

CASE 2683: Application of CURTIS R.
INMAN for approval of the CARNERO
PEAK UNIT AREA - EDDY COUNTY, N. MEX. T

2683

Index, Transcript,
Exhibits, Etc.

2683

1963 JUN 15 AM 11 54

June 26, 1963

Mr. R. M. Richardson
P. O. Box 819
Roswell, New Mexico

Re: Termination of Carnero Peak
Unit Agreement, Eddy County,
New Mexico

Dear Mr. Richardson:

The Commissioner of Public Lands has approved, as of
June 26, 1963, the termination of Carnero Peak Unit Agreement,
Eddy County, New Mexico.

Termination is being consummated under Section 20
of the Unit Agreement with 92.86% of the committed interests
to the agreement approving the termination.

Very truly yours,

R. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

RSJW/emr/m
cc: Mr. Curtis R. Iman
Box 737
Midland, Texas

Oil Conservation Commission

United States Geological Survey
Roswell, New Mexico
Attention: Mr. John Anderson

2683

November 30, 1962

R. M. RICHARDSON
Oil & Gas Leases - Unitization
P. O. Box 219
Roswell, New Mexico

Re: Carnero Peak Unit Area
Eddy County, New Mexico

Gentlemen:

The Commissioner of Public Lands has approved as of November 30, 1962, the Carnero Peak Unit, Eddy County, New Mexico.

We are handing to Mr. R. M. Richardson twelve (12) copies of Certificate of Approval for the Carnero Peak Unit, Eddy County, New Mexico.

Very truly yours,

E. S. JOHNNY WALSER
COMMISSIONER OF PUBLIC LANDS

BY:
(Mrs.) Marian M. Shea, Supervisor
Unit Division

ESW/mmc/v

cc: Mr. Curtis R. Inman
Box 737
Midland, Texas

Oil Conservation Commission
Santa Fe, New Mexico

U. S. Geological Survey
P. O. Drawer 1857
Roswell, New Mexico

State of New Mexico
Oil Conservation Commission



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

November 21, 1962

Re: Case No. 2683
Order No. A-2369
Applicant:
Curtis R. Inman

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

A. L. Porter, Jr.

Carbon copy of order also sent to:

OTHER _____

OFFICE MAIN 2-8801

R. M. RICHARDSON
OIL AND GAS LEASES — UNITIZATION
FEDERAL - STATE - FEE
P. O. BOX 819
ROSWELL, NEW MEXICO
October 15, 1962

HOME MAIN 2-7985

Case 2683
In Re: Carnero Peak Unit
Eddy County, New Mexico
Curtis R. Inman

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Attn: Mr. Pete Porter

Dear Mr. Porter,

We are filing herewith one (1) copy of the proposed Unit Agreement for the Development and Operation of the Carnero Peak Unit Area, Eddy County, New Mexico, together with our application for approval and for an examiner hearing.

Please note that only one copy is filed and that such copy does not contain either Exhibit "A" or Exhibit "B". This missing set of Exhibits will be filed with you within a few days. Two additional copies of the Unit Agreement together with the proper Exhibits will be filed as quickly as possible.

Due to the deadline for drilling on this unit, and the time necessary for publication of the notice of hearing, we would like to request that you accept the attached application and Unit Agreement with the understanding that the necessary copies and additional information will be furnished as quickly as possible. Thank you.

Yours very truly,

R. M. Richardson
R. M. Richardson

DOCKET MAILED

Date *10/26/62*

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

CASE 2683

Date 11/9/62
Hearing Date 9am 11/8/62
DSN @ SF

My recommendations for an order in the above numbered cases are as follows:

Enter order approving Curtis R. Inman's
Carnero Peak Unit Agreement covering
following Unit area:

T 22 S, R 24 E

Sec ~~23~~ 23: E/2
Secs 24 & 25: All
Sec 26: E/2
Sec 35: E/2
Sec 36: All

T 23 S, R 24 E

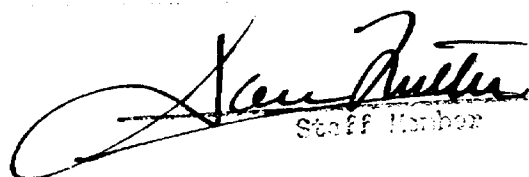
Sec 1: All
Sec 2: E/2
Sec 11: E/2
Sec 12 ~~12~~ & 13: All
~~Sec 13: All~~
Sec 14: E/2

T 22 S, R 25 E

Sec 19: All
Secs 29 thru 32: All

T 23 S R 25 E

Secs 5 thru 8: All
Sec 18: All


Staff Member

DOCKET: EXAMINER HEARING - THURSDAY - NOVEMBER 8, 1962

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

The following cases will be heard before Daniel S. Nutter, Examiner, or
Elvis A. Utz, alternate examiner:

CASE 2682: Application of Pan American Petroleum Corporation for the creation of a new pool and the establishment of special rules and regulations, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool to be designated the Simpson-Gallup Oil Pool comprising the S/2 of Section 23, SW/4 of Section 24, N/2 of Section 25, and the NE/4 of Section 26, Township 28 North, Range 12 West, San Juan County, New Mexico. Applicant further seeks the establishment of special pool rules including the provisions for 80-acre proration units.

CASE 2683: Application of Curtis R. Inman for approval of a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Carnero Peak Unit Area comprising 12,151 acres, more or less, of State, Federal and Fee lands in Townships 22 and 23 South, Ranges 24 and 25 East, Eddy County, New Mexico.

CASE 2684: Application of Gulf Oil Corporation for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its H. T. Mattern (NCT-A) Well No. 3, located in Unit P of Section 24, Township 21 South, Range 36 East, Lea County, New Mexico, as a triple completion (conventional) to produce oil from the Paddock, Blinebry, and Drinkard Oil Pools through parallel strings of tubing.

CASE 2685: Application of Gulf Oil Corporation for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its Graham State (NCT-I) Well No. 2 located in Unit L of Section 19, Township 21 South, Range 37 East, Lea County, New Mexico, as a triple completion (conventional) to produce oil from the Paddock, Blinebry, and Drinkard Oil Pools through parallel strings of tubing.

CASE 2686: Application of Marathon Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its State Harsen Well No. 5, located in Unit H of Section 16, Township 20 South, Range 37 East, Lea County, New Mexico, as a dual completion

CASE 2686 (Cont.)

(conventional), to produce oil from the Weir-Blinebry and Monument-Tubb Pools through parallel strings of 1.41 ID and 2-inch ID tubing.

CASE 2687:

Application of Shell Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its Emerald Unit Well No. 1 located in Unit C of Section 23, Township 16 South, Range 32 East, Lea County, New Mexico as a dual completion (Conventional) to produce oil from the Penrose and Wolfcamp formations through parallel strings of tubing.

CASE 2688:

Application of Socony Mobil Oil Company for a quadruple Completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its State Bridges Well No. 95 located in Unit P of Section 26, Township 17 South, Range 34 East, Lea County, New Mexico, as a quadruple completion (conventional) to produce oil from the Abo, Wolfcamp, Pennsylvanian and Devonian formations through parallel strings of tubing.

CASE 2689:

Application of Socony Mobil Oil Company for a dual completion and certain administrative procedures, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its State Bridges Well No. 27-DD located in Unit H of Section 26, Township 17 South, Range 34 East, Lea County, New Mexico as a dual completion (conventional) to produce oil from the Vacuum (San Andres) Pool and an undesignated Yeso pool through parallel strings of 2 3/8 inch and 2 3/8 x 1 1/4 inch tapered tubing strings. Applicant further seeks the establishment of administrative procedures whereby similar dual completions could be approved in this area.

CASE 2690:

Application of Phillips Petroleum Company for a special allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing the assignment of a special allowable to its Mexco "A" Well No. 2, located in Unit I of Section 2, Township 17 South, Range 32 East, Maljamar Pool, Lea County, New Mexico. Said well offsets and has received a response from Boller and Nichols Water-flood project in said Section 2.

CASE 2691: Application of El Paso Natural Gas Company for the creation of a new gas pool and establishment of special rules and regulations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new gas pool for the Morrow formation underlying Sections 18, 19, 20, and 29, Township 19 South, Range 32 East, Lea County, New Mexico. Applicant further seeks establishment of special pool rules including provisions for 640-acre proration units and the allocation of allowables to non-marginal wells in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal wells in the pool.

CASE 2692: Application of Amerada Petroleum Corporation for an exception to a Commission shut-in order, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 15 (A) Order R-1670, Southeast New Mexico Gas Proration Rules and Regulations, to permit its Shell-Amerada State "A" Unit Well No. 1 located in Unit P, Section 33, Township 11 South, Range 33 East, Bagley-Lower Pennsylvanian Gas Pool, Lea County, New Mexico, to produce a minimum of 2000 MCF per month in exception to an overproduction shut-in notice.

CASE 2693: Application of NWJ Producing Company for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location 330 feet from the South and West lines of Section 14, Township 15 South, Range 38 East, Medicine Rock-Devonian Pool, Lea County, New Mexico, in exception to Rule 3, Order R-2315, Medicine Rock-Devonian Pool Rules.

CASE 2694: Application of Southern Union Production Company for an amendment to the Northwest New Mexico Gas Proration Rules and Regulations. Applicant, in the above-styled cause, seeks an amendment to Order R-1670 as amended by Order No. R-2086, Rules and Regulations for Prorated Gas Pools, San Juan, Rio Arriba, McKinley and Sandoval Counties, New Mexico, to permit wells ordered shut-in for extended periods to make up accumulated overproduction to produce a minimum of 500 MCF each month during such shut-in.

CASE 2695: In the matter of the hearing called on the motion of the Oil Conservation Commission to consider revising Commission Orders R-333-C & D and R-333-E as the same relate to the season for taking Northwest New Mexico gas well deliverability tests and to the procedure for taking and calculating such tests, San Juan, Rio Arriba, McKinley and Sandoval Counties, New Mexico.

CASE 2670: (Cont.)

Application of Elwyn C. Hale for a quadruple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the quadruple completion (combination) of his Hale State Well No. 3, located in Unit H of Section 2, Township 25 South, Range 37 East, Lea County, New Mexico, in such a manner as to produce oil from the Devonian, McKee, Waddell and Ellenburger Pools, North Justis Field, through two strings of 2 7/8 inch casing and two strings of 3 1/2 inch casing all cemented in a common well bore.

R. M. RICHARDSON
OIL AND GAS LEASES - UNITIZATION
FEDERAL - STATE - FEE
P. O. BOX 819
ROSWELL, NEW MEXICO
November 1, 1962

OFFICE 505 622-8801
RES. 505 622-7985

In Re: Case No. 2683,
Carnero Peak Unit Agreement
Eddy County, New Mexico
Curtis R. Inman

New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Attn: Mr. Pete Porter

Dear Mr. Porter,

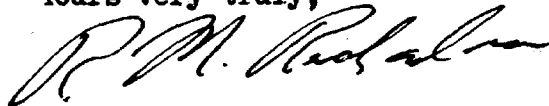
Yesterday, October 31, 1962, I forwarded to you
two additional copies of the Carnero Peak Unit Agreement
in connection with Case No. 2683.

Through an error of unknown origin, the word "Land"
was inserted in all references to both the Commissioner
and the Commission in the agreement.

The NMOCC is referred to as "State Land Commission",
which is of course in error and to be corrected. The Unit
Agreement to be furnished you for your permanent files will
of course refer to the OCC properly.

We are sorry if this error may have caused you any
concern and hope that it has been caught and called to your
attention before any unnecessary work has been done.

Yours very truly,



R. M. Richardson

CC: Curtis R. Inman

Case
2683

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
CARNERO PEAK UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Comes the undersigned, Curtis R. Inman, with offices at Midland, Texas, and files herewith one copy of the proposed Unit Agreement for the development and operation of the Carnero Peak Unit Area, Eddy County, New Mexico, and hereby makes application for the approval of said Unit Agreement as provided by law, and in support thereof states:

1. That the proposed unit area covered by said agreement embraces 12,151.48 acres of land, more or less, more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN

Township 22 South, Range 24 East

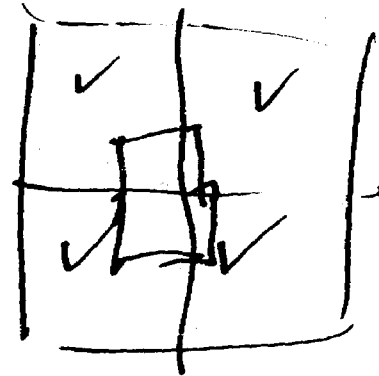
Section 23; E $\frac{1}{2}$
Section 24; All
Section 25; All
Section 26; E $\frac{1}{2}$
Section 35; E $\frac{1}{2}$
Section 36; All

Township 22 South, Range 25 East
Sections 19, 29, 30, 31, 32; All

Township 23 South, Range 24 East

Section 1; All
Section 2; E $\frac{1}{2}$
Section 11; E $\frac{1}{2}$
Section 12; All
Section 13; All
Section 14; E $\frac{1}{2}$

Township 23 South, Range 25 East
Sections 5, 6, 7, 8, 18; All



2. That of the lands embraced within the proposed unit area, 1,917.84 acres are lands of the State of New Mexico; 9,751.64 acres are lands of the United States; and 482.00 acres are patented or fee lands.

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

4. That applicant is informed and believes, and upon such information and belief states, that the proposed unit area contains all or substantially all of the geological feature involved, and that 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.

5. That Curtis R. Inman is designated as the Unit Operator in said Unit Agreement, and as such is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an initial test well to a depth sufficient to test the Devonian Formation, but that applicant is not obligated to drill said well, in any event, to a depth in excess of 11,500 feet.

6. That applicant believes 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 Unit Agreement, to the end that the maximum recovery will be obtained of unitized substances, and that said Unit Agreement is in the interest of conservation and prevention of waste as contemplated by the New Mexico Oil Conservation Commission Statutes and regulations.

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, and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner 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 interests of conservation and the prevention of waste.

Dated this 15th day of October, 1962.

Respectfully submitted,

Curtis R. Inman
Curtis R. Inman

By: R. M. Richardson
Attorney: Roswell, New Mexico

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
CARNERO PEAK UNIT AGREEMENT
KDDY COUNTY, NEW MEXICO

Page 2683

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Comes the undersigned, Curtis R. Inman, with offices at Midland, Texas, and files herewith one copy of the proposed Unit Agreement for the development and operation of the Carnero Peak Unit Area, Eddy County, New Mexico, and hereby makes application for the approval of said Unit Agreement as provided by law, and in support thereof states:

1. That the proposed unit area covered by said agreement embraces 12,151.48 acres of land, more or less, more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN

Township 22 South, Range 24 East

Section 23; $\frac{1}{2}$
Section 24; All
Section 25; All
Section 26; $\frac{1}{2}$
Section 35; $\frac{1}{2}$
Section 36; All

Township 22 South, Range 25 East

Sections 19, 29, 30, 31, 32; All

Township 23 South, Range 24 East

Section 1; All
Section 2; $\frac{1}{2}$
Section 11; $\frac{1}{2}$
Section 12; All
Section 13; All
Section 14; $\frac{1}{2}$

Township 23 South, Range 25 East

Sections 5, 6, 7, 8, 18; All

2. That of the lands embraced within the proposed unit area, 1,917.84 acres are lands of the State of New Mexico; 9,751.64 acres are lands of the United States; and 482.00 acres are patented or fee lands.

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

4. That applicant is informed and believes, and upon such information and belief states, that the proposed unit area contains all or substantially all of the geological feature involved, and that 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.

5. That Curtis R. Inman is designated as the Unit Operator in said Unit Agreement, and as such is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an initial test well to a depth sufficient to test the Devonian Formation, but that applicant is not obligated to drill said well, in any event, to a depth in excess of 11,500 feet.

6. That applicant believes 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 Unit Agreement, to the end that the maximum recovery will be obtained of unitized substances, and that said Unit Agreement is in the interest of conservation and prevention of waste as contemplated by the New Mexico Oil Conservation Commission Statutes and regulations.

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, and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner 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 interests of conservation and the prevention of waste.

Dated this 15th day of October, 1962.

Respectfully submitted,

Curtis R. Inman

By: R. M. Reed
Attorney: Roswell, New Mexico

DAN L. WARD
CONSULTING GEOLOGIST
MIDLAND, TEXAS

CARNERO PEAK UNIT
EDDY COUNTY, NEW MEXICO

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 3
CASE NO. 2683

INTRODUCTION

The following report is submitted in conjunction with a request for the formation of a working interest unit for the purpose of drilling an 11,500' Devonian test to be located in Section 31, T-22-S, R-25-E, Eddy County, New Mexico.

LOCATION

The proposed unit is approximately 12 miles West-Southwest of Carlsbad, New Mexico and the geographic center of the unit is near the Southwest corner of T-22-S, R-25-E, Eddy County, New Mexico. The crest of a prominent topographic high, referred to as Carnero Peak on the USGS West Carlsbad quadrangle topographic map, is one mile East of the eastern limits of the proposed unit.

The following described acreage will be included within the geographical confines of the proposed unit:

Township 22 South, Range 24 East
Sections 24, 25, and 36
Township 22 South, Range 25 East
Sections 19, 29, 30, 31,
and 32
Township 23 South, Range 24 East
Sections 1, 12, and 13
E/2 of Section 11
E/2 of Section 14
Township 23 South, Range 25 East
Sections 5, 6, 7, 8,
and 18

GEOLOGY

STRUCTURE: The interpreted structural configuration as indicated on the enclosed map contoured on top of the Devonian shows the proposed unit to be located on a structural anticline trending approximately North-South. The prominent structural feature is indicated by subsurface information obtained from wells which penetrated the Devonian in the immediate area of the proposed unit. Reconnaissance reflection seismograph and gravity meter surveys also indicate the

presence of a structural antiform. Carnero Peak may also be a topographic expression of a deep seated structure in the immediate area.

Geophysical reconnaissance indicates the possibility of Pre-Pennsylvanian faulting in the western portion of the prospect area. There is some evidence of faulting based on electrical log correlations and substantiated by paleontologic information.

STRATIGRAPHY: The Permian System is represented by approximately 8700' of sedimentary rock. The lithologic units are formations of the Whitehorse and Delaware Mountain Groups of the Guadalupe Series, the Bone Springs formation of the Leonard Series, and the Wolfcamp formation of the Wolfcamp Series.

The Pennsylvanian System consists of approximately 2200' of sediments represented by the Cisco, Canyon, Strawn, Atoka and Morrow Series. The Cisco and Canyon Series consist predominately of organic limestone often considered to be the result of reefing. The Strawn Series is predominately bedded limestone with interbedded sand and shale, and is frequently dolomitic and cherty in the upper section. The Atoka and Morrow Series are characterized by interbedded sands, shales, and limes. The sand intervals of the Atoka and Morrow Series have been the objective for much gas exploration in the last several years, and are productive within five miles East and West of the proposed unit.

The Mississippian System consists of approximately 350' of cherty limestone of probable Meramec and Osage Series age. The Kinderhook Series is represented by approximately 50' of Woodford Shale.

The Devonian System consists of approximately 450' of cherty dolomite.

PROSPECTIVE RESERVOIRS

Potential reservoirs within the proposed unit have been determined by correlation and evaluation of the electric logs on nearby deep wells. The characteristics of favorable reservoir development with regards to porosity, gross interval and net pay thickness, estimated productive acres and recovery factor have been considered in determining the prospective reservoirs to be anticipated within the proposed unit.

PERMIAN: The Bone Springs formation is considered to be prospective for gas production. The Pan American #1 Guadalupe Pothole Unit, SW/4 SE/4 of Section 30, T-22-S, R-25-E, flowed 18,000 CFOPD after the interval from 4499' to 4600' had been treated with 4000 gallons of sand/rac. It is anticipated that this section would be commercially productive if encountered at a higher structural position.

PRE-PERMIAN: The Pennsylvanian and Devonian are considered to be the primary objectives of the initial test to be drilled on the proposed unit. The Pennsylvanian zones from which gas production is being obtained in the Gulf Oil Corporation #1 Hackberry Hills Unit, SW/4 SE/4 of Section 1, T-22-S, R-25-E, and the Abolish Oil Corporation #1 McKittrick Canyon Unit, SW/4 NE/4 of Section 25, T-22-S, R-25-E, should be encountered at a much higher structural position on the crest of the anticlinal anomaly within the proposed unit. This structural advantage should assure gas production from these zones. Several other zones within the Pennsylvanian section have recovered gas on drillstem tests and may also be productive at higher structural positions.

Drillstem tests of the Devonian in wells in the area of the proposed unit have not recovered any shows of oil or gas. The possibility of encountering the Devonian at a substantially higher structural position than any of the nearby wells is considered to be sufficient to warrant testing this formation. The prolific potential of a Devonian reservoir should not be overlooked when encountered on a high structural anomaly.

CONCLUSIONS AND RECOMMENDATIONS

The interpreted structural configuration of the Devonian indicates a very high structural anomaly to be present with the proposed unit. The prospects for obtaining commercial quantities of gas and/or oil from the Bone Springs, Pennsylvanian, and Devonian are considered to be very good and would economically justify the drilling of a test well.

It is recommended that a Devonian test be drilled to an approximate depth of 11,500' at a location to be selected near the common corner of Sections 29, 30, 31, and 32, T-22-S, R-25-E, Eddy County, New Mexico.

Respectfully submitted,

Alan L. Ward
Alan L. Ward

R. M. RICHARDSON
OIL AND GAS LEASES - UNITIZATION
FEDERAL - STATE - FEE
P. O. BOX 819
ROSWELL, NEW MEXICO
October 31, 1962

OFFICE 505 622-8801
RES. 505 622-7985

In Re: Case No. 2683,
Carnero Peak Unit Agreement
Eddy County, New Mexico.
Curtis R. Inman.

New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Attn: Mr. Pete Porter

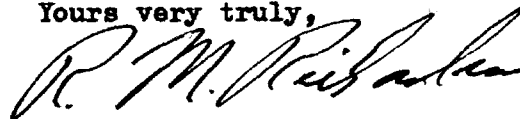
Dear Mr. Porter,

On October 16th, 1962, Mr. Curtis R. Inman filed application for a hearing and approval of the Carnero Peak Unit Agreement, Eddy County, New Mexico. At that time we filed only one copy of the proposed Unit Agreement.

We are now attaching 2 additional complete copies, including Exhibits "A" and "B".

The case, No. 2683, is on the docket for November 8, 1962 and we will see you at that time. If you should need any additional information prior to that time, please let us know. Thank you.

Yours very truly,



R. M. Richardson

cc: Curtis R. Inman

— operation
will be 11500
to 1200

prolonging further

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
CARNERO PEAK UNIT AREA
EDDY COUNTY, NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the 19th day of October, 1962,
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 and gas interests in the unit area subject to this agreement; and,

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico
is authorized by an Act of the Legislature (Sec. 7-11-39 N. M. Statutes 1953
Annotated) to consent to or approve this agreement on behalf of the State of New
Mexico, insofar as it covers and includes lands and mineral interests of the
State of New Mexico; and,

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

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

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

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

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to State of New Mexico and privately owned lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State of New Mexico are hereby accepted and made a part of this agreement.

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing 12,151.48 acres, more or less.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in

said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor," or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "State Land Commissioner," and not less than seven copies of the revised exhibits shall be filed with the Supervisor, and two (2) copies thereof shall be filed with the State Land Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Land Commission."

The above-described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

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

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

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the State Land Commissioner and the State Land Commission evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the director, the State Land Commissioner and the State Land Commission, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i. e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys, however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within five years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said five-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section hereof entitled "Unavoidable Delay;" provided that all legal subdivisions of lands not in

a participating area and not entitled to become participating under the applicable provisions of this agreement within ten years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to approval of the Director and the State Land Commissioner. The unit operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and promptly notify all parties in interest.

If conditions warrant extension of the ten-year period specified in this sub-section 2 (e), a single extension of not to exceed two years may be accomplished by consent of the owners of 90 per cent of the current unitized working interests and 60 per cent of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total nonparticipating-acreage basis, respectively, with approval of the Director, and the State Land Commissioner provided such extension application is submitted to the Director and to the State Land Commissioner not later than 60 days prior to the expiration of said ten-year period.

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement." All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

4. UNIT OPERATOR. Curtis R. Inman is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for 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 interest 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.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, the State Land Commissioner and State Land Commission and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and the State Land Commission as to State and privately owned lands unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations, as above provided, at any time a participating area established hereunder is in existence, but, in all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

The 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 Director and the State Land Commissioner.

The resignation or removal of Unit Operator under this agreement shall not terminate its 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.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, or a change of unit operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator; provided that, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners 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 filed with the Supervisor and approved by the State Land Commissioner. If no successor Unit Operator is selected and

qualified as herein provided, the Director and State Land Commissioner at their election may declare this Unit Agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.

If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working 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 "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating 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 inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the State Land Commissioner, prior to approval of this unit agreement by the Director.

8. 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.

9. DRILLING TO DISCOVERY. Within six months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on Federal land or by the State Land Commissioner if on State land, or by the State Land Commission if on privately owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until formations of Devonian age have been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land, or the State Land Commissioner if on State land, or of the State Land Commission if on privately owned land, that further drilling of said well would 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 11,500 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the 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 said Supervisor if it be on Federal land or of

the State Land Commissioner if on State land or the State Land Commission if on privately owned land or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and State Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and State Land 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.

10. 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 Supervisor and the State Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the State Land Commissioner, 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 Supervisor and the State Land Commissioner a plan for an additional specified period for the 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 diligent drilling necessary for 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 Supervisor and

the State Land Commissioner 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 location 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 the proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the State Land Commissioner. Said 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 the approved plan of development. The Supervisor and State Land Commissioner are 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 substance 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 Supervisor and the State Land Commissioner shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, or as soon thereafter as required by the Supervisor or the State Land Commissioner the Unit Operator shall submit for approval by the Director and the State Land Commissioner a schedule, based on subdivisions of the public land survey or aliquot parts thereof of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director and the State Land Commissioner to constitute a

participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of the initial participating area. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the State Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and the State Land Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but, regardless of any revision of the participating area, nothing herein contained

shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director and the State Land Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal lands and the State Land Commissioner for State lands and the State Land Commission as to privately owned lands and the amount thereof deposited, as directed by the Supervisor and the State Land Commissioner respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor, as to wells drilled on Federal land and of the State Land Commissioner as to wells drilled on State land and the State Land Commission as to wells on privately owned lands, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area

for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, and State Land Commissioner and the State Land Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party or parties hereto owning or controlling the working interests in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, the State Land Commissioner as to State land, and the State Land Commission as to privately owned land, and subject to the provisions of the Unit Operating Agreement, at such

party's or parties' sole risk, costs, and expense drill a well at such location on such land to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled as aforesaid by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled as aforesaid by a working interest owner obtains production in quantities insufficient to justify the inclusion in a participating area of the land upon which such well is situated, such well may be operated and produced by the party drilling the same subject to the conservation requirement of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The United States and the State of New Mexico and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in conformity with the applicable contracts, laws and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners

responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor, the State Land Commissioner, and the State Land Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and 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 the plan of operations or as may otherwise be consented to by the Supervisor, the State Land Commissioner and the State Land 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.

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

Royalty due on account of State of New Mexico and privately owned lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations were within the time therein specified commenced upon the land covered thereby or rentals paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby or some portion of such land is included within a participating area.

16. 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 or Federal law or regulation.

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or, with prior consent of the Director and the State Land Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal lands or as approved by the State Land Commissioner for New Mexico State lands.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operations for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the State Land Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part of separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the State Land Commissioner, or their duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands, other than those of the United States and State of New Mexico, committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

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

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

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the land committed and the lands not committed as of the effective date of unitization: Provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(i) 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 the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, 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 or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease 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 in such lease, the same, as to all 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 or gas in paying quantities is being produced from any portion of said lands.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest 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 interest, 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.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and the State Land Commissioner or their duly authorized representatives as of the date of approval by the Director and shall terminate five (5) years from said effective date unless:

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

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of

production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and State Land Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder 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, or

(d) it is terminated as heretofore provided in this agreement. This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and State Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION.

The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program which is established, recognized and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or

modify from time to time at his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law.

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

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay of failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Land Commission, agree that all powers and authority vested in the State Land Commission in and by any provisions of this agreement are vested in the State Land Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

23. 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 Department of the Interior, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation

Commission and to appeal from orders issued under the regulations of said Department, the State Land Commissioner or State Land Commission or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the State Land Commissioner or State Land Commission or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

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

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

26. 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, 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.

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F. R. 1977), which are hereby incorporated by reference in this agreement.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor, and such funds of the State of New Mexico shall be deposited as directed by the State Land Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the State Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a

working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the State Land Commissioner and the State Land Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within sixty (60) days by the Director, State Land Commissioner or the State Land Commission.

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

CURTIS R. INMAN

Date: _____

MURIEL HENDERSON INMAN

ATTEST:

GULF OIL CORPORATION

Date: _____

By: _____
Its _____

ATTEST:

NORTHERN NATURAL GAS PRODUCING
COMPANY

Date: _____

By: _____
Its _____

ATTEST:

PHILLIPS PETROLEUM COMPANY

Date: _____

By: _____
Its _____

ATTEST:

SINCLAIR OIL & GAS COMPANY

Date: _____

By: _____
Its _____

ATTEST:

REDFERN DEVELOPMENT CORP.

Date: _____

By: _____
Its _____

ATTEST:

Date: _____

ATTEST:

Date: _____

ATTEST:

Date: _____

ATTEST:

Date: _____

ATTEST:

Date: _____

ATTEST:

Date: _____

ATTEST:

Date: _____

Date: _____

MARATHON OIL COMPANY

By: _____

Its _____

MOBIL OIL COMPANY

By: _____

Its _____

PURE OIL COMPANY

By: _____

Its _____

TEXACO, INCORPORATED

By: _____

Its _____

HUMBLE OIL & REFINING COMPANY

By: _____

Its _____

AMERADA PETROLEUM CORP.

By: _____

Its _____

UNION OIL COMPANY OF CALIFORNIA

By: _____

Its _____

WALTER H. WALNE

WALNE

WILLIAM F. SCHWENN

Date: _____

SCHWENN

BRUCE HARRIS

Date: _____

HARRIS

STATE OF)
)
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 1962, by CURTIS R. INMAN AND MURIEL HENDERSON INMAN.

My Commission Expires: _____

Notary Public

STATE OF)
)
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 1962, by _____ of GULF OIL CORPORATION, a _____ 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 _____, 1962, by _____ of NORTHERN NATURAL GAS PRODUCING COMPANY, a _____ 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 _____, 1962 by _____ of PHILLIPS PETROLEUM COMPANY, a _____ 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 _____, 1962 by _____ of SINCLAIR OIL & GAS COMPANY, a _____ 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 _____, 1962 by _____ of REDFERN DEVELOPMENT CORPORATION, a _____ 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 _____, 1962 by _____ of MARATHON OIL COMPANY, a _____ 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 _____, 1962 by _____ of MOBIL OIL COMPANY, a _____ 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 _____, 1962 by _____ of PURE OIL COMPANY, a _____ 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 _____, 1962 by _____ of TEXACO, INC., a _____ 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 _____, 1962 by _____ of HUMBLE OIL & REFINING COMPANY, a _____ 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 _____, 1962 by _____ of AMERADA PETROLEUM COMPANY, a _____ 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 _____, 1962 by _____ of UNION OIL COMPANY OF CALIFORNIA, a _____ 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 _____, 1962 by WALTER H. WALNE and _____.

My Commission Expires: _____

Notary Public

STATE OF)
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 1962 by WILLIAM F. SCHWENN and _____.

My Commission Expires: _____

Notary Public

STATE OF

COUNTY OF

)
)
)

The foregoing instrument was acknowledged before me this _____ day of _____, 1962 by BRUCE HARRIS and _____.

My Commission Expires:

Notary Public

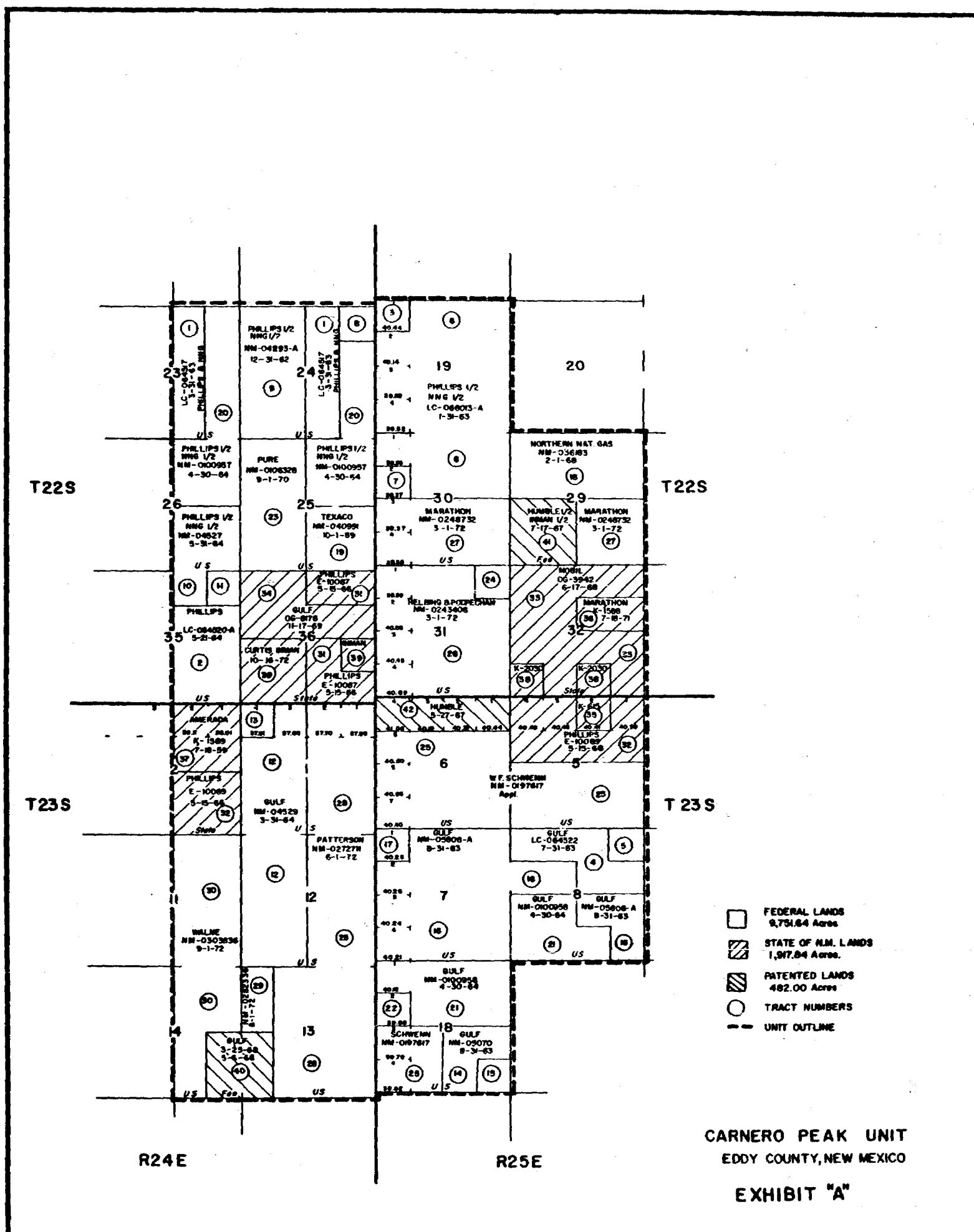


EXHIBIT "B"
SCHEDULE SHOWING ALL LANDS AND OWNERSHIP
WITHIN THE UNIT AREA
CARNERO PEAK UNIT, EDDY COUNTY, NEW MEXICO

FEDERAL LAND

Tract No.	Description of Land	Acres	Lease No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
1	T-22-S, R-24-E Sec. 23: W/2 E/2 Sec. 24: W/2 E/2	320.00	LC-064517 3-31-63	U.S.A.: 12-1/2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%	Eleyse S. Patterson, Sue S. Graham, & Sally S. Toles \$300.00 per acre out of 2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%
2	T-22-S, R-24-E Sec. 35: S/2 NE/4, SE/4	240.00	LC-064520-A 5-31-64	U.S.A.: 12-1/2%	Phillips Petroleum Co. All	C. A. & Hazel Hobbs - \$300.00 per acre out of 2%	Phillips Petroleum Co. All
3	T-22-S, R-25-E Sec. 19: Lot 1	40.44	LC-064521-A 12-31-62	U.S.A.: 12-1/2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%	D. O. & Margaret Wilson - \$600.00 per acre out of 3%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%
4	T-23-S, R-25-E Sec. 8: N/2 NW/4, W/2 NE/4, SE/4 NE/4	200.00	LC-064522 7-31-63	U.S.A.: 12-1/2%	Gulf Oil Corp. All	Porter K. & W. R. Middleton - \$500.00 per acre out of 3%	Gulf Oil Corp. All
5	T-23-S, R-25-E Sec. 8: NE/4 NE/4	40.00	LC-064522-E 7-31-63	U.S.A.: 12-1/2%	TEXACO Inc. All	Porter K. & W. R. Middleton - \$500.00 per acre out of 3%	TEXACO Inc. All

Tract No.	Description of Land	Acres	Lease No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
6	T-22-S, R-25-E Sec. 19: Lots 2, 3, 4, E/2 W/2, E/2 Sec. 30: Lot 1, E/2 NW/4, NE/4	878.84	LC-066013-A 1-31-63	U. S. A. : 12-1/2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%	Ruby C. & Bryan Bell - \$300.00 per acre out of 2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%
7	T-22-S, R-25-E Sec. 30: Lot 2	39.37	LC-066013-C 1-31-63	U. S. A. : 12-1/2%	Bruce Harris All	Ruby C. & Bryan Bell - \$300.00 per acre out of 2%	Bruce Harris All
8	T-22-S, R-24-E Sec. 24: NE/4 NE/4	40.00	NM-01488 10-31-63	U. S. A. : 12-1/2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%	Margaret & D. O. Wilson - \$300.00 per acre out of 2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%
9	T-22-S, R-24-E Sec. 24: W/2	320.00	NM-04293-A 12-31-62	U. S. A. : 12-1/2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%	Virginia and Rube Hess - \$300.00 per acre out of 2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%
10	T-22-S, R-24-E Sec. 26: SE/4 Sec. 35: NW/4 NE/4	200.00	NM-04527 5-31-64	U. S. A. : 12-1/2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%	T. J. and June Deason - \$300.00 per acre out of 2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%
11	T-22-S, R-24-E Sec. 35: NE/4 NE/4	40.00	NM-04527-A 5-31-64	U. S. A. : 12-1/2%	Gulf Oil Corp. All	T. J. and June Deason - \$300.00 per acre out of 2%	Gulf Oil Corp. All

Tract No.	Description of Land	Acres	Lease No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
12	T-23-S, R-24-E Sec. 1: Lot 3, S/2 NW/4, SW/4 Sec. 12: W/2	597.80	NM-04529 5-31-64	U. S. A. : 12-1/2%	Gulf Oil Corp. All	Ruth McPherson - \$500.00 per acre out of 3%	Gulf Oil Corp. All
13	T-23-S, R-24-E Sec. 1: Lot 4	37.91	NM-04529-A 5-31-64	U. S. A. : 12-1/2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%	Ruth McPherson - \$500.00 per acre out of 3%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%
14	T-23-S, R-25-E Sec. 18: N/2 SE/4, SW/4 SE/4	120.00	NM-05070 8-31-63	U. S. A. : 12-1/2%	Gulf Oil Corp. All	Glady's Lutz - \$500.00 per acre out of 3%	Gulf Oil Corp. All
15	T-23-S, R-25-E Sec. 18: SE/4 SE/4	40.00	NM-05070-A 8-31-63	U. S. A. : 12-1/2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%	Glady's Lutz - \$500.00 per acre out of 3%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%
16	T-23-S, R-25-E Sec. 7: Lots 2, 3, 4, E/2 W/2, E/2 Sec. 8: N/2 SE/4, SE/4 SE/4, S/2 NW/4	800.71	NM-05808-A 8-31-63	U. S. A. : 12-1/2%	Gulf Oil Corp. All	T. J. and June Deason - \$500.00 per acre out of 3%	Gulf Oil Corp. All
17	T-23-S, R-25-E Sec. 7: Lot 1	40.29	NM-05808-C 8-31-63	U. S. A. : 12-1/2%	Phillips Petroleum Co. All	T. J. and June Deason - \$500.00 per acre out of 3%	Phillips Petroleum Co. All

Tract No.	Description of Land	Acres	Lease No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
18	<u>T-22-S, R-25-E</u> <u>Sec. 29: N/2</u>	320.00	NM-036183 2-1-68	U.S.A.: 12-1/2%	Northern Natural Gas Prod. Co. A11	Edith and George Riggs - \$500.00 per acre out of 3%	Northern Natural Gas Prod. Co. A11
19	<u>T-22-S, R-24-E</u> <u>Sec. 25: SE/4</u>	160.00	NM-040991 10-1-69	U.S.A.: 12-1/2%	TEXACO Inc. A11	Robert S. & Jo Anne Light - \$500.00 per acre out of 3%	TEXACO Inc. A11
20	<u>T-22-S, R-24-E</u> <u>Sec. 23: E/2 E/2</u> Sec. 24: SE/4 NE/4, E/2 SE/4 Sec. 25: NE/4 Sec. 26: NE/4	600.00	NM-0100957 4-30-64	U.S.A.: 12-1/2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%	T. J. and June Deason - \$300.00 per acre out of 2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%
21	<u>T-23-S, R-25-E</u> Sec. 8: SW/4, SW/4 SE/4 Sec. 18: Lot 1, NE/4, E/2 NW/4	480.12	NM-0100958 4-30-64	U.S.A.: 12-1/2%	Gulf Oil Corp. A11	Ruth McPherson - \$500.00 per acre out of 3%	Gulf Oil Corp. A11
22	<u>T-23-S, R-25-E</u> <u>Sec. 18: Lot 2</u>	39.95	NM-0100958-A 4-30-64	U.S.A.: 12-1/2%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%	Ruth McPherson - \$500.00 per acre out of 3%	Phillips Petroleum Co. 50% Northern Natural Gas Prod. Co. 50%
23	<u>T-22-S, R-24-E</u> <u>Sec. 25: W/2</u>	320.00	NM-0106328 9-1-70	U.S.A.: 12-1/2%	Pure Oil Co. A11	None	Pure Oil Co. A11

Tract No.	Description of Land	Acres	Lease No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
24	T-22-S, R-24-E Sec. 31: NE/4 NE/4	40.00	NM-0150707 8-1-71	U.S.A.: 12-1/2%	Redfern Development Corp. All	W. W. Priest 5%	Redfern Development Corp. All
25	T-23-S, R-25-E Sec. 5: S/2 Sec. 6: Lots 2, 3, 4, SE/4 NW/4, E/2 SW/4, S/2 NE/4, SE/4	961.21	NM-0197617 * Application NM-0196008 * Application	U.S.A.: 12-1/2%	Wm. F. Schwenn All* Thor-Westcliffe All*		
<p>*Note: Two applications have been filed on this tract; no lease has been issued. By Civil Action 189-62, Thor-Westcliffe (NM-0196008) is contesting the issuance of NM-0197617. The Case is presently on appeal to the United State Supreme Court.</p>							
26	T-22-S, R-25-E Sec. 31: Lots 1, 2, 3, 4, E/2 W/2, W/2 E/2, SE/4, W/2 NE/4, SE/4 NE/4	600.96	NM-0243406 3-1-72	U.S.A.: 12-1/2%	Hebling and Podpechan, a partnership All	Alice F. and Wendell S. Holmes 2 1/2% Janell Corp. 2 1/2%	Hebling and Podpechan, a partnership All
27	T-22-S, R-25-E Sec. 29: SE/4 Sec. 30: Lots 3, 4, E/2 SW/4, SE/4	478.75	NM-0248732 3-1-72	U.S.A.: 12-1/2%	Marathon Oil Co. All	William A. and Harriet A. Huffman 3%	Marathon Oil Co. All
28	T-23-S, R-24-E Sec. 1: Lots 1, 2, S/2 NE/4, SE/4 Sec. 12: E/2 Sec. 13: E/2, E/2 W/2	1,115.29	NM-0272711 6-1-72	U.S.A.: 12-1/2%	R. M. Patterson All	None	R. M. Patterson All

Tract No.	Description of Land	Acres	Lease No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
29	T-23-S, R-24-E Sec. 13: W/2 NW/4	80.00	NM-0282336 6-1-72	U.S.A.: 12-1/2%	Pauline Walker All	None	Pauline Walker All
30	T-23-S, R-24-E Sec. 11: E/2 Sec. 14: NE/4, W/2 SE/4	560.00	NM-0303836 9-1-72	U.S.A.: 12-1/2%	Walter H. Walne, Jr. All	None	Walter H. Walne, Jr. All

TOTAL: 30 Tracts Federal Land, 9,751.64 acres, 80.25% of the Unit Area

STATE OF NEW MEXICO LANDS

Tract No.	Description of Land	Acres	Lease No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
31	T-22-S, R-24-E Sec. 36: N/2 NE/4, W/2 SE/4, SE/4 SE/4	200.00	E-10087 5-15-66	State: 12-1/2%	Phillips Petroleum Co. All	None	Phillips Petroleum Co. All
32	T-23-S, R-24-E Sec. 2: SE/4 T-23-S, R-25-E Sec. 5: Lots 1, 3, 4, S/2 N/2	441.31	E-10089 5-15-66	State: 12-1/2%	Phillips Petroleum Co. All	None	Phillips Petroleum Co. All
33	T-22-S, R-25-E Sec. 32: N/2 NE/4, NW/4, N/2 SW/4, SE/4 SW/4, SE/4 SE/4, N/2 SE/4	480.00	OG-3942 6-17-68	State: 12-1/2%	Socony Mobil Oil Co., Inc. All	None	Socony Mobil Oil Co., Inc. All
34	T-22-S, R-24-E Sec. 36: S/2 NE/4, NW/4	240.00	OG-6176 11-17-69	State: 12-1/2%	Gulf Oil Corp. All	None	Gulf Oil Corp. All
35	T-23-S, R-25-E Sec. 5: Lot 2	40.41	K-616 7-19-70	State: 12-1/2%	Union Oil Co. of California All	None	Union Oil Co. of California All
36	T-22-S, R-25-E Sec. 32: S/2 NE/4	80.00	K-1588 7-18-71	State: 12-1/2%	Marathon Oil Co. All	None	Marathon Oil Co. All

Tract No.	Description of Land	Acres	Lease No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
37	T-23-S, R-24-E Sec. 2: Lots 1, 2, S/2 NE/4	156.12	K-1589 7-18-71	State: 12-1/2%	Amerada Petroleum Corp.	None All	Amerada Petroleum Corp. All
38	T-22-S, R-25-E Sec. 32: SW/4 SW/4, SW/4 SE/4	80.00	K-2030 12-19-71	State: 12-1/2%	Marathon Oil Co.	None All	Marathon Oil Co. All
39	T-22-S, R-24-E Sec. 36: SW/4, NE/4 SE/4	200.00	10-16-72	State: 12-1/2%	Curtis R. Inman	None All	Curtis R. Inman All

TOTAL: 9 State of New Mexico Tracts, 1,917.84 acres, 15.78% of Unit Area

PATENTED (Fee) LANDS

Tract No.	Description of Land	Acres	Lease No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
40	T-23-S, R-24-E Sec. 13: W/2 SW/4 Sec. 14: E/2 SE/4	160.00	Fee 3-25-68 5-6-68	W. L. Kincaid and Wm. J. Smith, 1/2 each	Gulf Oil Corp. All	Caswell S. Neal - \$250.00 per acre out of 3%	Gulf Oil Corp. All
41	T-22-S, R-25-E Sec. 29: SW/4	160.00	Fee 7-17-67 8-8-72	M. B. Kincaid and Charles R. Kee, 1/2 each	Humble Oil & Refin- ing Co. 50% C. R. Inman 50%	None	Humble Oil & Refin- ing Co. 50% C. R. Inman 50%
42	T-23-S, R-25-E Sec. 6: Lots 1, 2, 3, 4	162.00	Fee 5-27-67	William J. Annie B., and Norma Smith	Humble Oil & Refin- ing Co. All	None	Humble Oil & Refin- ing Co. All

TOTAL: 3 Patented (Fee) Tracts, 482.00 acres, 3.97% of Unit Area

RECAPITULATION

30 Tracts Federal Lands	9,751.64 Acres	80.25% of Unit Area
9 Tracts State Lands	1,917.84 Acres	15.78% of Unit Area
3 Tracts Fee Lands	482.00 Acres	3.97% of Unit Area
<u>Total 42 Tracts</u>	<u>12,151.48 Acres</u>	<u>100.00% of Unit Area</u>

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
CARNERO PEAK UNIT AREA
SIOUX COUNTY, NEW MEXICO
NO. 2683

THIS AGREEMENT, entered into as of the _____ day of _____, 1962, 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 and gas interests in the unit area subject to this agreement; and,

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N. M. Statutes 1953 Annotated: to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and,

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Chapter 72, Laws of 1935, as amended by Chapter 193, Laws of 1937, Chapter 166, Laws of 1941, and Chapter 165, Laws of 1949) to approve this agreement and the conservation provisions hereof; and,

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

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

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

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 23, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to State of New Mexico and privately owned lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State of New Mexico are hereby accepted and made a part of this agreement.

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

T-22-S, R-24-E, N.M.P.M.

Sec. 23: E/2
Sec. 24: All
Sec. 25: All
Sec. 26: E/2
Sec. 35: E/2
Sec. 36: All

T-22-S, R-25-E, N.M.P.M.

Sec. 19: All
Sec. 29: All
Sec. 30: All
Sec. 31: All
Sec. 32: All

T-23-S, R-24-E, N.M.P.M.

Sec. 1: All
Sec. 2: E/2
Sec. 11: E/2
Sec. 12: All
Sec. 13: All
Sec. 14: E/2

T-23-S, R-25-E, N.M.P.M.

Sec. 5: All
Sec. 6: All
Sec. 7: All
Sec. 8: All
Sec. 18: All

containing 12,151.48 acres, more or less.

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

The above-described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion, or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", or on demand of the State Commissioner, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, the State Commissioner and the State Commission and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the State Commissioner and the State Commission evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the director, the State Commissioner and the State Commission, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i. e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys, however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within 5 years after the first day of the month following the effective date of the first initial participating area established under the unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any such period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by unit operator and subject to approval

of the Director and the State Commissioner. The unit operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and the State Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2 (c), a single extension of not to exceed 11 years may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating-1/3 share basis, respectively, with approval of the Director, and the State Commissioner provided such extension application is submitted to the State Commissioner and the Director not later than 60 days prior to the expiration of said 10-year period.

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas in pay and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

4. UNIT OPERATOR. Curtis R. Inman is hereby designated as Unit Operator and by signature hereto as Unit Operator 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 interest 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.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit

Operator's rights as such for a period of 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, the State Commissioner and State Commission and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and the State Commission as to State and privately owned lands unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations, as above provided, at any time a participating area established hereunder is in existence, but, in all instances of resignation or removal, until a successor unit operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of unit operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

The 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 Director and the State Commissioner.

The resignation or removal of Unit Operator under this agreement shall not terminate its 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 newly 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

6. SUCCESSION UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, or a change of unit operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator; provided, that, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners 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 filed with the Supervisor and State Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and State Commissioner at their election may declare this Unit Agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working 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 "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed

upon by Unit Operator and the working interest owners; however, no such unit operating 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 inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Commissioner, prior to approval of this unit agreement by the Director.

8. 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.

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on Federal land or by the State Commissioner if on State land, or by the State Commission if on privately owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Devonian formations have been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land, or the State Commissioner if on State land, or of the State Commission if on privately owned land, that further drilling of said well would 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 11,500 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the State Commissioner if on State land or the State Commission if on privately owned land or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and State Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and State 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.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the State Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the State Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Hereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the State Commissioner a plan for an additional specified period for the 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 diligent drilling necessary for 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 Supervisor and the State Commissioner 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 location of any wells to be drilled and the proposed order and time for such drilling; and,

(b) to the extent practicably 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 Supervisor and the State Commissioner. Said 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 the approved plan of development. The Supervisor and State Commissioner are authorized to grant a reasonable extension of the 6-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 substance 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 Supervisor and the State Commissioner shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATING AREA OR "PROVOST". Upon completion of a well capable of producing unitized substances in paying quantities, or as soon thereafter as required by the Supervisor or the State Commissioner the Unit Operator shall submit for approval by the Director and the State Commissioner a schedule, based on subdivisions of the public-land survey or aliquot parts thereof as to Federal land, and, as to non-Federal lands, based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of the initial participating area, of all unitized lands so classified as reasonably proved to be productive of unitized substances in paying quantities. All lands in said schedule on approval of the Director and the State Commissioner to constitute a participating area, effective as of the date of completion of such well

or the effective date of the unit agreement, whichever is later. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area as established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, or approval of the Director and the State Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and the State Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director and the State Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal lands and the State Commissioner

for State lands and the State Commission as to privately owned lands and the amount thereof deposited, as directed by the Supervisor and the State Commissioner respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor, as to wells drilled on Federal land and of the State Commissioner as to wells drilled on State land and the State Commission as to wells on privately owned lands, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, and State Commissioner and the State Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area, bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit

operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced or constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party or parties hereto owning or controlling the working interests in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, the State Commissioner as to State land, and the State Commission as to privately owned land, and subject to the provisions of the Unit Operating Agreement, at such party's or parties' sole risk, costs, and expense drill a well at such location on such land to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled as aforesaid by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled as aforesaid by a working interest owner obtains production in quantities insufficient to justify the inclusion in a participating area of the land upon which such well is situated, such well may be operated and produced

by the party drilling the same subject to the conservation requirement of this agreement. The royalty in amount or value of production from any such well shall be paid as specified in the underlying lease and instruments affected.

14. ROYALTY SETTLEMENT. The United States and any State and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now utilized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the utilized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for utilized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor, the State Commissioner, and the State Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and 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 the plan of operations or as may otherwise be consented to by the Supervisor, the State Commissioner and the State 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.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all utilized substances on the basis of the amounts thereof allocated to utilized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates

as may be authorized by law or regulation; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations were within the time therein specified commenced upon the land covered thereby or rentals paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby or some portion of such land is included within a participating area.

16. 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 or Federal law or regulation.

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells

on land not subject to this agreement, or, with prior consent of the Director and the State Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty.

18. LEASES AND CONTRACTS CONFIRMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operations for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the State Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part of separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the State Commissioner, or their duly authorized representative, shall be deemed to constitute such

suspension pursuant to such direction or consent as to each and every tract of unitized land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands, other than those of the United States and State of New Mexico, committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and as long thereafter as Oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1965.

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

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

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17 (f) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74

Stat. 781-784): Any (Federal) lease heretofore or hereafter committed to such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities.

(i) 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 the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, 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 or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease 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 in such lease, the same, as to all 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 or gas in paying quantities is being produced from any portion of said lands.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest 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 trans-

for of any working interests, 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.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and the State Commissioner or their duly authorized representatives as of the date of approval by the Director and shall terminate five (5) years from said effective date unless:

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

(b) it is reasonably determined prior to the expiration of the fixed term, or any extension thereof that the unitized land is capable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties, in interest at their last known addresses, the agreement is terminated with the approval of the Director and State Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder 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, or

(d) it is terminated as hereinafter provided in this agreement. This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and State Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PRODUCTION, DEVELOPMENT, AND PRODUCTION.

The Director is hereby vested with authority to alter or modify from time to time

in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby vested to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law.

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

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Commission, agree that all powers and authority vested in the State Commission in and by any provisions of this agreement are vested in the State Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

23. WARRANTIES. 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 Department of the Interior, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the State Commission or State Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the State Commissioner, or State Commission or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

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

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

26. 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, 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.

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which are hereby incorporated by reference in this agreement.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the State Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the State Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final

approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the State Commissioner and the State Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, State Commissioner, or State Commission.

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

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 8, 1962

IN THE MATTER OF:

Application of Curtis R. Inman for approval of a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Carnero Peak Unit Area comprising 12,151 acres, more or less, of State, Federal and Fee lands in Townships 22 and 23 South, Ranges 24 and 25 East, Eddy County, New Mexico.

CASE
NO. 2683

BEFORE:

Daniel S. Nutter, Examiner.

TRANSCRIPT OF PROCEEDINGS

MR. NUTTER: The next case will be 2683.

MR. DURETTE: Case 2683. Application of Curtis R. Inman for approval of a unit agreement, Eddy County, New Mexico.

MR. RICHARDSON: Randolph M. Richardson, Roswell, New Mexico, representing Mr. Inman. I have one witness, Mr. Curtis R. Inman.

(Whereupon, Exhibits 1 through 5, inclusive, marked for identification.)

CURTIS R. INMAN, the Applicant, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. RICHARDSON:

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1162

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3871

ALBUQUERQUE, N. M.
PHONE 243-6691

Q Mr. Inman, have you ever testified before the Oil Conservation Commission before?

A No, I never have.

Q Would you state your educational background, occupation, and experience which would qualify you to testify in connection with the Carnero Peak Unit?

A Well, I don't have any professional degree in engineering or geology. I graduated from college. My qualifications, as such, would have to be based on practical experience. I went to Midland in 1937 and started out as an independent oil operator, and have been continually in that capacity since that time. Being a small independent, I have had to handle all phases of the drilling and development and completion of wells during that time. I have had to evaluate the geological reports that were submitted to me, and worked with geologists. I might say that the geologist who worked for me on this particular instance would have been here, but he was called out on a well and was unable to attend, so he and I are the only ones with the sufficient background to testify in this particular matter.

MR. NUTTER: You are an interested party to this Unit Agreement and have a working interest in the unit?

A Yes; it is my Unit Agreement.

MR. NUTTER: Please proceed, Mr. Richardson.

MR. RICHARDSON: Are the qualifications acceptable?

MR. NUTTER: Yes, sir.



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PHONE 243-6691

Q (By Mr. Richardson) You have before you a geological report consisting actually, I think we marked the exhibits 1 through 5, it is all part of the geological report. I wonder if you would go through the report briefly with reference to the maps and cross-sections and what-not, and identify the different maps and state briefly in your own words the contents of the report and what the report shows, and your recommendations.

A Well, this is strictly a wildcat area, and the geological report has dealt mainly with the subsurface interpretation from wells that were drilled immediately adjacent to the proposed unit. The wells drilled, the three wells drilled in the area are on the flanks of an anticipated subsurface structure. The Stanolind-Guadalupe Hills well, which was drilled in the northeast corner of the unit, is an anomalous well, and I believe probably would be the reason that this subsurface structure is set up. Regionally, the dip is to the East from the dry hole drilled by Northern-Natural McKettrick well, going East to the Stanolind well, and further East to the Honolulu-McKettrick well. However, the Stanolind well is approximately 150 feet high on the Devonian, to the Northern-Natural well, where regionally it would be anticipated to be quite a bit lower.

Going beyond that interpretation, the logs of these three wells show that the horizons that could reasonably be expected to produce oil are present in all of these wells. The logs, sonic logs, micro logs show that there is porosity in these zones so



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that if there is the anticipated structure, you might reasonably expect to obtain gas and oil; it is probably a gas prospect, rather than an oil prospect.

There has been a little seismic work done in the area. I have not seen it, it is not mine. Just by putting the unit together and discussing with the companies, I have determined that any seismic work that has been done in there is, very generally it has been rather expansive, and the interpretation from it has been quite unfavorable.

Q Mr. Inman, the size of the unit, could you give the Commission those figures?

A Yes, the unit's total acreage is 12,151.4 acres. There is approximately 9700 acres of Federal land, 1900 acres of State land, and 422 acres of Fee land.

Q Mr. Inman, this report was prepared by a Mr. Dan L. Ward, consulting geologist, of Midland, and the report, that was prepared for you and under your supervision; in other words, it is your report, done for you at your insistence?

A Right.

Q You did mention the seismic and gravity surveys to which you do not have access, but actually it was not a report based primarily, or a--

A It's based solely on surface and subsurface control, plus the fact that there is a known surface structure in that area.

Q In the report, Mr. Inman, you mentioned, or Mr. Ward



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PHONE 243.6691

does, mentions a location for the proposed test well near the common corners of Sections 29, 30, 31, and 32. I wonder if you would tell the Commission if this is a definite location, or projected, or approximately where you would intend to drill?

A It is not a definite location in that it hasn't been staked as yet; but it is as close to the location as I can determine it at this time. The surface conditions and all play some part in the location of the well in that area; it's quite a rough area.

Q Mr. Inman, can you tell the Commission if the unit area has been designated by the United States Geological Survey as an area logically suitable for unitization?

A It has.

Q Can you tell the Commission whether or not the Unit Agreement has been submitted to the Commissioner of Public Lands of the State of New Mexico for his approval?

A It has been approved as to form and content.

Q It has been committed, and has been approved as to form and content by the Commissioner of Public Lands?

A Yes, it has.

Q Mr. Inman, essentially do you feel that the unit area covers all, or substantially all of the geological structure?

A From the information we have, it does.

Q In the event of a discovery of unitized substance in paying quantities, would the Unit Agreement promote the orderly



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PHONE 243-6691

development and the interest of conservation and prevention of waste?

A It would.

Q In the event of a discovery of unitized substances in paying quantities, would the State of New Mexico receive their fair and proper share of production?

A Yes, it would.

MR. RICHARDSON: I believe that is about all.

MR. NUTTER: Are there any questions of Mr. Inman?

MR. RICHARDSON: We would like to submit the geological report containing the different portions in evidence.

MR. NUTTER: The documents that are marked Exhibits 1, 2, 3, and 4 are part of the geological report?

MR. RICHARDSON: Right, they are all a part of it.

MR. NUTTER: Inman's Exhibits 1 through 5 will be admitted in evidence. Are there any questions of Mr. Inman?

CROSS-EXAMINATION

BY MR. NUTTER:

Q Are you designated by the Unit Agreement as the unit operator?

A Yes, I am.

Q The Unit Agreement does provide for a test well to be



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A. BUQUEROUE, N. M.
PHONE 243-6691

drilled?

A It provides for a test well to be drilled to test the Devonian or eleven hundred feet.

Q Is there provision in the Unit Agreement for subsequent joinder?

A Yes, there is.

Q What percent of the working interest in the defined unit area has committed its acreage?

A Part of the acreage in the Unit Agreement is involved in the suit; taking that acreage out, there is a little better than 90 percent.

Q You got 90 percent of the working interest, not counting the acreage that is involved in a suit?

A Yes.

MR. RICHARDSON: It is not signed committed. It is an indication in oral agreement to commit, rather than actually having the Unit Agreement executed.

Q (By Mr. Nutter) Has the Unit Agreement been executed by any of the working interests?

A The Unit Agreement and the Unit Operating Agreement are in the hands of all the interested parties at this time for their confirmation. In other words, as to the wording and the content of it, it has been indicated for some of them that the agreement is satisfactory.

Q But it is not definitely signed?



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PHONE 243-6691

A It has not definitely been signed.

Q But the U.S.G.S., and the State Land Commissioner have both indicated their approval of the form and context?

A They both have.

MR. NUTTER: Are there any further questions of Mr. Inman?

(No response.)

MR. NUTTER: He may be excused. Do you have anything further you wish to offer?

MR. RICHARDSON: No, thank you.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 2683?

(No response.)

MR. NUTTER: We'll take the case under advisement.



STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss.

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

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 4th day of December, 1962.

Ada Dearnley
NOTARY PUBLIC-COURT REPORTER.

My Commission Expires:
June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examining Hearing of Case No. 2613, heard by me on Nov 8, 1962.
[Signature], Examiner
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

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E X H I B I T S

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Inman 1-5, Inc.	Geological Reports	2	7	7



BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 8, 1962

IN THE MATTER OF:

Application of Curtis R. Inman for approval
of a unit agreement, Eddy County, New Mexico.
Applicant, in the above-styled cause, seeks
approval of the Carnero Peak Unit Area com-
prising 12,151 acres, more or less, of State,
Federal and Fee lands in Townships 22 and 23
South, Ranges 24 and 25 East, Eddy County,
New Mexico.

CASE
NO. 2683

BEFORE:

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Mexico, representing Mr. Inman. I have one witness, Mr. Curtis R.
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C U R T I S R. I N M A N, the Applicant, having been first
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DIRECT EXAMINATION

BY MR. RICHARDSON:

DEARNLEY-MEIER REPORTING SERVICE, Inc.

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does, mentions a location for the proposed test well near the common corners of Sections 29, 30, 31, and 32. I wonder if you would tell the Commission if this is a definite location, or projected, or approximately where you would intend to drill?

A It is not a definite location in that it hasn't been staked as yet; but it is as close to the location as I can determine it at this time. The surface conditions and all play some part in the location of the well in that area; it's quite a rough area.

Q Mr. Inman, can you tell the Commission if the unit area has been designated by the United States Geological Survey as an area logically suitable for unitization?

A It has.

Q Can you tell the Commission whether or not the Unit Agreement has been submitted to the Commissioner of Public Lands of the State of New Mexico for his approval?

A It has been approved as to form and content.

Q It has been committed, and has been approved as to form and content by the Commissioner of Public Lands?

A Yes, it has.

Q Mr. Inman, essentially do you feel that the unit area covers all, or substantially all of the geological structure?

A From the information we have, it does.

Q In the event of a discovery of unitized substance in paying quantities, would the Unit Agreement promote the orderly



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development and the interest of conservation and prevention of waste?

A It would.

Q In the event of a discovery of unitized substances in paying quantities, would the State of New Mexico receive their fair and proper share of production?

A Yes, it would.

MR. RICHARDSON: I believe that is about all.

MR. NUTTER: Are there any questions of Mr. Inman?

MR. RICHARDSON: We would like to submit the geological report containing the different portions in evidence.

MR. NUTTER: The documents that are marked Exhibits 1, 2, 3, and 4 are part of the geological report?

MR. RICHARDSON: Right, they are all a part of it.

MR. NUTTER: Inman's Exhibits 1 through 5 will be admitted in evidence. Are there any questions of Mr. Inman?

CROSS-EXAMINATION

BY MR. NUTTER:

Q Are you designated by the Unit Agreement as the unit operator?

A Yes, I am.

Q The Unit Agreement does provide for a test well to be



drilled?

A It provides for a test well to be drilled to test the Devonian or eleven hundred feet.

Q Is there provision in the Unit Agreement for subsequent joinder?

A Yes, there is.

Q What percent of the working interest in the defined unit area has committed its acreage?

A Part of the acreage in the Unit Agreement is involved in the suit; taking that acreage out, there is a little better than 90 percent.

Q You got 90 percent of the working interest, not counting the acreage that is involved in a suit?

A Yes.

MR. RICHARDSON: It is not signed committed. It is an indication in oral agreement to commit, rather than actually having the Unit Agreement executed.

Q (By Mr. Nutter) Has the Unit Agreement been executed by any of the working interests?

A The Unit Agreement and the Unit Operating Agreement are in the hands of all the interested parties at this time for their confirmation. In other words, as to the wording and the content of it, it has been indicated for some of them that the agreement is satisfactory.

Q But it is not definitely signed?

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A It has not definitely been signed.

Q But the U.S.G.S., and the State Land Commissioner have both indicated their approval of the form and context?

A They both have.

MR. NUTTER: Are there any further questions of Mr. Inman?

(No response.)

MR. NUTTER: He may be excused. Do you have anything further you wish to offer?

MR. RICHARDSON: No, thank you.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 2683?

(No response.)

MR. NUTTER: We'll take the case under advisement.

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STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss.

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

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 4th day of December, 1962.

Ada Dearnley
NOTARY PUBLIC-COURT REPORTER.

My Commission Expires:

June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner's hearing of Case No. 2283, heard by me on Nov 8, 1962.

[Signature], Examiner
New Mexico Oil Conservation Commission



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SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 2683
Order No. R-2369

APPLICATION OF CURTIS R. INMAN
FOR APPROVAL OF THE CARNERO PEAK
UNIT AGREEMENT, EDDY COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 8, 1962, at Santa Fe, New Mexico, before Daniel S. Mutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 21st day of November, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Mutter, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Curtis R. Inman, seeks approval of the Carnero Peak Unit Agreement covering 12,151 acres, more or less, of State, Federal and Fee lands in Townships 22 and 23 South, Ranges 24 and 25 East, NEPM, Eddy County, New Mexico.

(3) That approval of the proposed Carnero Peak Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Carnero Peak Unit Agreement is hereby approved.

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Carnero Peak Unit Area, and such plan shall be known as the Carnero Peak Unit Agreement Plan.

(3) That the Carnero Peak Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Carnero Peak Unit, or relative to the production of oil or gas therefrom.

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO

TOWNSHIP 22 SOUTH, RANGE 24 EAST

Section 23: E/2
Sections 24 and 25: All
Section 26: E/2
Section 35: E/2
Section 36: All

TOWNSHIP 23 SOUTH, RANGE 24 EAST

Section 1: All
Section 2: E/2
Section 11: E/2
Sections 12 and 13: All
Section 14: E/2

TOWNSHIP 22 SOUTH, RANGE 25 EAST

Section 19: All
Sections 29, 30, 31, and 32: All

TOWNSHIP 23 SOUTH, RANGE 25 EAST

Sections 5, 6, 7, and 8: All
Section 18: All

containing 12,151 acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Carnero Peak Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or

-3-

CASE No. 2683
Order No. R-2369

contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(6) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey, and shall terminate inso facto upon the termination of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION





EDWIN L. MECHEM, Chairman



E. S. WALKER, Member


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

END/

DRAFT

JMD/esr
November ____, 1962

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

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Order No. R-2269

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(3) That the Carnero Peak Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Carnero Peak Unit, or relative to the production of oil ^{or} ~~and~~ gas therefrom.

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NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO

TOWNSHIP 22 SOUTH, RANGE 24 EAST

Section 23: E/2

~~Section 24: All~~ *Sections 24 & 25: All*

~~Section 25: All~~

~~Section 26: E/2~~ *Section 26: E/2*

Section 35: E/2

Section 36: All

TOWNSHIP 23 SOUTH, RANGE 24 EAST

Section 1: All

Section 2: E/2

Section 11: E/2

~~Section 12: All~~ *and 13: All*

~~Section 13: All~~

Section 14: E/2

TOWNSHIP 22 SOUTH, RANGE 25 EAST

Section 19: All

~~Sections 29, 30, 31, and 32: All~~

~~Section 30: All~~

~~Section 31: All~~

~~Section 32: All~~

TOWNSHIP 23 SOUTH, RANGE 25 EAST

~~Sections 5, 6, 7, and 8: All~~

~~Section 6: All~~

~~Section 7: All~~

~~Section 8: All~~

Section 18: All

containing 12,151 acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

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

(6) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey, and shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.

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

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

PHONE MU 2-5281
RESIDENCE MU 2-1736

CURTIS R. INMAN

BOX 737
MIDLAND, TEXAS

August 5, 1963

RECEIVED
AUG 12 1963

2683

New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Gentlemen:

Enclosed is a photostatic copy of a letter from the United States Department of the Interior, Geological Survey, dated July 23, 1963 approving the termination of the Carnero Peak Unit Agreement.

Yours very truly,

Curtis R. Inman
CURTIS R. INMAN

CRI:ef
encl.



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

IN REPLY REFER TO

JUL 23 1963

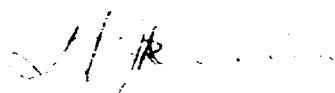
Mr. Curtis R. Inman
c/o Mr. R. M. Richardson
Post Office Box 819
Roswell, New Mexico

Dear Mr. Inman:

On July 18, 1963, effective as of July 1, 1963, Arthur A. Baker, Acting Director of the Geological Survey, approved the termination of the Carnero Peak unit agreement, Eddy County, New Mexico, No. 14-08-0001-8487, pursuant to the last paragraph of section 20 thereof.

Enclosed is one duplicate original of the approved application for your records. It is requested that you send notice of this approval to each interested working interest owner, lessee, and lessor at their last known address.

Sincerely yours,


For the Director

Enclosure