

CASE 2785: Application of DOB OIL
PROPERTIES, INC. for approval of the

CASE No.

2785

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 383-3971

ALBUQUERQUE, N. M.
PHONE 243-6691

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 10, 1963

EXAMINER HEARING

IN THE MATTER OF:

Application of DOB Oil Properties, Inc., for
a unit agreement, Lea County, New Mexico.
Applicant, in the above-styled cause, seeks
approval of the Northeast Anderson Ranch
Unit Area, comprising 1680 acres of State
land in Township 15 South, Range 32 East,
Lea County, New Mexico.

Case 2785

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: We will take next, Case 2785.

MR. DURRETT: Application of DOB Oil Properties, Inc.,
for a unit agreement, Lea County, New Mexico.

MR. BRATTON: Howard Bratton, appearing on behalf of
the applicant. We have one witness.

(Witness sworn.)

(Whereupon, Applicant's
Exhibits Nos. 1, 2, & 3
were marked for identi-
fication.)

SAM E. HILBURN

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



DEARNLEY-MEIER REPORTING SERVICE, Inc.

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SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691

DIRECT EXAMINATION

BY MR. BRATTON:

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

A Sam E. Hilburn, employed by DOB Oil Properties as a consultant.

Q Have you previously testified before this Commission?

A I have not.

Q Would you state briefly your professional and educational background?

A I am a petroleum engineer and a geologist by education, having a degree in both, registered as a petroleum engineer and geological engineer in the State of Texas.

Q Have you worked in connection with the preparation of the Northeast Anderson Ranch Unit and are you familiar with the area?

A I have, and I am familiar with the area.

MR. BRATTON: Are the witness's qualifications acceptable?

MR. NUTTER: Yes, sir.

Q (By Mr. Bratton) Mr. Hilburn, this is an application for the approval of a Unit Agreement, is that correct?

A Yes, sir.



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Q Exhibit 1 is the proposed Unit Agreement?

A That is true.

Q And Exhibit A attached to it shows the area involved in the application, is that correct?

A That is correct.

Q That contains 1680 acres of State of New Mexico lands, is that correct?

A That is correct.

Q And they lie in Sections 15, 16, 21 and 22 of Township 15 South, Range 32 East, as indicated there?

A That is correct.

Q Is the proposed state unit in a standard state form?

A It is.

Q Has it been approved as to form and area by the State Land Commissioner?

A It has been approved.

Q What is the well called for in the Unit Agreement?

A The well calls for a depth of 10,200 feet, or a test of the lower Wolfcamp pay, which is productive in the North Anderson Ranch Pool.

Q And the North Anderson Ranch lies just south of this, is that correct?

A A mile and a half to the south.



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Q Where is the proposed well to be located?

A The proposed well is to be located in the Southwest of the Southeast of Section 16.

MR. NUTTER: Southwest, Southeast of 16?

A Yes, sir.

Q And DOB Oil Company is the unit operator?

A Yes, sir.

Q What percentage of commitment do you have to the Unit Agreement?

A One hundred percent.

Q Now, refer to your Exhibit No. 2, Mr. Hilburn, which is the large map. Will you explain your Exhibit No. 2, then?

A Exhibit No. 2 initially shows the land area here. It shows the Anderson Ranch Field, the North Anderson Ranch, the unitized area requested, the East Tubb Field right here to the north. The area which we propose to unitize lies on this generally-known anticlinal trend.

Now, subsurface information leads us to believe there is a large anomaly lying immediately north of the North Anderson Ranch Field as indicated by this particular plat here, contoured on top of the Abo horizon. That has been substantiated by seismic evaluation, which is shown by this plat. Seismic evaluation indicated here is on the Upper Penn. reflection, which



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should be possibly some 100 feet below the anticipated pay zone at approximately 10,000 feet. The seismic anomaly incorporates the entire area as proposed by the unitized area, and that also, as I say, is substantiated by geological subsurface information.

The seismic information, we believe, is quite accurate, the records are excellent; we, therefore, believe that the anomaly is quite positive due to the fact that our seismic information is quite good.

Q Which way does your cross section up above run?

A This cross section here starts, and it's indicated on that map and not on this one, starts at the Texaco State Well, here, runs across our anomaly, this is the Texaco State Well.

MR. NUTTER: What is the location of the Texaco well?

A The Texaco well is in the Northwest, Northeast of Section 10, 15 South, 32. It starts there, runs across the anomalous area, ties in with the North Anderson Ranch, which is the Aztec well located right here in the Northeast of the Southwest of Section 28. That's this, or actually the first well it comes to is the Sinclair well right here, it's a dry hole located in the Southwest of the Northeast of Section 28.

From there it goes right on down to the Aztec producer in the North Anderson Ranch Pool, which is in the Northeast of the Southwest of Section 28. From there it goes down to the Union



well in the Southeast corner of Section 28.

MR. NUTTER: Southwest corner.

A Southwest, I am sorry, of Section 28, and from there runs clear on down into the Anderson Pool, being the Phillips Petroleum well located here in Section 3, being the Southeast, Southeast of that section.

Q Mr. Hilburn, as a result of the studies of the Abo horizon and your seismic shooting on the basis of the Upper Penn, do you anticipate a structure, a Wolfcamp structure substantially similar to the North Anderson Ranch Unit?

A It should be substantially similar. There's approximately a hundred feet of closure. Our seismic information shows that we have that or better.

Q And your proposed unit outline encompasses the closure indicated?

A Yes, it does, very closely. As a matter of fact, I rather think that our seismic anomaly might cover a bigger area than that requested for unitized acreage. It's possible that it could extend out to this contour here.

MR. NUTTER: That would be approximately 5751?

A Yes, sir, which covers the entire area that we have requested for the unit.

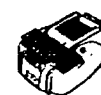
Q Turn to your Exhibit 3. Is that a written geological

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report?

A That is a written geological report by a geological consultant relative to the prospect.

Q Coming to the same conclusion reflected on Exhibit No. 2?

A Yes.

Q And attached to it is a columnar section showing the formation you would anticipate on the way down?

A Yes.

Q Were your Exhibits 1 through 3 prepared by DOB Oil Company, and are you familiar with all of the contents thereof?

A I am familiar with them.

MR. BRATTON: We would offer in evidence Exhibits 1 through 3.

MR. NUTTER: DOB Oil, Inc. Exhibits 1 through 3 will be admitted in evidence.

(Whereupon, Applicant's Exhibits Nos. 1, 2 & 3 were offered and admitted in evidence.)

MR. BRATTON: If the Commission please, I have a letter from the Commissioner of Public Lands. I would like to take it and send you a copy for the file, if I could, please, indicating the approval of the unit as to form and area.



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MR. NUTTER: That will be very good, Mr. Bratton.

Q (By Mr. Bratton) Mr Hilburn, will the granting of this application be in the interest of the prevention of waste and the protection of correlative rights?

A In my opinion it will.

MR. BRATTON: We have nothing further to offer.

MR. NUTTER: Does anyone have any questions of Mr. Hilburn?

CROSS EXAMINATION

BY MR. NUTTER:

Q You stated that one hundred percent of the acreage had been committed to the unit?

A Yes, sir.

Q That's working interest, is that right?

A Yes, sir, that's true.

Q Is all of the royalty identical in this unit?

A Yes, sir, it is.

Q So you have one hundred percent commitment throughout?

A We do have.

MR. NUTTER: Any further questions of Mr. Hilburn?
He may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further for this case,



Mr. Bratton?

MR. BRATTON: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case 2785? We will take the case under advisement and call a fifteen-minute recess.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

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 22nd day of April, 1963.

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 hearing of Case No. 2785- heard by me on 4/10, 1963.
[Signature] Examiner
New Mexico Oil Conservation Commission

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Santa Fe, New Mexico
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A I am a petroleum engineer and a geologist by education, having a degree in both, registered as a petroleum engineer and geological engineer in the State of Texas.

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MR. BRATTON: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case 2785? We will take the case under advisement and call a fifteen-minute recess.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

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 22nd day of April, 1963.

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 hearing of Case No. 2785- heard by me on 4/10, 1963.

Admiral Examiner
New Mexico Oil Conservation Commission

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7/2/64

Unit Name NORTHEAST ANDERSON RANCH UNIT (EXPLORATORY)
 Operator DOB OIL PROPERTIES, INC.
 County LEA

TERMINATE

Approved	Effective Date of Termination	Total Acreage Terminated	STATE	FEDERAL	INDIAN	FEE
	JULY 1, 1964	1680.00	1680.00	-0-	-0-	-0-
<u>UNIT AREA TERMINATED</u>						
Tract No. 1	E-7250	Section 22, T-15S, R-32E	NW/4NW/4			40.00 Acres
Tract No. 2	E-7414	Section 15, T-15S, R-32E	NW/4, W/2NE/4			240.00 Acres
Tract No. 3	E-10063	Section 16, T-15S, R-32E	W/2NW/4			80.00 Acres
Tract No. 4	E-7634	Section 16, T-15S, R-32E	SW/4SE/4			40.00 Acres
Tract No. 5	OG-5349	Section 22, T-15S, R-32E	NE/4NW/4			40.00 Acres
Tract No. 6	E-7115	Section 16, T-15S, R-32E	NE/4NW/4, S/2SW/4, NE/4SE/4			160.00 Acres
Tract No. 7	E-7343	Section 16, T-15S, R-32E	SE/4NW/4, NW/4SE/4, SE/4SE/4			120.00 Acres
Tract No. 8	K-2525	Section 16, T-15S, R-32E	NE/4NE/4			40.00 Acres
Tract No. 9	OG-3950-1	Section 21, T-15S, R-32E	NW/4			160.00 Acres
Tract No. 10	OG-4563-1	Section 16, T-15S, R-32E	S/2NE/4			80.00 Acres
Tract No. 11	B-9380	Section 15, T-15S, R-32E	SW/4			160.00 Acres
Tract No. 12	E-7505	Section 22, T-15S, R-32E	S/2 NW/4, W/2 NE/4			160.00 Acres
Tract No. 13	K-680	Section 16, T-15S, R-32E	NW/4 NE/4, N/2 SW/4			120.00 Acres
Tract No. 14	OG-4061	Section 21, T-15S, R-32E	NE/4			160.00 Acres

7/2/64

Unit Name NORTHEAST ANDERSON RANCH UNIT (EXPLORATORY
Operator DOB OIL PROPERTIES, INC.
County LEA

TERMINATE

Unit Area Terminated - Continued

Tract No. 15

K-2867

Section 15, T-15S, R-32E

W/2 SE/4

80.00 Acres

RECEIVED 6 11 3 26

all state land - terminated June 1, 1964

no problem w/ using name again

see case 5715 w/c

April 3, 1963

Hervey, Dow and Hinkle
Hinkle Building
Roswell, New Mexico

Re: Proposed Northeast
Anderson Ranch Unit
Lea County, New Mex.

Attention: Mr. Clarence E. Hinkle

Dear Mr. Hinkle

The Commissioner of Public Lands, on March 20, 1963,
approved the Northeast Anderson Ranch Unit as to the area.
This area is described as:

TOWNSHIP 13 SOUTH, RANGE 37 EAST
Section 15: W/2 E/2, W/2
Section 16: ALL
Section 21: N/2
Section 22: W/2 NE/4, NW/4

containing 1680 acres.

We approve the Unit Agreement as to form and con-
tent, subject to the one change which was agreed upon
by telephone as of this date.

Very truly yours,

E. S. Johnny Walker
COMMISSIONER OF PUBLIC LANDS

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

ESW/dmr/e
cc:

Oil Conservation Commission
Santa Fe, New Mexico

Application of
DOB Oil Properties,
Inc., for a Unit
Agreement, Lea County
New Mexico.

Applicant, in the above-styled
cause, seeks approval of the
Northeast Anderson Ranch
Unit Area, comprising 1680
acres of State Land in
Township 15 South, Range
32 East, Lea County, New Mexico.

State of New Mexico

April 18, 1963

OTHER

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. 2785
Order No. R-2466

APPLICATION OF DOB OIL PROPERTIES, INC.,
FOR APPROVAL OF THE NORTHEAST ANDERSON
RANCH UNIT AGREEMENT, LEA COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 10, 1963, at Santa Fe, New Mexico, before Daniel S. Nutter, 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 18th day of April, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, DOB Oil Properties, Inc., seeks approval of the Northeast Anderson Ranch Unit Agreement covering 1,680 acres, more or less, of State land in Township 15 South, Range 32 East, NMPM, Lea County, New Mexico.

(3) That approval of the proposed Northeast Anderson Ranch 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 Northeast Anderson Ranch 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

-2-

CASE No. 2785
Order No. R-2466

development and operation of the Northeast Anderson Ranch Unit Area, and such plan shall be known as the Northeast Anderson Ranch Unit Agreement Plan.

(3) That the Northeast Anderson Ranch 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 Northeast Anderson Ranch Unit, or relative to the production of oil or gas therefrom.

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

NEW MEXICO PRINCIPAL MERIDIAN

LEA COUNTY, NEW MEXICO

TOWNSHIP 15 SOUTH, RANGE 32 EAST

Section 15: W/2 E/2 and W/2

Section 16: All

Section 21: N/2

Section 22: W/2 NE/4 and NW/4

containing 1,680 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 Northeast Anderson Ranch 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 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.

-3-

CASE No. 2785
Order No. R-2466

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Jack M. Campbell

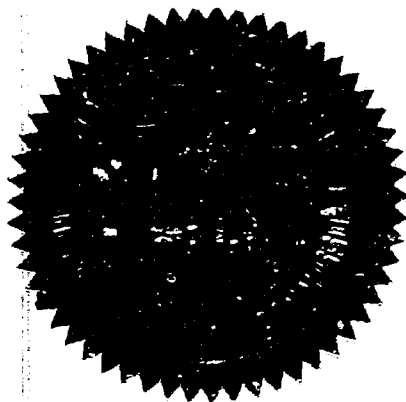
JACK M. CAMPBELL, Chairman

E. S. Walker

E. S. WALKER, Member

A. L. Porter, Jr.

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



esr/

DRAFT

JMD/esr
April 16, 1963

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. 2785

Order No. R- 2466

APPLICATION OF DOB OIL PROPERTIES, INC.,
FOR APPROVAL OF THE NORTHEAST ANDERSON
RANCH UNIT AGREEMENT, LEA COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 10, 1963, at Santa Fe, New Mexico, before Daniel S. Nutter, 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 _____ day of April, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, DOB Oil Properties, Inc., seeks approval of the Northeast Anderson Ranch Unit Agreement covering 1,680 acres, more or less, of State land in Township 15 South, Range 32 East, NMPM, Lea County, New Mexico.

(3) That approval of the proposed Northeast Anderson Ranch 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 Northeast Anderson Ranch 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 Northeast Anderson Ranch Unit Area, and such plan shall be known as the Northeast Anderson Ranch Unit Agreement Plan.

(3) That the Northeast Anderson Ranch 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 Northeast Anderson Ranch Unit, or relative to the production of oil or gas therefrom.

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

NEW MEXICO PRINCIPAL MERIDIAN

LEA COUNTY, NEW MEXICO
TOWNSHIP 15 SOUTH, RANGE 32 EAST

Section 15: W/2 E/2 and W/2
Section 16: All
Section 21: N/2
Section 22: W/2 NE/4 and NW/4

containing 1,680 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 Northeast Anderson Ranch 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 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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

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

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 4/15/63

CASE 2785

Hearing Date 9 am 4/10/63

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

Enter an order approving DOB
Oil Properties, Inc., proposed
Northeast Anderson Ranch Unit
Agreement covering 1680 acres more
or less of State Lands located
as follows

T 15 S R 32 E NMPM

- ✓ Sec 15 : $W\frac{1}{2}E\frac{1}{2} \& W\frac{1}{2}$
Sec 16 : see
Sec 21 : $N\frac{1}{2}$
Sec 22 : $W\frac{1}{2}NE\frac{1}{4} \& NW\frac{1}{4}$

All in Lea Co N.M.

Make order effective upon approval
of unit by Commr of Pub Lds for
N.M.

Vandenberg
Examiner

No. 11-63

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 10, 1963

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, as alternate Examiner:

- CASE 2780: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Petroleum Consultants and all other interested parties to appear and show cause why the State Well No. 1 located 660 feet from the South and East lines of Section 2, Township 1 North, Range 20 East, De Baca County, New Mexico, should not be plugged in accordance with a Commission-approved plugging program.
- CASE 2781: Application of John H. Trigg Company for three water injection wells, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to convert its Federal Trigg Wells Nos. 17-9, 26-9, and 28-9, located in Units N, L, and D respectively, Section 9, Township 14 South, Range 31 East, Caprock-Queen Pool, Chaves County, New Mexico, to water injection off-setting Phillips Petroleum Company's West Caprock waterflood project.
- CASE 2782: Application of Texaco Inc., for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the E/2 SW/4, S/2 SE/4, NE/4 SE/4, E/2 NE/4, and NW/4 NE/4 of Section 12, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be dedicated to its Roy Riddel Well No. 1 located in Unit N of Section 12.
- CASE 2783: Application of Pan American Petroleum Corporation for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Southland Royalty "A" Well No. 8, located in Unit W, Section 4, Township 21 South, Range 37 East, Lea County, New Mexico, as a triple completion (conventional) to produce oil from the Blinebry Oil Pool, Tubb Gas Pool, and Drinkard Pool through parallel strings of tubing.
- CASE 2784: Application of Continental Oil Company for authority to conduct interference tests, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to shut-in one Oil Center Blinebry well on its Meyer B-4 Lease, Section

4, Township 21 South, Range 36 East, Lea County, New Mexico, to observe pressure behavior and to transfer said well's allowable to other wells on said lease for a period not to exceed 90 days.

CASE 2785: Application of DOB Oil Properties, Inc., for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Northeast Anderson Ranch Unit Area, comprising 1680 acres of State land in Township 15 South, Range 32 East, Lea County, New Mexico.

CASE 2786: Application of Apache Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Maljamar North Unit Area, comprising 1600 acres of State land in Township 16 South, Ranges 32 and 33 East, Lea County, New Mexico.

CASE 2787: Application of Cabot Corporation for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the unorthodox location of its John R. Thompson Well No. 1 at a point 1980 feet from the South line and 330 feet from the West line of Section 23, Township 11 South, Range 33 East, North Bagley-Wolfcamp Po. 1, Lea County, New Mexico.

CASE 2788: Application of Ralph Lowe for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of his Indian Basin "A" Well No. 1, located in Unit J of Section 22, Township 21 South, Range 23 East, Eddy County, New Mexico, as a dual completion (conventional) to produce gas from the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Morrow Gas Pool through parallel strings of tubing.

CASE 2789: Application of Sam Boren Oil for a salt water disposal dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Robinson Well No. 1, located in Unit H, Section 23, Township 9 South, Range 33 East, Lea County, New Mexico, in such a manner as to produce oil from the Bough "C" zone of the Pennsylvanian formation and to dispose of produced salt water through the intermediate casing annulus into the open-hole interval from 4184 feet to approximately 5700 feet.

J. M. HERVEY 1874-1953
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON
S. D. CHRISTY, IV
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.

LAW OFFICES
HERVEY, DOW & HINKLE
HINKLE BUILDING
ROSWELL, NEW MEXICO

TELEPHONE 622-6510
AREA CODE 505
POST OFFICE BOX 10

1963 APR 15 PM 1 33

April 2, 1963

New Mexico Oil Conservation Commission
State Capitol
Box 871
Santa Fe, New Mexico

Attention: Mr. Dan Nutter

Re: Northeast Anderson Ranch Unit Agreement

Dear Mr. Nutter:

Reference is made to our letter of March 29 forwarding application of DOB Oil Properties, Inc., for approval of the proposed Northeast Anderson Ranch Unit Agreement, as well as three copies of the proposed form of Unit Agreement which was complete except for Exhibit B.

We enclose herewith three copies of Exhibit B to the proposed unit. We also enclose page 6 of the unit, which was revised, and ask that you substitute the enclosed three copies of page 6 for the ones you now have. The proposed unit agreement form is now complete.

Yours very truly,

HERVEY, DOW & HINKLE

By 

CEH: ev
Encls.

cc: DOB Oil Properties, Inc.
Mr. Dalton Kincheloe

J. M. HERVEY 1874-1953
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
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CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.

LAW OFFICES
HERVEY, DOW & HINKLE
HINKLE BUILDING
ROSWELL, NEW MEXICO

TELEPHONE 922-6510
AREA CODE 505
POST OFFICE BOX 10

March 29, 1963

New Mexico Oil Conservation Commission
State Capitol
Box 871
Santa Fe, New Mexico

Re: Northeast Anderson Ranch Unit Agreement

Attention: Mr. Dan Nutter

Dear Mr. Nutter:

We enclose herewith in triplicate application of DOB Oil Properties, Inc., for approval of the proposed Northeast Anderson Ranch Unit Agreement. You will also find enclosed three copies of the proposed form of Unit Agreement which is complete except for Exhibit B which we have not been able to complete but which we will supply before the hearing.

It is my understanding that this matter has been set down for the Examiner's Hearing which will be held on April 10.

Yours very truly,

HERVEY, DOW & HINKLE

By 

CEH: ev
Encls.

cc: DOB Oil Properties, Inc.

Mr. Dalton Kincheloe

DOCKET MAILED
Date 3/29/63
jr

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

RECEIVED OFFICE OCC

APR 1 AM 8:41

APPLICATION FOR APPROVAL OF
NORTHEAST ANDERSON RANCH UNIT AGREEMENT
Lea County, New Mexico

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Comes the undersigned, DOB Oil Properties, Inc.,
Midland, Texas, acting by and through the undersigned attorneys,
Hervey, Dow & Hinkle of Roswell, New Mexico, and files herewith
three copies of the proposed Unit Agreement for the Northeast
Anderson Ranch Unit Area, Lea County, New Mexico, and hereby
makes application for the approval of said Unit Agreement as
provided by law and the rules and regulations of the New Mexico
Oil Conservation Commission, and in support thereof states:

1. That the proposed unit area embraces 1,680 acres,
situated in Township 15 South, Range 32 East, N.M.P.M., Lea
County, New Mexico, all of which is State land, and which is
more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN

Township 15 South, Range 32 East

Section 15: $W\frac{1}{2}E\frac{1}{2}$, $W\frac{1}{2}$

Section 16: All

Section 21: $N\frac{1}{2}$

Section 22: $W\frac{1}{2}NE\frac{1}{4}$, $NW\frac{1}{4}$

2. That applicant is informed and believes and upon
such information and belief states that the proposed unit area
covers all or substantially all of a geophysical feature or anomaly

and that in the event of the discovery of oil or gas, 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 unitized substances.

3. That applicant proposes to cause a test well to be drilled upon the unit area in approximately the center of the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 16, Township 15 South, Range 32 East, N.M.P.M., to a depth sufficient to test the producing formation which is productive in the North Anderson Ranch Unit which lies to the south of the proposed unit area, but that applicant shall not be obligated in any event to drill said well to a depth in excess of 10,200 feet.

4. That the proposed form of unit agreement is substantially the same as that heretofore used and approved by the Oil Conservation Commission and the Commissioner of Public Lands where State lands are involved.

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

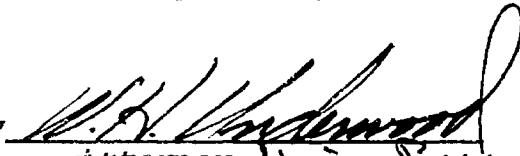
6. That upon an order being entered by the New Mexico Oil Conservation Commission approving said unit agreement,

and after approval thereof by the Commissioner of Public Lands, an approved copy will be filed with the Commission.

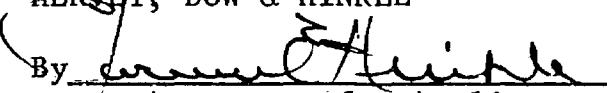
WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of the approval of said unit agreement and that upon said hearing, said unit agreement be approved by the Commission as being in the interest of conservation and the prevention of waste.

DATED this the 20th day of March, 1963.

Respectfully submitted,
DOB Oil Properties, Inc.

By 
~~Attorney~~ *W. D. Woodward*

HERVEY, DOW & HINKLE

By 
Attorneys for Applicant
P.O. Box 10
Roswell, New Mexico

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

RECEIVED
OCT 1 1941

APPLICATION FOR APPROVAL OF
NORTHEAST ANDERSON RANCH UNIT AGREEMENT
Lea County, New Mexico

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Comes the undersigned, DOB Oil Properties, Inc.,
Midland, Texas, acting by and through the undersigned attorneys,
Hervey, Dow & Hinkle of Roswell, New Mexico, and files herewith
three copies of the proposed Unit Agreement for the Northeast
Anderson Ranch Unit Area, Lea County, New Mexico, and hereby
makes application for the approval of said Unit Agreement as
provided by law and the rules and regulations of the New Mexico
Oil Conservation Commission, and in support thereof states:

1. That the proposed unit area embraces 1,680 acres,
situated in Township 15 South, Range 32 East, N.M.P.M., Lea
County, New Mexico, all of which is State land, and which is
more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN

Township 15 South, Range 32 East

Section 15: $W\frac{1}{2}E\frac{1}{2}$, $W\frac{1}{2}$

Section 16: All

Section 21: $N\frac{1}{2}$

Section 22: $W\frac{1}{2}NE\frac{1}{4}$, $NW\frac{1}{4}$

2. That applicant is informed and believes and upon
such information and belief states that the proposed unit area
covers all or substantially all of a geophysical feature or anomaly

and that in the event of the discovery of oil or gas, 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 unitized substances.

3. That applicant proposes to cause a test well to be drilled upon the unit area in approximately the center of the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 16, Township 15 South, Range 32 East, N.M.P.M., to a depth sufficient to test the producing formation which is productive in the North Anderson Ranch Unit which lies to the south of the proposed unit area, but that applicant shall not be obligated in any event to drill said well to a depth in excess of 10,200 feet.

4. That the proposed form of unit agreement is substantially the same as that heretofore used and approved by the Oil Conservation Commission and the Commissioner of Public Lands where State lands are involved.

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

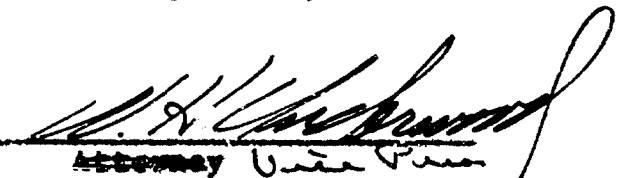
6. That upon an order being entered by the New Mexico Oil Conservation Commission approving said unit agreement,

and after approval thereof by the Commissioner of Public Lands, an approved copy will be filed with the 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 Commission as being in the interest of conservation and the prevention of waste.

DATED this the 20th day of March, 1963.

Respectfully submitted,
DOB Oil Properties, Inc.

By 
Attorney Under Power

HERVEY, DOW & HINKLE

By 
Attorneys for Applicant
P.O. Box 10
Roswell, New Mexico

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
NORTHEAST ANDERSON RANCH UNIT AGREEMENT
Lea County, New Mexico

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

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Midland, Texas, acting by and through the undersigned attorneys,
Harvey, Dow & Hinkle of Roswell, New Mexico, and files herewith
three copies of the proposed Unit Agreement for the Northeast
Anderson Ranch Unit Area, Lea County, New Mexico, and hereby
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provided by law and the rules and regulations of the New Mexico
Oil Conservation Commission, and in support thereof states:

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situated in Township 15 South, Range 32 East, N.M.P.M., Lea
County, New Mexico, all of which is State land, and which is
more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN

Township 15 South, Range 32 East

Section 15: $W\frac{1}{2}E\frac{1}{2}$, $W\frac{1}{2}$

Section 16: All

Section 21: $N\frac{1}{2}$

Section 22: $W\frac{1}{2}NE\frac{1}{2}$, $NW\frac{1}{2}$

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such information and belief states that the proposed unit area
covers all or substantially all of a geophysical feature or anomaly

and that in the event of the discovery of oil or gas, 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 unitized substances.

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4. That the proposed form of unit agreement is substantially the same as that heretofore used and approved by the Oil Conservation Commission and the Commissioner of Public Lands where State lands are involved.

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

6. 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, an approved copy will be filed with the 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 Commission as being in the interest of conservation and the prevention of waste.

DATED this the 20th day of March, 1963.

Respectfully submitted,

DOB Oil Properties, Inc.

By

[Signature]
Attorney Vice Pres.

HERVEY, OOW & HINKLE

By

Attorneys for Applicant
P.O. Box 10
Roswell, New Mexico

1785
May 7, 1963

Hervey, Dow & Hinkle
P. O. Box 10
Roswell, New Mexico

Re: Northeast Anderson Ranch Unit
Lea County, New Mexico

Attention: Mr. Clarence E. Hinkle

Gentlemen:

The Commissioner of Public Lands has approved as of May 9, 1963 the Northeast Anderson Ranch Unit Agreement, Lea County, New Mexico.

We are handing five originally signed Certificates of Approval to Mr. Clarence E. Hinkle together with Official Receipt No. O-14217 in the amount of Twenty (\$20.00) dollars which covers the filing fee.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

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

ESW/mar/v

encl:

cc: Oil Conservation Commission
Santa Fe, New Mexico

DOB Oil Properties, Inc.
First National Bank Bldg.
Midland, Texas
Attention: Mr. Dalton Kincheloe

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
NORTHEAST ANDERSON RANCH UNIT AREA
LEA COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 15 day of April, 1963, by and between the parties subscribing, ratifying or consenting hereto, and herein sometimes referred to as the "parties hereto",

WITNESSETH:

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

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

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

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

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

WHEREAS, it is the purpose of the parties hereto to conserve natural resources,

prevent waste and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth;

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

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

Township 15 South, Range 32 East, N.M.P.M.

Section 15: W/2 E/2, W/2

Section 16: All

Section 21: N/2

Section 22: W/2 NE/4, NW/4

containing 1,680 acres, more or less.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identify 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 rights in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner."

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

2. UNITIZED SUBSTANCES: All oil, gas and associated hydrocarbon substances in any and all formations of the unitized lands, down to and including a depth of 10,300 feet below the surface, are unitized under the terms of this agreement and herein are called "unitized substances."

3. UNIT OPERATOR: DOB Oil Properties, Inc., with offices at Midland, Texas, is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit B, and agrees and

consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as provided herein. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

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

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

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

5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote is owned by one

party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five percent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

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

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

8. DRILLING TO DISCOVERY: The unit operator shall, on or before May 10,

1963, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the producing zone found in the North Anderson Ranch Unit or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 10,200 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: Quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

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

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED

SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six (6) months from the time of the completion of the initial discovery well and within thirty (30) days after the expiration of each twelve-month period thereafter file a report with the Commissioner and the Commission

of the status of the development of the unit area and the development contemplated for the following twelve-month period.

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

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

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

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

the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

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

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

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

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

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

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

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

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA: The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the term of each such lease as to lands within the unitized area to the provisions and term of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein so long as this agreement remains in effect provided drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement.

Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as may be provided in Section 9 hereof.

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

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

15. DRAINAGE: In the event a well or wells producing oil or gas in paying

quantities should be brought in on land adjacent to the unit area and draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the recorded instrument or transfer.

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

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

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

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

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

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

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

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

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

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

ATTEST:

Maurice L. Smith
Secretary

Date: April 24, 1963

DOB OIL PROPERTIES, INC.

By [Signature]

Vice-President

First National Bank Building
Midland, Texas

UNIT OPERATOR

ATTEST:

Thomas J. Johnson
Assistant Secretary

Date: April 30, 1963

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

CABOT CORPORATION

By E. F. Green
Vice President

Address: P.O. Box 1101
DALLAS, TEXAS

M. M. MERRITT

SOCONY MOBIL OIL COMPANY, INC.

By _____

Address: _____

PAN AMERICAN PETROLEUM CORPORATION

By _____

Address: _____

TENNECO OIL COMPANY

By _____

Address: _____

TEXACO, INC.

By _____

Address: _____

TIDEWATER OIL COMPANY

By _____

Address: _____

SHELL OIL COMPANY

By _____

Address: _____

UNION OIL COMPANY OF CALIFORNIA

By _____

Address: _____

WORKING INTEREST OWNERS

ATTEST:

Secretary

Date: _____

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

CABOT CORPORATION

By _____

Address: _____

M. M. Merritt
M. M. MERRITT
Chief, Marine Terminal

SOCONY MOBIL OIL COMPANY, INC.

By _____

Address: _____

PAN AMERICAN PETROLEUM CORPORATION

By _____

Address: _____

TENNECO OIL COMPANY

By _____

Address: _____

TEXACO, INC.

By _____

Address: _____

TIDEWATER OIL COMPANY

By _____

Address: _____

SHELL OIL COMPANY

By _____

Address: _____

UNION OIL COMPANY OF CALIFORNIA

By _____

Address: _____

WORKING INTEREST OWNERS

ATTEST:

Secretary

Date: _____

Date: _____

ATTEST:

John Jones

Secretary

Date: _____ MAY 3 - 1963

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

CABOT CORPORATION

By _____

Address: _____

M. M. MERRITT

SOCONY MOBIL OIL COMPANY, INC.

By *[Signature]*

Attorney-in-fact

Address: _____

PAN AMERICAN PETROLEUM CORPORATION

By _____

Address: _____

TENNECO OIL COMPANY

By _____

Address: _____

TEXACO, INC.

By _____

Address: _____

TIDEWATER OIL COMPANY

By _____

Address: _____

SHELL OIL COMPANY

By _____

Address: _____

UNION OIL COMPANY OF CALIFORNIA

By _____

Address: _____

WORKING INTEREST OWNERS

ATTEST:

Secretary

Date: _____

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

[Signature]
Assistant Secretary

Date: 5-7-63

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

CABOT CORPORATION

By _____

Address: _____

M. M. MERRITT

SOCONY MOBIL OIL COMPANY, INC.

By _____

Address: _____

PAN AMERICAN PETROLEUM CORPORATION

By *[Signature]*

ATTORNEY-IN-FACT

Address: P.O. Box 1410
Fort Worth, Texas

APPROVE

TENNECO OIL COMPANY

By _____

Address: _____

TEXACO, INC.

By _____

Address: _____

TIDEWATER OIL COMPANY

By _____

Address: _____

SHELL OIL COMPANY

By _____

Address: _____

UNION OIL COMPANY OF CALIFORNIA

By _____

Address: _____

WORKING INTEREST OWNERS

ATTEST:

Secretary

Date: _____

Date: _____

ATTEST:

Secretary

Date: _____

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Secretary

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Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

CABOT CORPORATION

By _____

Address: _____

M. M. MERRITT

SOCONY MOBIL OIL COMPANY, INC.

By _____

Address: _____

PAN AMERICAN PETROLEUM CORPORATION

By _____

Address: _____

TENNECO OIL COMPANY

By *P. C. McDaniel*

Address: *P. O. Box 1000*

TEXACO, INC.

By _____

Address: _____

TIDEWATER OIL COMPANY

By _____

Address: _____

SHELL OIL COMPANY

By _____

Address: _____

UNION OIL COMPANY OF CALIFORNIA

By _____

Address: _____

WORKING INTEREST OWNERS

ATTEST:

Secretary

Date: _____

Date: _____

ATTEST:

Secretary

Date: _____

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Secretary

Date: _____

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Secretary

Date: _____

ATTEST:

APPROVED BY

RW
WHS

Form

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

CABOT CORPORATION

By _____

Address: _____

M. M. MERRITT

SOCONY MOBIL OIL COMPANY, INC.

By _____

Address: _____

PAN AMERICAN PETROLEUM CORPORATION

By _____

Address: _____

TENNECO OIL COMPANY

By _____

Address: _____

TEXACO, INC.

By *J. L. Skye*

ATTORNEY-IN-FACT

Address: _____

TIDEWATER OIL COMPANY

By _____

Address: _____

SHELL OIL COMPANY

By _____

Address: _____

UNION OIL COMPANY OF CALIFORNIA

By _____

Address: _____

WORKING INTEREST OWNERS

ATTEST:

Secretary

Date: _____

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

J. J. Zimmerman

Asst. Secretary

Date: April 30, 1963

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

CABOT CORPORATION

By _____

Address: _____

M. M. MERRITT

SOCONY MOBIL OIL COMPANY, INC.

By _____

Address: _____

PAN AMERICAN PETROLEUM CORPORATION

By _____

Address: _____

TENNECO OIL COMPANY

By _____

Address: _____

TEXACO, INC.

By _____

Address: _____

TIDEWATER OIL COMPANY

By *E. B. Miller*

Vice President

Address: _____

TIDEWATER OIL COMPANY
P. O. BOX 101
BIRMINGHAM, ALABAMA

SHELL OIL COMPANY

By _____

Address: _____

UNION OIL COMPANY OF CALIFORNIA

By _____

Address: _____

WORKING INTEREST OWNERS

ATTEST:

Secretary

Date: _____

Date: _____

ATTEST:

Secretary

Date: _____

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Secretary

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Secretary

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Secretary

Date: _____

~~ATTEST:~~

~~Secretary~~

Date: _____

ATTEST:

Secretary

Date: _____

CABOT CORPORATION

By _____

Address: _____

M. M. MERRITT

SOCONY MOBIL OIL COMPANY, INC.

By _____

Address: _____

PAN AMERICAN PETROLEUM CORPORATION

By _____

Address: _____

TENNECO OIL COMPANY

By _____

Address: _____

TEXACO, INC.

By _____

Address: _____

TIDEWATER OIL COMPANY

By _____

Address: _____

SHELL OIL COMPANY

By _____

W. Lindsey
Attorney in Fact

Address: P. O. BOX 1509
MIDLAND, TEXAS

UNION OIL COMPANY OF CALIFORNIA

By _____

Address: _____

WORKING INTEREST OWNERS

ATTEST:

Secretary

Date: _____

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: May 3, 1963

CABOT CORPORATION

By _____

Address: _____

M. M. MERRITT

SOCONY MOBIL OIL COMPANY, INC.

By _____

Address: _____

PAN AMERICAN PETROLEUM CORPORATION

By _____

Address: _____

TENNECO OIL COMPANY

By _____

Address: _____

TRXACO, INC.

By _____

Address: _____

TIDEWATER OIL COMPANY

By _____

Address: _____

SHELL OIL COMPANY

By _____

Address: _____

UNION OIL COMPANY OF CALIFORNIA

By John Hanson

Attorney in Fact

Address: Union Oil Building
619 West Texas, Midland, Texas

WORKING INTEREST OWNERS

RJA
Hanson
HEK

STATE OF Texas)

ss.

COUNTY OF Midiand)

The foregoing instrument was acknowledged before me this 24 day of April, 1963, by W. H. Underwood, Vice-President of DOB OIL PROPERTIES, INC., a Delaware corporation, on behalf of said corporation.

My Commission Expires:

June 1963

James H. Apperson
Notary Public

STATE OF TEXAS)

ss.

COUNTY OF GRAY)

The foregoing instrument was acknowledged before me this 30th day of April, 1963, by E. L. Green, Vice President of CABOT CORPORATION, a DELAWARE corporation, on behalf of said corporation.

My Commission Expires:

6-1-63

Connie Zielarth
Notary Public

STATE OF _____)

ss.

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____ of SOCONY MOBIL OIL COMPANY, INC., a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF: _____)

ss.

COUNTY OF: _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by M. M. MERRITT.

My Commission Expires:

Notary Public

STATE OF Texas)
) ss.
COUNTY OF Midland)

The foregoing instrument was acknowledged before me this 24 day of April, 1963, by W. H. Underwood, Vice-President of DOB OIL PROPERTIES, INC., a Delaware corporation, on behalf of said corporation.

My Commission Expires:

Richard W. Underwood
Notary Public

June 1963

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 1963, by _____ of CABOT CORPORATION, a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 1963, by _____ of SOCONY MOBIL OIL COMPANY, INC., a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF: TEXAS)
) ss.
COUNTY OF: Midland)

The foregoing instrument was acknowledged before me this 29th day of April, 1963, by M. M. MERRITT and wife Ellen Marie Merritt.

My Commission Expires:

Georgia Reeves
Notary Public

June 1, 1963

STATE OF Texas)
)
COUNTY OF Midland) ss.

The foregoing instrument was acknowledged before me this 24 day of April, 1963, by W. H. Underwood Vice-President of DOB OIL PROPERTIES, INC., a Delaware corporation, on behalf of said corporation.

My Commission Expires:

June 1963

[Signature]
Notary Public

STATE OF _____)
)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1963, by _____ of CABOT CORPORATION, a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF Texas)
)
COUNTY OF Midland) ss.

The foregoing instrument was acknowledged before me this 3 day of May, 1963, by R. D. Hanley ~~Attorney-in-fact~~ of SOCONY MOBIL OIL COMPANY, INC., a New York corporation, on behalf of said corporation.

My Commission Expires:
My commission expires
June 1, 1963

Clyde T. Cole
Notary Public
CLYDE T. COLE, Notary Public
In and for Midland County, Texas

STATE OF: _____)
)
COUNTY OF: _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1963, by M. M. MERRITT _____.

My Commission Expires:

Notary Public

STATE OF Texas)
)
COUNTY OF Tarrant)

ss.

The foregoing instrument was acknowledged before me this 7th day of May, 1963, by D. B. MASON, JR., ~~ATTORNEY-IN-FACT~~ of PAN AMERICAN PETROLEUM CORPORATION, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

Velma B. Craft

Notary Public

VELMA B. CRAFT

June 1, 1963

STATE OF _____)
)
COUNTY OF _____)

ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1963, by _____ of TENNECO OIL COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF _____)
)
COUNTY OF _____)

ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1963, by _____ of TEXACO, INC., a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF _____)
)
COUNTY OF _____)

ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1963, by _____ of TIDEWATER OIL COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF _____)

COUNTY OF _____)

ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1963, by _____ of PAN AMERICAN PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

State of Texas)

ss

County of Midland)

On this 7th day of May, 1963, personally appeared before me A. N. McDowell, who, being by me duly sworn, did say that he is the Agent and Attorney-in-Fact of Tenneco Corporation and Tenneco Oil Company, each a Delaware corporation, and that said instrument was signed on behalf of said corporations by authority of their Boards of Directors and said A. N. McDowell acknowledged to me that said corporations executed the same.

In witness whereof, I have hereunto set my hand and seal.

Anne Tolbert
ANNE TOLBERT
Notary Public in and for
State of Texas, County of
Midland.

My commission expires June 1, 1963.

corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)

ss.

COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 1963, by _____ of TIDEWATER OIL COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)

COUNTY OF _____)

ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____ of PAN AMERICAN PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)

COUNTY OF _____)

ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____ of TENNECO OIL COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF Texas)

COUNTY OF Midland)

ss.

The foregoing instrument was acknowledged before me this 2nd day of May, 1963, by _____ of TEXACO, INC., a Delaware corporation, on behalf of said corporation.

My Commission Expires: _____

Betty L. Davis
Notary Public

STATE OF _____)

COUNTY OF _____)

ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____ of TIDEWATER OIL COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____ of PAN AMERICAN PETROLEUM CORPORATION, a corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____ of TENNECO OIL COMPANY, a corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____ of TEXACO, INC., a corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF Texas)
COUNTY OF Harris) ss.

The foregoing instrument was acknowledged before me this 30 day of April, 1963, by E. B. MILLER, JR. Vice President of TIDEWATER OIL COMPANY, a corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

Virginia Holloman
VIRGINIA HOLLAMAN
Notary Public, in and for Harris County, Texas

6-1-63

STATE OF TEXAS)
COUNTY OF MIDLAND)

ss.

The foregoing instrument was acknowledged before me this 7th day of May, 1963, by J. V. Lindsey, Attorney in Fact OF SHELL OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

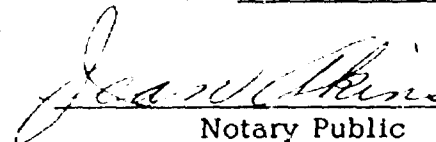
June 1, 1963

STATE OF _____)
COUNTY OF _____)

ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____ of UNION OIL COMPANY OF CALIFORNIA, a _____ corporation, on behalf of said corporation.

My Commission Expires:

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

Notary Public

STATE OF _____)

COUNTY OF _____)

ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____ OF SHELL OIL COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF Texas)

COUNTY OF Midland)

ss.

The foregoing instrument was acknowledged before me this 3rd day of May, 1963, by John Hansen Attorney in Fact of UNION OIL COMPANY OF CALIFORNIA, a California corporation, on behalf of said corporation.

My Commission Expires: _____

June 1, 1963

Elma H. Sloan

ELMA H. SLOAN

Notary Public

CONSENT AND RATIFICATION
OF UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE
NORTHEAST ANDERSON RANCH UNIT AREA, LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, Gulf Oil Corporation, being the owner of a certain oil and gas lease embracing lands of the State of New Mexico, dated December 15, 1953, bearing Lease No. E-7634 and embracing the following described lands situated in Lea County, New Mexico, to-wit:

Township 15 South, Range 32 East, N.M.P.M.

Section 16: SW $\frac{1}{4}$ SE $\frac{1}{4}$

cont. ining 40 acres, more or less,

hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Northeast Anderson Ranch Unit Area, Lea County, New Mexico. The undersigned also acknowledges that it is familiar with the terms and conditions thereof and does hereby commit the above described oil and gas lease to said Unit Agreement and consents to and ratifies all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original or a counterpart thereof. Provided, however, that nothing herein contained shall operate to unitize that certain overriding royalty interest in said lands reserved by the undersigned in that certain Operating Agreement made and entered into by and between Gulf Oil Corporation and DOB Oil Properties, Inc., dated April 19, 1963.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the acknowledgment hereof.

ATTEST:

Robert R. ...
Assistant Secretary

GULF OIL CORPORATION
By *[Signature]*
Attorney in Fact

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

The foregoing instrument was acknowledged before me this 20th day of April, 1963, by F O MORLOCK, Attorney in Fact of GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:
My Commission Expires August 15, 1965

E. Marie Cooper
Notary Public

T-15-S
R-32-E

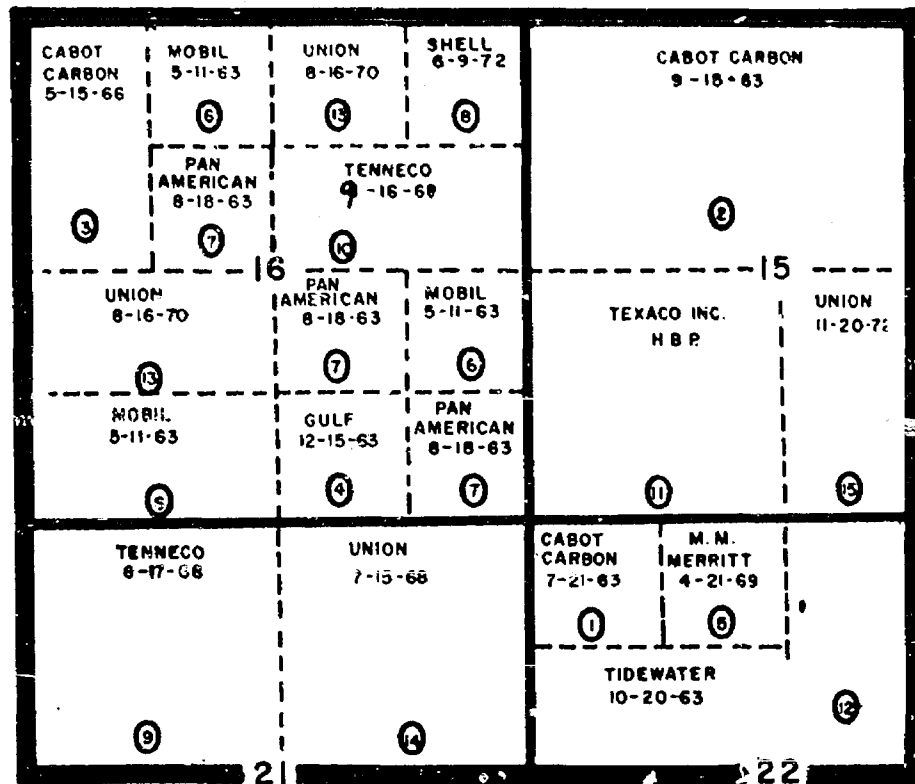


EXHIBIT "A"

NORTHEAST ANDERSON RANCH UNIT

LEA COUNTY, NEW MEXICO

LEGEND

SCALE 1" = 2000'

TRACT NUMBER AS LISTED ON

EXHIBIT B

UNIT OUTLINE

STATE LAND-1680 AC.

EXHIBIT "B"
NORTHEAST ANDERSON RANCH UNIT, LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty & Owner	Lessee of Record	Over-riding Royalty	Ownership of Working Interest
<u>T-15-S, R-34-E, NMPM, Lea County, N.M.:</u>							
1	Sec. 22: NW/4 NW/4	40	E-7250 7-21-63	12-1/2% - State	Cabot Corpora- tion	None	*Cabot Corporation - All
2	Sec. 15: NW/4, E/2 NE/4	240	E-7414 9-15-63	12-1/2% - State	Cabot Corpora- tion	None	*Cabot Corporation - All
3	Sec. 16: W/2 NW/4	80	E-10063 5-15-66	12-1/2% - State	Cabot Corpora- tion	None	*Cabot Corporation - All
4	Sec. 16: SW/4 SE/4	40	E-7634 12-15-63	12-1/2% - State	Gulf Oil Corpora- tion	None	**Gulf Oil Corporation - All
5	Sec. 22: NE/4 NW/4	40	OG-5349 4-21-69	12-1/2% - State	M. M. Merritt	None	*M. M. Merritt - All
6	Sec. 16: NE/4 NW/4, S/2 SW/4, NE/4 SE/4	160	E-7115 5-11-63	12-1/2% - State	Socony Mobil Oil Company, Inc.	None	*Socony Mobil Oil Company, Inc. - All
7	Sec. 16: SE/4 NW/4, NW/4 SE/4, SE/4 SE/4	120	E-7343 8-18-63	12-1/2% - State	Pan American Pet- roleum Corporation	None	*Pan American Petroleum Corporation - All
8	Sec. 16: NE/4 NE/4	40	K-2525 6-9-72	12-1/2% - State	Shell Oil Company	None	Shell Oil Company - All
9	Sec. 21: NW/4	160	OG-3950 6-17-68	12-1/2% - State	Tenneco Oil Com- pany	None	*Tenneco Oil Company - All
10	Sec. 16: S/2 NE/4	80	OG-4563 8-16-68	12-1/2% - State	Tenneco Oil Com- pany	None	*Tenneco Oil Company - All

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty & Owner	Lessee of Record	Over-riding Royalty	Ownership of Working Interest
11	Sec. 15: NW/4	160	B-9380 HB ²	12-1/2% - State	Texaco, Inc.	None	*Texaco, Inc. - All
12	Sec. 22: S/2 NW/4 W/2 NE/4	160	E-7505 10-20-63	12-1/2% - State	Tidewater Oil Company	None	*Tidewater Oil Company - All
13	Sec. 16: NW/4 NE/4, N/2 SW/4	120	K-680 8-16-70	12-1/2% - State	Union Oil Com- pany of California	None	Union Oil Company of California - All
14	Sec. 21: NE/4	160	OG-4061 7-15-68	12-1/2% - State	Union Oil Com- pany of California	None	Union Oil Company of California - All
15	Sec. 15: W/2 SE/4	80	OG-2867 11-20-72	12-1/2% - State	Union Oil Com- pany of California	None	Union Oil Company of California - All

Total: 15 State Tracts, containing 1,680 acres,
Northeast Anderson Ranch Unit Area, Lee County, New Mexico

* DOB Oil Properties, Inc., will earn an undivided one-half interest in all lease rights down to and including 100 feet below the depth to which the initial test well is drilled upon completion of said well.

** Gulf Oil Corporation has agreed to give an Operating Agreement to DOB Oil Properties, Inc., covering all lease rights down to 100 feet below the depth to which the initial test well is drilled, subject to a certain overriding royalty to be reserved to Gulf Oil Corporation.

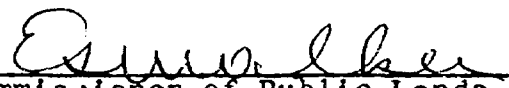
CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
NORTHEAST ANDERSON RANCH UNIT
LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated April 15, 1963, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, 1, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 9th day of May 19 63.


Commissioner of Public Lands
of the State of New Mexico

NORTH EAST ANDERSON RANCH UNIT

DALTON KINCHELOE

PETROLEUM BLDG.

MA 2-7246

ROSWELL, NEW MEXICO

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
Appl	EXHIBIT NO. 3
CASE NO.	2785

NORTHEAST ANDERSON RANCH UNIT

This wildcat prospect comprises 1680 acres in a state unit located in Sections 15-16-21-22 Township 15 South, Range 32 East, Lea County, New Mexico. The proposed location is 1980 feet from the East line and 660 feet from the South line of Section 16. The first well must be drilling by May 11, 1963, to hold all of the acreage in the unit. Subsequent wells may be drilled as required by the State to hold the unit acreage. The first well is projected to 10,200 feet to evaluate all pays including the Anderson Ranch Wolfcamp pay to that depth.

Companies involved in the unit and their gross percentages are as follows:

Cabot Carbon	360 acres	.214287
M. M. Merritt	40	.023809
Gulf Oil Corp	40	.023809
Mobil Oil	160	.095238
Pan American	120	.071428
Shell Oil	40	.023809
Tenneco	240	.142857
Texaco Inc	160	.095238
Tidewater	160	.095238
Union Oil Co.	360	.214287

All Companies have advised that they would recommend to their management either joining in the unit and paying their part of the cost of the first well or that they would contribute one-half of their acreage for the drilling of the first well to the tanks and then

they would either join in subsequent test or accept a 200% penalty out of their share of oil runs.

Geology

The prospect is located approximately 24 miles Northwest of Lovington, New Mexico, and $1\frac{1}{2}$ miles north of the Anderson Ranch field on the Northwestern Shelf of the Permian Basin. in a multi-pay area. It is located on a North Northeast-Southwest trending anticline between the Anderson Ranch field on the South and the East Tulk field on the North. A subsurface map prepared on the Abo horizon indicates closure in excess of 100 feet over the prospect. Similiar closure is found over the Anderson Ranch field.

A seismic interpretation of the area on a datum near the top of the main pay zone of the Anderson Ranch Wolfcamp pay zone indicates a good closure centered around the common corner of Sections 15-16-21-22. Contours on that reflection trend North-Northeast similiar to the structure reflected by subsurface in the Anderson Ranch field.

The main pay zone is in the lower Wolfcamp section where the limestone appears to develop good intercrystalline and vug porosity over the apex of structurally high areas.

The top of the main pay zone is expected between 9850 and 9925 feet. The gross pay interval varies from 150 to 30 feet in thickness with the ratio between gross and net pay being approximately 3 to 1. Better porosity is usually found near the top of the structures than on the flanks due to an increase of interbedded shale lenses in the low areas.

The North-South cross section identifies the productive zones as reflected by the electric and gamma ray logs and shows the projected high under the prospect.

The isopach map shows the porosity development in the Anderson Ranch field and has been projected over the prospect. A net porosity of over 30 feet is indicated by the map over approximately 60% of the structure and unit area. This figure may be low as a similar area on the Anderson Ranch field shows porosity in excess of 50 feet.

Production in the surrounding area is derived from the Queen, basal Grayburg, and the San Andres formation. The Northeast Tulk field paid from the upper Wolfcamp formation at approximately 9400 feet. The Devonian formation is productive in the Anderson Ranch field at about 13,200. Any of these zones are considered to be potential reservoirs and should be closely watched during the drilling operation.

Reserves:

The A.P.I. Engineering Committee calculated the reserves of the Anderson Ranch Wolfcamp pay zone at 4500 barrels of oil per acre. Therefore each location should have more than 360,000 barrels of primary recoverable oil giving the field a gross reserves of more than 7,560,00 barrels of oil.

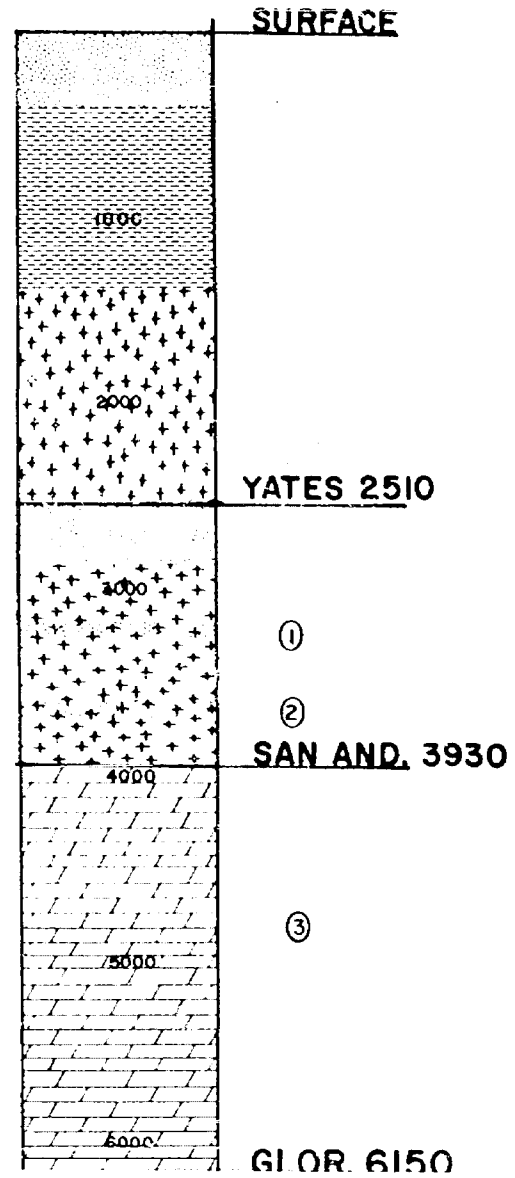
This report is respectfully submitted.

Dalton Kincheloe
Petroleum Bldg.
Roswell, New Mexico

Geologist

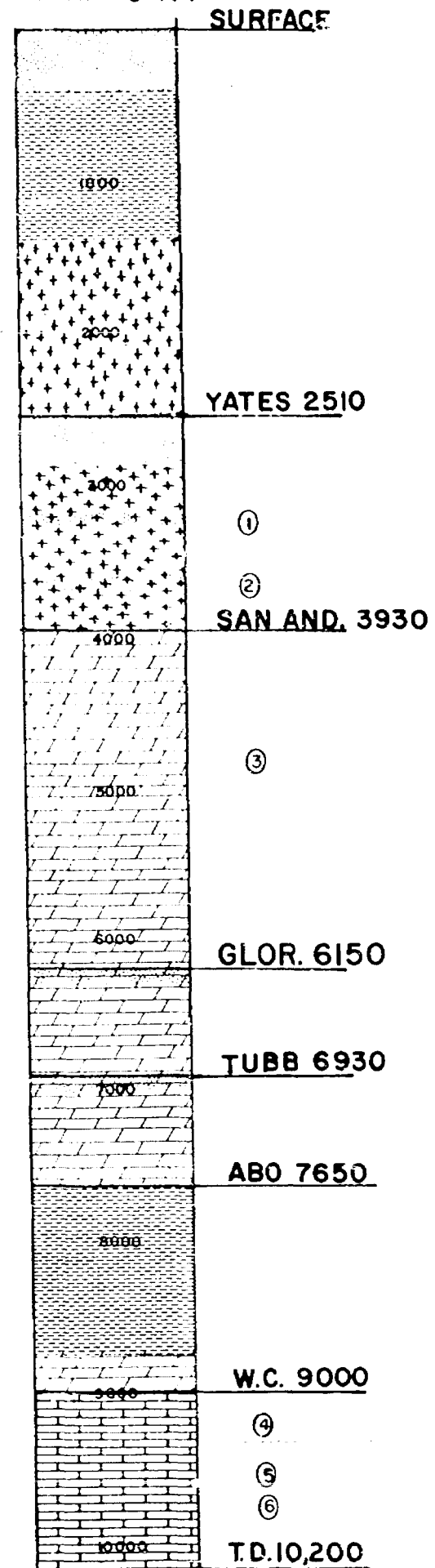
COLUMNAR SECTION

N.E.A.R. UNIT



COLUMNAR SECTION

N.E.A.R. UNIT



UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
NORTHEAST ANDERSON RANCH UNIT AREA
LEA COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the _____ day of _____,
1963, by and between the parties subscribing, ratifying or consenting
hereto, and herein sometimes referred to as the "parties hereto,"

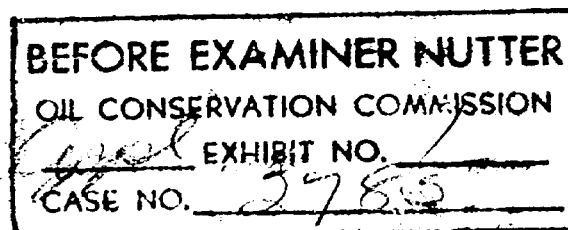
W I T N E S S E T H:

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

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

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

WHEREAS, the Oil Conservation Commission of the State of



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

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

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

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

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

Township 15 South, Range 32 East, N.M.P.M.

Section 15: $W\frac{1}{2}E\frac{1}{2}$, $W\frac{1}{2}$

Section 16: All

Section 21: $N\frac{1}{2}$

Section 22: $W\frac{1}{2}NE\frac{1}{4}$, $NW\frac{1}{4}$

containing 1,680 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 rights in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner."

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

2. UNITIZED SUBSTANCES: All oil, gas and associated hydrocarbon substances in any and all formations of the unitized lands, down to and including a depth of 10,300 feet below the surface, are unitized under the terms of this agreement and herein are called "unitized substances."

3. UNIT OPERATOR: DOB Oil Properties, Inc., with offices at Midland, Texas, is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as provided herein. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest

owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

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

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

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

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

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

and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

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

8. DRILLING TO DISCOVERY: The unit operator shall, on or before May 10, 1963, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the producing zone found in the North Anderson Ranch Unit or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further

drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 10,200 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

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

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF

UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six (6) months from the time of the completion of the initial discovery well and within thirty (30) days after the expiration of each twelve-month period thereafter file a report with the Commissioner and the Commission of the status of the development of the unit area and the development contemplated for the following twelve-month period.

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

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

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

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

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

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to

personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

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

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

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

the respective leases.

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

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

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

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

and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the term of each such lease as to lands within the unitized area to the provisions and term of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein so long as this agreement remains in effect provided drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed

to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as may be provided in Section 9 hereof.

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

them are being produced in paying quantities from any portion of said lands.

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

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

16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the recorded instrument or transfer.

17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended

by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities, and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five percent (75%) on an acreage basis of the owners of the working interest signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

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

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

to appear and to participate in any such proceeding.

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

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

22. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from

the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation; provided, however, 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. A subsequent joinder shall be effective as of the first day of the month following the filing with and approval by the Commissioner of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to unit operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in

the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

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

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

ATTEST:

Secretary

Date.

DOB OIL PROPERTIES, INC.

By _____

First National Bank Building
Midland, Texas

UNIT OPERATOR

WORKING INTEREST OWNERS:

ATTEST:

Secretary

Date.

CABOT CORPORATION

By _____

Address: _____

ATTEST:

Secretary

Date.

Date.

ATTEST:

Secretary

Date.

ATTEST:

Secretary

Date.

ATTEST:

Secretary

Date.

ATTEST:

Secretary

Date.

ATTEST:

Secretary

Date.

GULF OIL CORPORATION

By _____

Address: _____

M. M. MERRITT

MERRITT

SOCONY MOBIL OIL COMPANY, INC.

By _____

Address: _____

PAN AMERICAN PETROLEUM CORPORATION

By _____

Address: _____

SELL OIL COMPANY

By _____

Address: _____

TENNECO OIL COMPANY

By _____

Address: _____

TEXACO, INC.

By _____

Address: _____

ATTEST:

Secretary

Date.

TIDEWATER OIL COMPANY

By _____

Address: _____

ATTEST:

Secretary

Date.

UNION OIL COMPANY OF CALIFORNIA

By _____

Address: _____

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me
this _____ day of _____, 1963, by _____,
_____ of DOB OIL PROPERTIES, INC., a _____
corporation, on behalf of said corporation.

My Commission Expires:
_____.

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me
this _____ day of _____, 1963, by _____,
_____ of CABOT CORPORATION, a _____ corporation,
on behalf of said corporation.

My Commission Expires:
_____.

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me
this _____ day of _____, 1963, by _____,
_____ of GULF OIL CORPORATION, a _____
corporation, on behalf of said corporation.

My Commission Expires:
_____.

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me
this _____ day of _____, 1963, by M. M. MERRITT _____
_____.

My Commission Expires: _____ Notary Public
_____.

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me
this _____ day of _____, 1963, by _____,
_____ of SOCONY MOBIL OIL COMPANY, INC., a _____
corporation, on behalf of said corporation.

My Commission Expires: _____ Notary Public
_____.

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me
this _____ day of _____, 1963, by _____,
_____ of PAN AMERICAN PETROLEUM CORPORATION, a
_____ corporation, on behalf of said corporation.

My Commission Expires: _____ Notary Public
_____.

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me
this _____ day of _____, 1963, by _____,
_____ of SHELL OIL COMPANY, a _____
corporation, on behalf of said corporation.

My Commission Expires: _____ Notary Public
_____.

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me
this _____ day of _____, 1963, by _____,
_____ of TENNECO OIL COMPANY, a _____
corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me
this _____ day of _____, 1963, by _____,
_____ of TEXACO, INC., a _____ corporation,
on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me
this _____ day of _____, 1963, by _____,
_____ of TIDEWATER OIL COMPANY, a _____
corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me
this _____ day of _____, 1963, by _____,
_____ of UNION OIL COMPANY OF CALIFORNIA, a _____
Corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

T-15-S
R-32-E

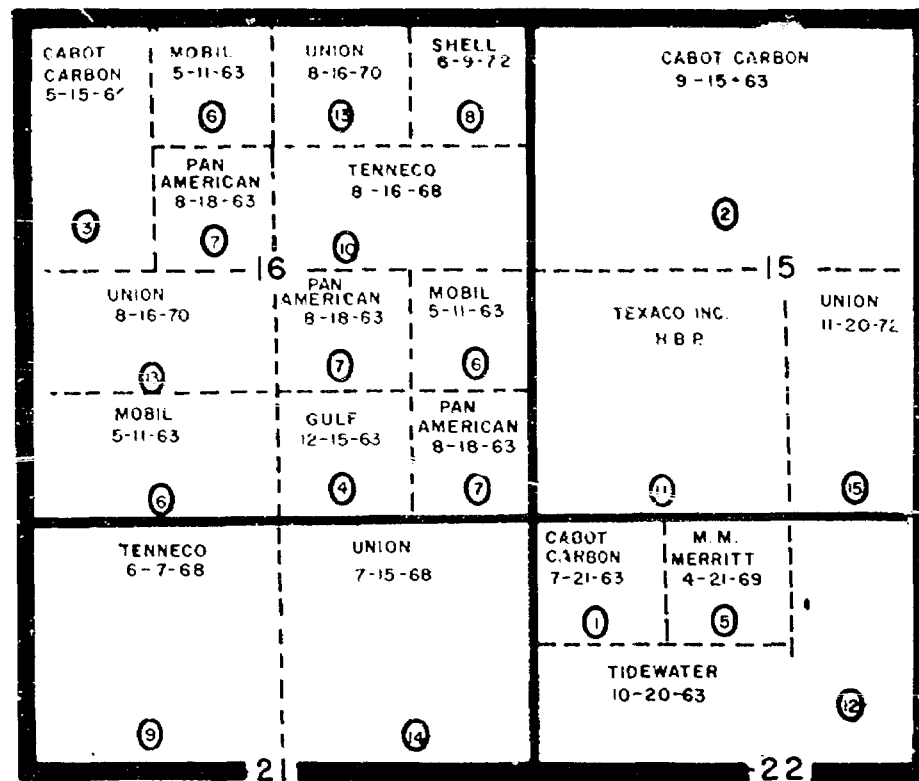


EXHIBIT "A"

NORTHEAST ANDERSON RANCH UNIT

LEA COUNTY, NEW MEXICO

LEGEND

SCALE 1"=2000'

TRACT NUMBER AS LISTED ON

EXHIBIT B

UNIT OUTLINE

STATE LAND-1680 AC.

EXHIBIT "B"
NORTHEAST ANDERSON RANCH UNIT, LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty & Owner	Lessee of Record	Over-riding Royalty	Ownership of Working Interest
<u>T-15-S, R-32-E, NMPM, Lea County, N.M.:</u>							
1	Sec. 22: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40	E-7250 7-21-63	12 $\frac{1}{2}$ % - State	Cabot Corporation	None	*Cabot Corporation - All
2	Sec. 15: NW $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$	240	E-7414 9-15-63	12 $\frac{1}{2}$ % - State	Cabot Corporation	None	*Cabot Corporation - All
3	Sec. 16: W $\frac{1}{2}$ NW $\frac{1}{4}$	80	E-10062 5-15-66	12 $\frac{1}{2}$ % - State	Cabot Corporation	None	*Cabot Corporation - All
4	Sec. 16: SW $\frac{1}{4}$ SE $\frac{1}{4}$	40	E-7634 12-15-63	12 $\frac{1}{2}$ % - State	Gulf Oil Corporation	None	**Gulf Oil Corporation - All
5	Sec. 22: NE $\frac{1}{4}$ NW $\frac{1}{4}$	40	OG-5349 4-21-63	12 $\frac{1}{2}$ % - State	M. M. Merritt	None	*M. M. Merritt - All
6	Sec. 16: NE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$	160	E-7115 5-11-63	12 $\frac{1}{2}$ % - State	Socony Mobil Oil Company, Inc.	None	*Socony Mobil Oil Company, Inc. - All
7	Sec. 16: SE $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$	120	E-7343 8-18-63	12 $\frac{1}{2}$ % - State	Pan American Petroleum Corporation	None	*Pan American Petroleum Corporation - All
8	Sec. 16: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40	K-2525 6-9-72	12 $\frac{1}{2}$ % - State	Shell Oil Company	None	Shell Oil Company - All
9	Sec. 21: NW $\frac{1}{4}$	160	OG-3950 6-17-68	12 $\frac{1}{2}$ % - State	Tenneco Oil Company	None	*Tenneco Oil Company - All
10	Sec. 16: S $\frac{1}{2}$ NE $\frac{1}{4}$	80	OG-4563 8-16-68	12 $\frac{1}{2}$ % - State	Tenneco Oil Company	None	*Tenneco Oil Company - All

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date	Basic Royalty & Owner	Lessees of Record	Over-riding Royalty	Ownership of Working Interest
11	Sec. 15: SW $\frac{1}{4}$	160	B-9380 HBP	12 $\frac{1}{2}$ % - State	Texaco, Inc.	None	*Texaco, Inc. - All
12	Sec. 22: S $\frac{1}{2}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$	160	E-7505 10-20-63	12 $\frac{1}{2}$ % - State	Tidewater Oil Company	None	*Tidewater Oil Company - All
13	Sec. 16: NW $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$	120	K-680 8-16-70	12 $\frac{1}{2}$ % - State	Union Oil Company of California	None	Union Oil Company of California - All
14	Sec. 21: NE $\frac{1}{4}$	160	OG-4061 7-15-68	12 $\frac{1}{2}$ % - State	Union Oil Company of California	None	Union Oil Company of California - All
15	Sec. 15: W $\frac{1}{2}$ SE $\frac{1}{4}$	80	OG-2867 11-20-72	12 $\frac{1}{2}$ % - State	Union Oil Company of California	None	Union Oil Company of California - All
Total: 15 State Tracts, containing 1,680 acres, Northeast Anderson Ranch Unit Area, Lea County, New Mexico							

* DOB Oil Properties, Inc., will earn an undivided one-half interest in all lease rights down to and including 100 feet below the depth to which the initial test well is drilled upon completion of said well.

** Gulf Oil Corporation has agreed to give an Operating Agreement to DOB Oil Properties, Inc., covering all lease rights down to 100 feet below the depth to which the initial test well is drilled, subject to a certain overriding royalty to be reserved to Gulf Oil Corporation.