelling Order R-984, and granting authority to commingle the liquid hydrocarbons produced from the Pictured Cliffs and Mesaverde formations into central tank batteries located on certain leases in the Blanco Mesaverde Gas Pool, Tapacito-Pictured Cliffs Gas Pool and certain undesignated Pictured Cliffs and Mesaverde gas pools in Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order cancelling Order No. R-984, and granting authority to commingle the liquid hydrocarbon production from the Pictured Cliffs and Mesaverde formations into central tank batteries located on certain of the applicant's leases in Township 26 North, Range 2 West; Township 26 North, Range 3 West; Township 27 North, Range 2 West, and Township 27 North, Range 3 West, in Rio Arriba County, New Mexico.

CASE 1359: Application of El Paso Natural Gas Company for an order extending the time allowed for making annual deliverability and shut-in pressure tests, and requesting allowables for 237 gas wells in certain prorated, non-prorated, and undesignated gas pools in San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks an

CASE 1359 continued

order extending the time allowed for making annual deliverability and shut-in pressure tests, and requesting allowables for 237 gas wells in the Blanco Mesaverde, Fulcher Kutz-Pictured Cliffs, West Kutz-Pictured Cliffs, Aztec-Pictured Cliffs, South Blanco-Pictured Cliffs, Ballard-Pictured Cliffs, Otero, Canyon Largo, East Companero Dakota, Tapacito, West Kutz-Fruitland, North Los Pinos-Fruitland, and South Los Pinos-Fruitland Gas Pools and in undesignated Fruitland, Pictured Cliffs, and La Ventana gas pools in San Juan and Rio Arriba Counties, New Mexico.

CASE 1360:

Application of Gulf Oil Corporation for an order suspending the cancellation of underage accrued to eight gas wells in the Eumont, Jalmat, Tubb, and Blinebry Gas Pools, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order suspending the cancellation on January 1, 1958, of the underage accrued to the following gas wells in the Eumont, Jalmat, Tubb, and Blinebry Gas Pools:

Eumont Pool

Bell-Ramsay St. "C" No. 1, NW/4 SE/4 Section 34,
Township 20 South, Range 37 East

Jalmat Pool

Arnott-Ramsay "E" No. 2, SW/4 SE/4 Section 16,
Township 25 South, Range 37 East

Arnott-Ramsay "E" No. 5, SW/4 NW/4 Section 16,
Township 25 South, Range 37 East

J. R. Holt "A" No. 2, SE/4 SW/4 Section 16,
Township 24 South, Range 37 East

Tubb Pool

Hugh No. 7, NE/4 NW/4 Section 14, Township 22
South, Range 37 East

Harry Leonard "E" No. 4, NE/4 NE/4 Section 16,
Township 21 South, Range 37 East

Blinebry Pool

J. N. Carson "A" No. 4, SW/4 SE/4 Section 28,
Township 21 South, Range 37 East

H. Leonard "E" No. 4, NE/4 NE/4 Section 16,
Township 21 South, Range 37 East

all in Lea County, New Mexico.

CASE 1361: Application of The Texas Company for an order suspending the cancellation of underage accrued to two gas wells in the Eumont Gas Pool and Jalmat Gas Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order suspending the cancellation on January 1, 1958, of the underage accrued to the following gas wells in the Eumont and Jalmat Gas Pools:

Texas Company Riddel Well No. 2, NE/4 NE/4
Section 12, Township 21 South, Range 36 East;

Texas Company State of New Mexico "B" (NCT-2)
Well No. 3, NW/4 NW/4 Section 16, Township 23
South, Range 36 East;

all in Lea County, New Mexico.

CASE 1362: Application of Schermerhorn Oil Corporation for an order suspending the cancellation of underage accrued to one well in the Eumont Gas Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order suspending the cancellation on January 1, 1958, of the underage accrued to the following named gas well in the Eumont Gas Pool:

Schermerhorn Oil Corporation Gulf-State
No. 1 Well, SE/4 SW/4 Section 31, Township
18 South, Range 37 East,

Lea County, New Mexico.

CASE 1363: Application of J. C. Watson Drilling Company for an order authorizing the use of vacuum pumps on certain wells in the Roberts Pool in Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing the use of vacuum pumps on its Trimble No. 1 Well located in the NE/4 NE/4 Section 11, Township 17 South, Range 32 East, and its Trimble No. 2 Well located in the SE/4 NE/4 of said Section 11, in the Roberts Pool, Lea County, New Mexico.

CASE 1364: Application of Cities Service Oil Company for an oil-oil dual completion in the Vacuum Pool and Vacuum-Seven Rivers Pool in Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its State "K" No. 2 Well located 1980 feet from the North line and 660 feet from the East line of Section 27, Township 17 South, Range 35 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Vacuum Pool through one inch tubing and oil from the Vacuum-Seven Rivers Pool through two inch tubing.

CASE 1365:

Application of Cabot Carbon Company for an oil-oil dual completion in the King-Devonian Pool and King-Wolfcamp Pool in Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its H. L. Lowe "B" Well No. 1, located 467 feet from the South line and 850 feet from the East line of Section 26, Township 13 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from both the King-Devonian Pool and King-Wolfcamp Pool through parallel strings of $1\frac{1}{2}$ inch tubing.

CASE 1366:

Application of Signal Oil and Gas Company for an oil-gas dual completion in the Skaggs Pool and an undesignated Drinkard gas pool in Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Fred Turner No. 1 Well located 660 feet from the South line and 560 feet from the East line of Section 6, Township 20 South, Range 38 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Skaggs Pool and gas from an undesignated Drinkard gas pool through parallel strings of tubing.

CASE 1367:

Application of Felmont Oil Corporation for approval of its Etcheverry Unit Agreement in Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order approving its Etcheverry Unit Agreement embracing 1,920 acres, more or less, of State of New Mexico lands consisting of S/2 Section 32, S/2 Section 33, Township 14 South, Range 34 East, and all of Sections 4 and 5, Township 15 South, Range 34 East, Lea County, New Mexico.

CASE 1368:

Application of Ambassador Oil Corporation for an order granting approval of applicant's proposed pilot water flood project in the Square Lake Pool in Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of its proposed pilot water flood project for the purpose of secondary recovery in which water will be injected into the Grayburg and San Andres formations through six injection wells located in the SW/4 NW/4, SW/4 SW/4, NE/4 SW/4, and SW/4 SE/4 of Section 29, and NE/4 SE/4 of Section 30, and the NE/4 NW/4 of Section 32, Township 16 South, Range 31 East, Square Lake Pool, Eddy County, New Mexico.

100-1367

In reply refer to:
Unit Division

March 20, 1958

Felmont Oil Corporation
P. O. Box 1855
Midland, Texas

Re: Etcheverry Unit Agreement
Lea County, New Mexico

Attention: Mr. W. C. Montgomery

Gentlemen:

The Commissioner of Public Lands, has approved the Etcheverry Unit Agreement as of March 20, 1958.

We are retaining the original and photostatic copy of the Unit Agreement and sending to you an original and six executed copies of our certificate of approval.

In regard to the requirements of the New Mexico Oil Conservation Commission, under their order No. R-1109, Section 5, they require an executed original or executed counterpart of the unit agreement within thirty (30) days after the effective date. Therefore, you would file a copy of the unit agreement with a certificate of approval attached, as the effective date of the unit is the date of approval by the Commissioner of Public Lands.

Will you please furnish us a copy of your operating agreement on this unit and we also require all reports on wells drilled on the area, regardless if on fee land. These reports may be copies of the reports required by the Oil Conservation Commission.

We are mailing official receipts in the amount of \$20.00 to Hervey, Dow and Hinkle, since the filing fee was paid by and the receipts issued to them.

Felmont Oil Corporation
P. O. Box 1855
Midland, Texas

Page (2)

If we can be of further service to you please do not hesitate
to call upon us.

Very truly yours,

MURRAY E. MORGAN,
Commissioner of Public Lands

BY:

Ted Bilberry, Supervisor
Oil and Gas Division

MEM/MBR/s

cc: Oil Conservation Commission
Santa Fe, New Mexico

United States Geological Survey
Roswell, New Mexico

FELMONT OIL CORPORATION

WILCO BLDG. P. O. BOX 1835

MIDLAND, TEXAS

April 24, 1958

File 1376

Oil Conservation Commission
Santa Fe, New Mexico

Re: ~~Etcheverry Unit~~
Lea County, New Mexico

Gentlemen:

We are in receipt of a letter dated April 22, 1958, from the Commissioner of Public Lands approving the "Amendments of Unit Agreement for the Development and Operation of the Etcheverry Unit Area, Lea County, New Mexico", a copy of which was forwarded to you.

We, therefore, enclose a photostatic copy of the Amendment executed and acknowledged in counterpart and a copy of the Certificate of Approval by the Commissioner of Public Lands.

Yours very truly,

W. C. Montgomery
W. C. Montgomery


WCM/es

Encls.

CERTIFICATE OF APPROVAL
OF
COMMISSIONER OF PUBLIC LANDS

That I, the undersigned Commissioner of Public Lands
of the State of New Mexico, do hereby approve the above and
foregoing amendments to the Unit Agreement for the development
and operation of the Etcheverry Unit Area, Lea County, New Mexico.

IN WITNESS WHEREOF This certificate of approval is ex-
ecuted this the 22nd day of April 1958.



Commissioner of Public Lands
State of New Mexico

FELMONT OIL CORPORATION
WILCO BLDG. P. O. Box 1855
MIDLAND, TEXAS

March 25, 1958

Oil Conservation Commission
Santa Fe, New Mexico

Re: Etcheverry Unit, Lea County, New Mexico

Gentlemen:

Pertaining to the captioned, this office has received a letter, dated March 20, 1958, from the State Land Office, copy of same having been furnished your office.

In connection with the above and in accordance with your Order No. R-1109 - Section 5, attached please find the following:

1. Photostatic copy of Unit Agreement, executed and acknowledged in counterpart.
2. Photostatic copy of Certificate of Approval by Commissioner of Public Lands, Santa Fe, New Mexico.

At your convenience, it would be appreciated if you would notify us if there is any other material needed by your office in order to comply with your regulations and keep this unit in good standing.

Thank you for your cooperation in regard to this matter.

Yours very truly,

W. C. Montgomery
W. C. Montgomery

WCM:eh
Encls

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

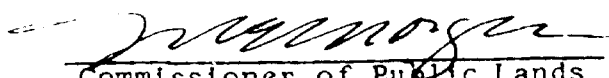
ETCHEVERRY UNIT AGREEMENT- Lea County, New Mexico

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated December 16, 1957, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, 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, and any leases embracing lands of the State of New Mexico within the area 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 statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 20th. day of March 19 58.



Commissioner of Public Lands
of the State of New Mexico

APR 1957

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

THIS AGREEMENT, entered into as of the 16th day of December, 1957,
by and between the parties subscribing, ratifying or consenting hereto, and
herein referred to as the "parties hereto,"

WITNESSETH:

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

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

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

WHEREAS, the Oil Conservation Commission of the State of New Mexico
(hereinafter referred to as the "Commission") is authorized by an Act of the
Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N. M. Statutes 1953
Annotated), to approve this agreement and the conservation provisions hereof;
and

WHEREAS, the parties hereto hold sufficient interests in the
Etcheverry 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 develop-
ment 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:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

Township 14 South, Range 34 East

Section 32: $S\frac{1}{2}$

Section 33: $S\frac{1}{2}$

Township 15 South, Range 34 East

Section 4: NE $\frac{1}{4}$, NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$

Section 5: All

containing 1737.08 acres, more or less; and

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

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

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

3. UNIT OPERATOR. Felmont Oil Corporation, with offices at Midland, Texas, is hereby designated as Unit Operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit

Operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

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

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

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

5. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor Unit Operator; provided that, if a majority but less than seventy-five per cent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total

working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

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

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

8. DRILLING TO DISCOVERY. The Unit Operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Devonian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of Unit Operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 14,700 feet. 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 formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the Unit Operator and each working interest owner, lessee and lessor at their last known addresses, declare this Unit Agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Commissioner, and the Commission, an acceptable plan of development and operation for the unitized land which, when approved by the Commissioner, and the Commission, shall constitute the further drilling and operating

obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Commissioner, and the Commission, a plan for an additional specified period for development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Commissioner, and the Commission, may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall (a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Commissioner and the Commission. Such plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of this approved plan of development. The Commissioner is authorized to grant a reasonable extension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substances in paying quantities no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Commissioner shall be drilled except in accordance with a plan of development approved as herein.

Without impairing the right of the Commissioner to terminate this agreement where provided for herein, Sections 8 and 9 hereof shall not be construed to require any party, without its consent, to participate in or be liable for all or a portion of the costs of drilling any well. The expense of drilling the initial test well shall be borne as provided for in the Unit Operating Agreement. Drilling of subsequent wells, where all

parties do not agree to participate therein, shall also be conducted in accordance with the provisions of the Unit Operating Agreement.

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

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

11. ALLOCATION OF PRODUCTION. All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES. All

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

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

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

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

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

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions

and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of the lands committed to this agreement, shall, upon

approval hereof by the Commissioner and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the length of the secondary term as to lands within such area will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner or the lessee, be effective to conform the provisions and extend the term of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein 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 the unit area 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 on or obtained from any such leased tract.

Any lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and to the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if unitized substances are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee

or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of unitized substances, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as unitized substances in paying quantities are being produced from any portion of said lands.

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

15. DRAINAGE. The Unit Operator shall take appropriate measures to prevent drainage of unitized substances from unitized lands by wells on lands not subject to this agreement.

16. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance, of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer 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.

17. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances 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 seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling provisions of this unit agreement may subject the same to termination as provided in Section 8 hereof.

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

19. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interested party shall also have the right at his own expense to appear and to participate in any such proceeding.

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

21. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the

Unit Operator whether similar to matters herein enumerated or not.

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

23. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval 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 the operating agreement providing for 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 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.

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

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

ATTEST:

Assistant Secretary

Date _____

FELMONT OIL CORPORATION

By _____
Vice President
Address: P. O. Box 1855
Midland, Texas

ATTEST:

Assistant Secretary

Date _____

SKELLY OIL COMPANY

By _____
Vice President
Address: _____

ATTEST:

Assistant Secretary

Date _____

GULF OIL CORPORATION

By _____
Vice President
Address: _____

ATTEST:

Assistant Secretary

Date _____

PHILLIPS PETROLEUM COMPANY

By _____
Vice President
Address: _____

ATTEST:

Assistant Secretary

Date _____

TIDEWATER OIL COMPANY

By _____
Vice President
Address: _____

ATTEST:

CONTINENTAL OIL COMPANY

Assistant Secretary

Date _____

By _____

Vice President

Address: _____

ATTEST:

MAGNOLIA PETROLEUM COMPANY

Assistant Secretary

Date _____

By _____

Vice President

Address: _____

WITNESS:

Date _____

G. M. Graham
Address: _____

WITNESS:

Date: _____

John Etcheverry, Trustee

Marie Etcheverry

Pello Etcheverry, by Attorney-
in-Fact, John Etcheverry
Address: _____

STATE OF

SS

COUNTY OF

The foregoing instrument was acknowledged before me this _____
day of _____, 195____, by _____
_____ of _____, a
_____ corporation, on behalf of said corporation.

My commission expires: _____

Notary Public

STATE OF

SS

COUNTY OF

The foregoing instrument was acknowledged before me this _____
day of _____, 195____, by _____.

My commission expires: _____

Notary Public

STATE OF
COUNTY OF

SS

The foregoing instrument was acknowledged before me
this ____ day of _____, 195____, by Marie Etcheverry.

My commission expires:

Notary Public

STATE OF
COUNTY OF

SS

The foregoing instrument was acknowledged before me this
____ day of _____, 195____, by John Etcheverry as Attorney-in-Fact
on behalf of Pello Etcheverry.

My commission expires:

Notary Public

STATE OF
COUNTY OF

SS

The foregoing instrument was acknowledged before me this
____ day of _____, 195____, by John Etcheverry, Trustee.

My commission expires:

Notary Public

R 34 E

SAUNDERS															
State		State		State		State		State		State		State		State	
Amarada 8-10-58 E-2075 SN		Humble 8-10-64 E-8131 Atlantic 4-10-60 E-3428		A.L. Robinson 8-10-60 E-4031 Sinclair 12-10-45 E-3444		Humble 10-11-58 E-2193 D.C. Dunn 4-10-60 E-3429		Wash 8-10-60 E-4031 Edna 8-10-60 E-4031 Shelly 5-14-58		Gulf 3-10-59 E-2500		Pan Amer. 10-10-59 E-2992 Sinclair 6-10-63 E-7172		Gulf 3-10-59 E-2500	
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Gulf 8-10-60 E-4031 Amarada 8-10-58 E-2075 Shell 9-10-58 E-2115 H.B.P.		R. Cleveland H.B.P. E-2114 Gulf (L.H.B.) 6-10-53 B-10363		Champlin Ref. 6-11-61 E-5297		Tide Water 7-10-61 E-3566		Shell 8-11-62 E-6407		Cabot Carbon 9-15-64		Gulf 3-10-59 E-2500		Gulf 3-10-59 E-2500	
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Gulf 8-10-60 E-4031 Amarada 8-10-58 E-2075 Shell 9-10-58 E-2115 H.B.P.		R. Cleveland H.B.P. E-2114 Gulf (L.H.B.) 6-10-53 B-10363		Champlin Ref. 6-11-61 E-5297		Tide Water 7-10-61 E-3566		Shell 8-11-62 E-6407		Cabot Carbon 9-15-64		Gulf 3-10-59 E-2500		Gulf 3-10-59 E-2500	
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T.P.C. & O. 8-11-62 E-6406 Shell 9-10-58 E-2115 H.B.P.		Tide Water 1-10-62 E-5879		N.A. Marchess 6-10-62 E-6265											

EXHIBIT "A"

ETCHEVERRY UNIT AGREEMENT-DEC.16, 1957

ETCHEVERRY UNIT AREA, IEA COUNTY, NEW MEXICO
TOWNSHIPS 14 and 15 SOUTH, RANGE 34 EAST
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP
OF OIL AND GAS INTERESTS IN ALL LANDS IN THE UNIT AREA

TOTAL, 6 State Tracts, Containing 1417.08 acres, Etcheverry Unit Area, Lea County, New Mexico, 1 Fee Tract, Containing 320 Acres
7 Tracts, Containing 1737.08 acres, Etcheverry Unit Area, Lea County, New Mexico
TOTAL

J. M. HERVEY 1674-1953

HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONOURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON
S. B. CHRISTY, IV

J. PENROD TOLES
LEWIS C. COX, JR.
PAUL W. EATON, JR.

LAW OFFICES
HERVEY, DOW & HINKLE
FIRST NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO

November 20, 1957

TELEPHONE MAIN 2-6510
POST OFFICE BOX 547

2x hq 1-7-58

New Mexico Oil Conservation Commission
Mabry Hall, State Capitol
Santa Fe, New Mexico

Re: Etcheverry Unit Area

Gentlemen:

We hand you herewith the application of Felmont Oil Corporation for approval of the Etcheverry Unit Agreement in Lea County, New Mexico, together with three copies of the proposed Unit Agreement.

Please set this matter down for hearing before an examiner at the earliest possible date.

Your assistance will be appreciated.

Yours very truly,

HERVEY, DOW & HINKLE

By *Howard C. Bratton*

HCB/bp
Enclosures

LAND OFFICE 000

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

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

THE APPLICATION OF FELMONT OIL
CORPORATION FOR APPROVAL OF THE
ETCHEVERRY UNIT AGREEMENT EMBRACING
1920 ACRES, MORE OR LESS, LEA COUNTY,
NEW MEXICO, CONSISTING OF S $\frac{1}{2}$ SECTION
32 AND S $\frac{1}{2}$ SECTION 33, T. 14 S., R. 34
E., AND ALL OF SECTION 4 AND ALL OF
SECTION 5, T. 15 S., R. 34 E.,
N.M.P.M.

CASE NO. _____

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Comes the undersigned, the Felmont Oil Corporation, with
offices at Midland, Texas, and files herewith three copies of the
proposed unit agreement for the development and operation of the
Etcheverry Unit Area, Lea County, New Mexico, and hereby makes
application for the approval of said unit agreement as provided by
law, and in support thereof, shows:

1. That the proposed unit area covered by said agreement
embraces ~~1920~~ acres, more or less, more particularly described as
follows: *1737.08*

NEW MEXICO PRINCIPAL MERIDIAN

Township 14 South, Range 34 East

Section 32: S $\frac{1}{2}$
Section 33: S $\frac{1}{2}$

Township 15 South, Range 34 East

Section 4: ~~All~~ *N/2 S/4 & N/2*
Section 5: All

2. That the lands embraced within the proposed unit area
are all State lands. *all of the above lands are free lands*

3. That applicant is informed and believes, and upon such
information and belief, states: That the proposed unit area covers

substantially all of the geological features involved, and in the event of the discovery of oil or gas thereon, that said unit agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That the Felmont Oil Corporation is designated as unit operator in said unit agreement, and as such is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas, subject to all applicable laws and regulations. That said unit agreement provides for the commencement of a test well for oil and gas upon some part of the lands embraced in the unit area within sixty days from the effective date of the unit agreement and for the drilling thereof with due diligence, to a depth sufficient to test the Devonian formation or to such a depth as unitized substances shall be discovered in paying quantities if at a lesser depth; provided, however, operator is not required in any event to drill said well to a depth in excess of 14,500 feet. 14,700 ft.

5. 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 it is believed that in the event oil or gas in paying quantities is discovered on the lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said agreement, to the end that the maximum recovery will be obtained, and that said unit agreement is in the interest of the conservation of oil and gas and the prevention of waste as contemplated by the New Mexico Oil Conservation Commission statutes.

6. That application is being made for the approval of said unit agreement by the Commissioner of Public Lands of the State of New Mexico.

7. That upon an order being entered by the New Mexico Oil Conservation Commission approving said unit agreement and after approval thereof by the Commissioner of Public Lands of the State of New Mexico, an approved copy thereof will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a public hearing be held on the matter of the approval of said unit agreement and that upon said hearing, said unit agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and prevention of waste.

DATED this the 20th day of November, 1957.

Respectfully submitted,

FELMONT OIL CORPORATION

By



HERVEY, DOW & HINKLE
Attorneys for
Felmont Oil Corporation