

# HUMBLE OIL & REFINING COMPANY

EXPLORATION DEPARTMENT  
P. O. BOX 1287

ROSWELL, NEW MEXICO

August 13, 1950

File  
1118

In re: Railroad Mountain Unit  
Chaves County, New Mexico

State Oil Conservation Commission  
Mabry Hall  
Santa Fe, New Mexico

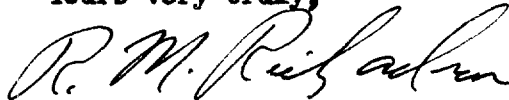
Gentlemen:

Enclosed is approved copy of instrument terminating the  
Railroad Mountain Unit, Chaves County, New Mexico.

This is for your files.

Thank you.

Yours very truly,



R. M. Richardson

RMR/ch

Encl.

# HUMBLE OIL & REFINING COMPANY

EXPLORATION DEPARTMENT  
P. O. BOX 1287

ROSWELL, NEW MEXICO

August 13, 1958

MAIN OFFICE CCC  
1958 AUG 13 AM 8:33

Re: Railroad Mountain Unit  
Chaves County, New Mexico

TO: All Working Interest Owners  
Lessees of Record  
Lessors

Dear Sirs:

Several months ago your joinder in the above captioned Railroad Mountain Unit was solicited and obtained. The Unit was approved by the United States Geological Survey on February 25, 1957.

Subsequent to the U.S.G.S. approval Humble, as unit operator, drilled and completed 2 test wells within the Unit Area. Both these wells resulted in dry and abandoned holes.

The #1 well: spudded 1-9-57, plugged 6-7-57  
Total Depth 10,382 feet

The #2 well: spudded 12-6-57, plugged 12-27-57  
Total Depth 1985 feet

On July 8, 1958 Humble and the other working interest owners made application to the State of New Mexico and U.S.G.S. for the termination of this Unit. The Unit was terminated by the U.S.G.S. effective August 1, 1958.

Pursuant to the terms of the Unit Agreement, each interested working interest owner, lessee and lessor are to be given notice of such termination. Please let this letter serve as notice that the Railroad Mountain Unit was terminated effective August 1, 1958.


We wish to again thank you and express our appreciation for your cooperation and joinder.

Page 2

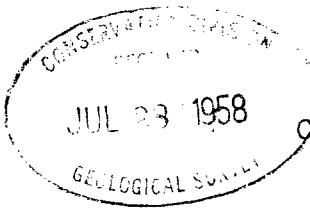
If you should need additional information, please feel free to contact us here in Roswell, New Mexico, P. O. Box 1287.

Yours very truly,

HUMBLE OIL & REFINING COMPANY

  
R. M. Richardson

RMR:ch



TERMINATION OF UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE RAILROAD MOUNTAIN UNIT AREA  
CHAVES COUNTY, NEW MEXICO

MAIN OFFICE OCC RECEIVED  
JUL 10 1958  
8:39 AM  
NEW MEXICO OIL CONSERVATION COMMISSION  
ALBUQUERQUE, NEW MEXICO

NO. 14-08-001-3507

WHEREAS, on July 1, 1956, an agreement was entered into for the development and operation of the Railroad Mountain Unit Area, Chaves County, New Mexico, by and between the undersigned parties and others and in which said agreement the Humble Oil & Refining Company is designated as the unit operator; and

WHEREAS, said unit agreement was duly approved by the New Mexico Oil Conservation Commission on August 30, 1956 and by the Acting Director of the United States Geological Survey on February 25, 1957; and

WHEREAS, the unit operator has caused two test wells to be drilled upon the unit area, none of which have been completed as wells capable of producing unitized substances in paying quantities; and

WHEREAS, Section 21 of said unit agreement provides in part as follows:

"This Agreement may be terminated at any time by not less than seventy-five (75) per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and Commission; notice of any such approval to be given by the Unit Operator to all parties hereto,"

and

WHEREAS, the undersigned parties are the owners of more than seventy-five per cent on an acreage basis of the working interests committed to said unit agreement and are desirous of terminating the same in accordance with the provision above set forth.

NOW THEREFORE, the undersigned parties, being the owners of more than seventy-five per cent on an acreage basis of the working interests committed to the unit agreement for the operation and development of the Railroad Mountain Unit Area, do hereby terminate said unit agreement subject to the approval of the New Mexico Oil Conservation Commission and the Director of the United States Geological Survey and respectfully

Date Approved AUG 1 1958  
Effective as of August 1, 1958  
Arthur S. Baker  
Acting Director, U. S. Geological Survey

Approved July 8 1958  
A. L. Paster  
Secretary-Director

NEW MEXICO OIL CONSERVATION COMMISSION

request the approval of such termination by the said Commission and Director. The effective date of termination shall be upon such approval and thereafter the unit operator shall give notice thereof to all parties signatory to said unit agreement.

COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, and shall be binding upon all those parties who have executed such a counterpart 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 Railroad Mountain Unit Area.

IN WITNESS WHEREOF, this instrument is executed by the undersigned parties as of the dates set opposite their respective signatures.

ATTEST:

Margaret H. Haines  
Assistant Secretary

Date June 12, 1958

HUMBLE OIL & REFINING COMPANY

By

Ed J. Hammer  
DIRECTOR IN CHARGE EXPLORATION DEPARTMENT

Address P. O. Box 2180

Houston, Texas

Form Approved

By W. A. Maley  
TRADE O. K.  
W. A. MALEY  
By W. A. Maley

UNIT OPERATOR AND WORKING INTEREST OWNER

MAGNOLIA PETROLEUM COMPANY

By

E. B. Seymour

Address P. O. Box 900

Dallas 21, Texas

ATTEST:

W. A. Maley  
Secretary H. W. Maley

Date JUN 2

APPROVED	
Acctg.	
Gas	
Lease	<u>W. A. Maley</u>
Legal	
P. E.	
Title R.	<u>W. A. Maley</u>
Prod.	<u>W. A. Maley</u>

CITIES SERVICE OIL COMPANY

By

Mark F. Payton

Mark F. Payton ATTORNEY-IN-FACT  
Address Cities Service Oil Company

Bartlesville, Oklahoma

Date June 6, 1958

MONSANTO CHEMICAL COMPANY

ATTEST:

W. A. Maley  
Secretary

Date June 11, 1958

By

W. A. Maley  
Attorney-in-Fact

Address P. O. Box 1742 1401 S. Coast Bldg.

Houston  
Midland, Texas

WORKING INTEREST OWNERS

STATE OF TEXAS )  
 ) ss  
COUNTY OF HARRIS )

The foregoing instrument was acknowledged before me this 12th day of June, 1958, by ED J. HAMNER, DIRECTOR IN CHARGE EXPLORATION DEPARTMENT of Humble Oil & Refining Company, a Texas Corporation, on behalf of said Corporation.

My Commission Expires:  
My Commission Expires June 1, 1959

Laura Staton  
Notary Public LAURA STATON  
NOTARY PUBLIC IN AND FOR  
HARRIS COUNTY, TEXAS

STATE OF Texas )  
 ) ss  
COUNTY OF Harris )

The foregoing instrument was acknowledged before me this 11th day of June, 1958, by Frank Richardson, Attorney-in-Fact of Monsanto Chemical Company, a Delaware Corporation, on behalf of said Corporation.

My Commission Expires:  
June 1, 1959

Frank Richardson  
Notary Public

STATE OF Texas )  
 ) ss  
COUNTY OF Dallas )

The foregoing instrument was acknowledged before me this 2nd day of June, 1958, by W. B. GORDON, Vice-President of Magnolia Petroleum Company, a Texas Corporation, on behalf of said Corporation.

My Commission Expires:  
1959

W. B. Gordon  
Notary Public

ALSO POWER OF ATTORNEY  
MADE BY FRANK RICHARDSON

STATE OF OKLAHOMA )  
 ) ss  
WASHINGTON COUNTY )

On this 6th day of June, 1958, before me personally appeared MARK F. PAYTON, to me known to be the person who executed the foregoing instrument as Attorney-in-Fact in behalf of CITIES SERVICE OIL COMPANY, and acknowledged that he executed the same as the free act and deed of said Cities Service Oil Company.

My Commission Expires:

April 23, 1962

Joe L. Hallway  
Notary Public

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1958, by \_\_\_\_\_, \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, on behalf of said Corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public



IN REPLY REFER TO:

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY

P. O. Box 6721  
Roswell, New Mexico

RECEIVED 21 AM 11:30

*File 1118*

December 30, 1957

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

Attention: Mr. Richard Stamets

Gentlemen:

Reference is made to your letter of December 26, 1957, requesting that you be advised as to whether or not the Railroad Mountain unit agreement was approved.

On February 25, 1957, the Acting Director of the Geological Survey, Arthur A. Baker, approved the Railroad Mountain unit agreement effective as of the date of approval.

Very truly yours,

JAMES A. KNAUF  
Acting Oil and Gas Supervisor

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

September 6, 1956

C  
O  
P  
Y

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

Dear Sir:

In behalf of your client, Humble Oil & Refining Company, we enclose two copies of Orders R-863 and R-867 issued August 30, 1956, by the Oil Conservation Commission in Cases 1118 and 1096, respectively, which were heard on August 7th at Santa Fe.

Yours very truly,

A. L. Porter, Jr.  
Secretary - Director

brp  
Encls.



MAIN OFFICE OCC

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION OF THE  
RAILROAD MOUNTAIN UNIT AREA  
CHAVES COUNTY, NEW MEXICO

1955 JUL 25 AM 8:25

No. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 1st day of July, 1956, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto".

WITNESSETH:

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

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

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

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

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

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

1. ENABLING ACT AND REGULATIONS: The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid

pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

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

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

<u>T. 7 S., R. 31 E.</u>	<u>Acres</u>
Sec. 31, Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$	328.64
<u>T. 8 S., R. 31 E.</u>	
Sec. 5, Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$ (All)	641.68
Sec. 6, Lots 1 through 7, SE $\frac{1}{4}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ (All)	657.60
Sec. 7, Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$ (All)	655.74
Sec. 8, 17 (All)	1280.00
Sec. 18, Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$ (All)	<u>653.82</u>
Total	4217.48

Situated in Chaves County, New Mexico, containing 4,217.48 acres, more or less. Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", and not less than six copies of the revised exhibits shall be filed with the Supervisor, and at least one copy shall be filed with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", shall prepare, after prelimi-

Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to approval of the Director. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and promptly notify all parties in interest.

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

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

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

4. UNIT OPERATOR: Humble Oil & Refining Company, a corporation, with offices at Houston, Texas, is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of 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.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have

the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and the Commission as to privately-owned lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period. Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time a participating area established hereunder is in existence, but in all such instances of resignation or removal until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

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

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

6. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator; provided, that if a majority but less than 75 percent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Director. If no successor Unit Operator is selected and qualified as herein provided, the Director at his election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT: If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "Unit Operating Agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three true copies of any unit operating agreement executed pursuant to this section shall be filed

with the Supervisor prior to approval of this agreement.

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

9. DRILLING TO DISCOVERY: Within six months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if such location is upon lands of the United States, and if upon privately owned lands, such location shall be approved by the Commission, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until all formations to the Siluro-Devonian have been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor that further drilling of said well would be unwarranted or impracticable; provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 10,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if on Federal land or the Commission if on privately owned land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder. Nothing in

this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or to continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director 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 section, the Director may, after reasonable notice to the Unit Operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION: Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Commission, an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Commission, a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Commission may determine to be necessary for the timely development and proper conservation of the oil and gas resources of the unitized area and shall (a) specify the number and location of any wells to be drilled and the proposed order and time for such drilling; and (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Commission. Such plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of this approved plan of development. The Supervisor is authorized to grant a reasonable ex-

tension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and Commission, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor, the Unit Operator shall, within the month of completion if practicable, submit for approval by the Director and the Commission, a schedule, based on subdivisions of the public land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all land in said schedule on approval of the Director and the Commission to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Commission. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude lands then regarded as reasonably proved not to be productive, and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated; provided, however, that a more appropriate effective date may be used if justified by the Unit Operator



and approved by the Director. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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

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

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

12. ALLOCATION OF PRODUCTION: All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor and the Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement each such tract of

unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total number of acres of unitized land in said participating area except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS:

Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, and the Commission as to privately owned land, at such party's sole risk, cost and expense, drill a well to test any formation for which a participating area has not been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

If any well drilled as aforesaid by a working interest owner obtains production in quantities insufficient to justify the inclusion in a participating

area of the land upon which such well is situated, such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

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

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation or production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor and the Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area, and with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in the plan of operations or as may otherwise be consented to by the Supervisor and 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.

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

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

It is expressly understood and agreed that beginning at the end of the respective 20-year terms, or any extension thereof, other than that provided by Sec. 19(e), of the Federal leases committed to this agreement which contain provisions for the payment of a 5% rate of royalty to the United States, if any, the royalty rate on said leases shall be the same rate as would be applicable to the renewal leases in the absence of unitization.

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

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

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

16. RIGHTS OF WORKING INTEREST OWNERS IN UNITIZED SUBSTANCES: Notwithstanding any provision contained herein to the contrary, if any, 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.

Any working interest owner who takes its share of the unitized substances in kind shall pay or secure the payment of the royalty on its interest and furnish at its own expense all tankage and other equipment necessary for taking said unitized substances in kind and shall also pay any other additional expenses of Unit Operator occasioned thereby. Likewise, any royalty owners who under existing contracts are entitled to take their share of the unitized substances in kind shall furnish at their own expense all equipment necessary in connection therewith, and shall reimburse Unit Operator for all expenses incurred on account thereof; provided, that as to Federal lands such expense, equipment and storage of royalty oil taken in kind shall be assumed and furnished pursuant to the provisions of the Federal leases involved.

17. 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 of Federal law or regulations.

18. DRAINAGE: The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement or pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal land or as determined by agreement between the Unit Operator and the royalty owner as to fee land.

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

generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

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

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

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

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States committed to this agreement which by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein, so that it shall be continued in full force and effect for and during the term of this agreement; provided, however, each such lease, sublease or contract, where not already extended by production, shall only be extended in the event unitized substances are capable of being produced from some part of the lands embraced in such lease committed to this agreement, or some part of said lands are committed to a participating area prior to the expiration of the primary term of such lease, sublease or contract. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or applicable law shall continue in full force and effect thereafter.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof subject to the royalty provisions of Section 14. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by

law as to the land committed as long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease.

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(b) of the Mineral Leasing Act, as amended by the Act of July 29, 1954 (68 Stat. 583, 585): "Any (Federal) lease hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

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

21. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Secretary or his duly authorized representative and the Commission, and shall terminate five years after such date unless (a) such date of expiration is extended by the Director, or (b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in

the formation tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director, or (c) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in paying quantities, i.e., in this particular instance in quantities sufficient to pay for the cost of producing the same from wells on unitized land within any participating area established hereunder, and should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or (d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and Commission; notice of any such approval to be given by the Unit Operator to all parties hereto.

22. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION: The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the quantity and rate of production under this agreement, when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of development and prospecting and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, however, that no such alteration or modification shall be effective as to any privately-owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval by the Commission.

Powers in this section vested in the Director shall only be exercised after



notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

23. CONFLICT OF SUPERVISION: Neither Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator, working interest owners or any of them are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained.

24. APPEARANCES: Unit Operator shall, after notice to other parties affected, have the right to appear for or on behalf of any and all interests affected hereby before the Department of the Interior and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department or Commission, or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior or Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

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

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

27. UNAVOIDABLE DELAY: All obligations under this agreement requiring

the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as the Unit Operator despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agencies, unavoidable accident, 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.

28. FAIR EMPLOYMENT: In connection with the performance of work under this agreement, the operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following; employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause.

The operator agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

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

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

30. NON-JOINDER AND SUBSEQUENT JOINDER: If the owner of any substantial

interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the Unit Area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided for in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest at any time must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as effectively committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director or Commission.

31. STATE LANDS: In the event the unit area should be expanded in accordance with Section 2 hereof to include any oil and gas lease or leases embracing lands of the State of New Mexico and such lease or leases should be committed to this agreement with the approval of the Commissioner of Public Lands of the State of New Mexico, then in such event, from the time any such lands of the State of New Mexico are included in any participating area where, under the terms of this unit agreement, any action is required to be approved by the Supervisor and the Commission, such action shall also require the concurrent approval of the

Commissioner of Public Lands, hereinafter referred to as "Commissioner". Also, in such event, any lease embracing lands of the State of New Mexico which is made subject to this agreement shall continue in force beyond the term provided therein as to the lands committed hereto under the terms of this agreement, and if any such lease embracing lands of the State of New Mexico shall have only a portion of the lands embraced therein committed hereto, such lease shall be segregated as to the portion committed and the portion not committed and the terms of such lease shall apply separately to such segregated portions effective as of the date of the approval of the commitment of such lease or leases embracing lands of the State of New Mexico by the Commissioner; provided, however, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if unitized substances are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease or if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the land embraced in such lease, the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted and if they result in the production of unitized substances, said lease shall continue in full force and effect as to all of the lands embraced therein so long thereafter as unitized substances in paying quantities are being produced from any portion of said lands.

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

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

ATTEST:

\_\_\_\_\_  
Secretary

Date \_\_\_\_\_

HUMBLE OIL & REFINING COMPANY

By \_\_\_\_\_

Address P. O. Box 2180  
Houston, Texas

UNIT OPERATOR AND WORKING INTEREST OWNER

ATTEST:

\_\_\_\_\_  
Secretary

Date \_\_\_\_\_

MAGNOLIA PETROLEUM COMPANY

By \_\_\_\_\_

Address P. O. Box 900  
Dallas 21, Texas

ATTEST:

\_\_\_\_\_  
Secretary

Date \_\_\_\_\_

GULF OIL CORPORATION

By \_\_\_\_\_

Address P. O. Box 1290  
Fort Worth, Texas

ATTEST:

\_\_\_\_\_  
Secretary

Date \_\_\_\_\_

CITIES SERVICE OIL COMPANY

By \_\_\_\_\_

Address Cities Service Oil Company  
Bartlesville, Oklahoma

ATTEST:

\_\_\_\_\_  
Secretary

Date \_\_\_\_\_

MONSANTO CHEMICAL COMPANY

By \_\_\_\_\_

Address P. O. Box 1742  
Midland, Texas

WORKING INTEREST OWNERS

ROYALTY OWNERS

Date \_\_\_\_\_

\_\_\_\_\_  
Address \_\_\_\_\_

\_\_\_\_\_

Date \_\_\_\_\_

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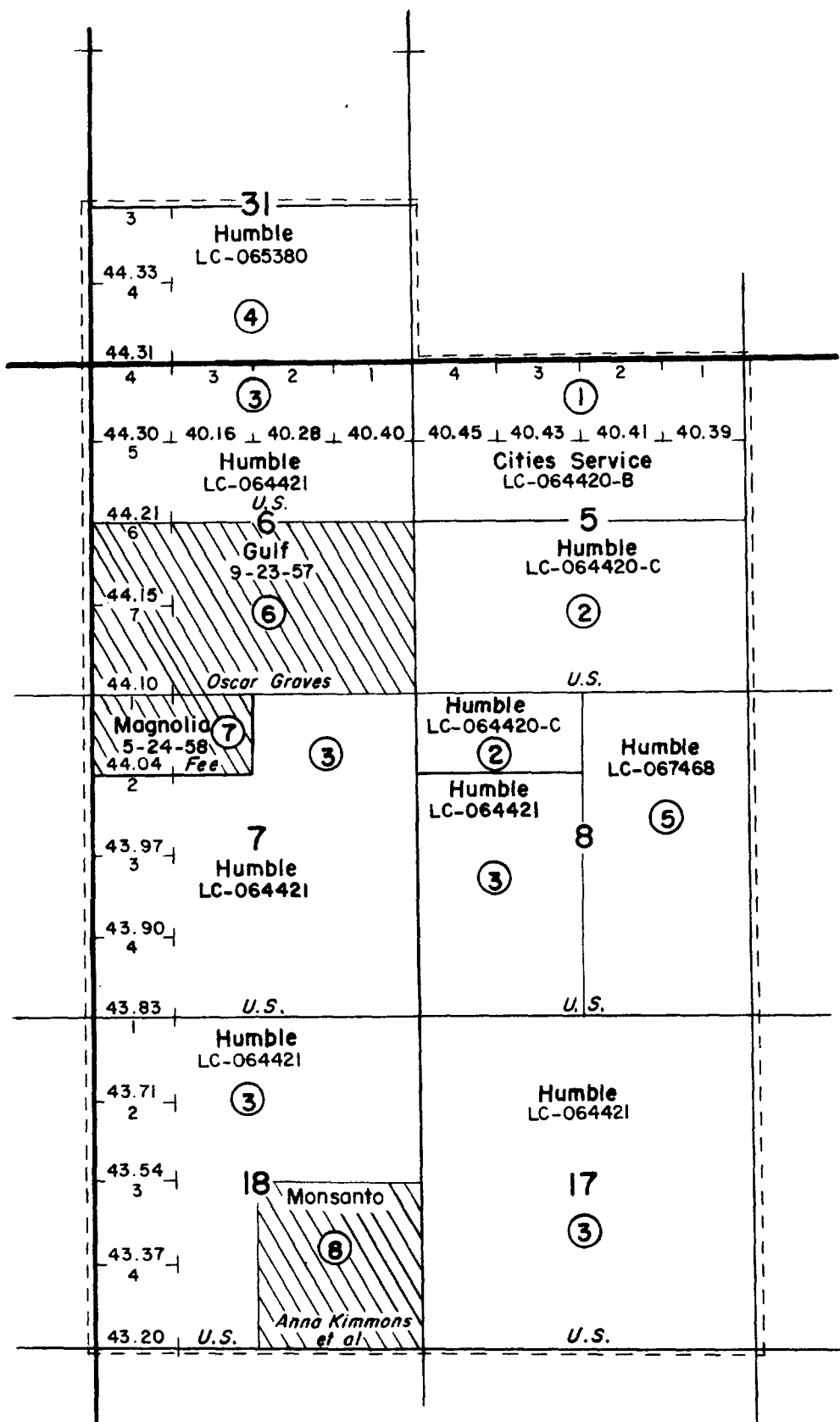
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OWNERSHIP PLAT  
RAILROAD MOUNTAIN UNIT AREA  
CHAVES COUNTY, NEW MEXICO

LEGEND

- Tract Number
- Unit Area
- Federal Land 3645.19 ac.
- Fee Land 572.29
- Total number of acres 4217.48

EXHIBIT "A"

EXHIBIT "B"  
RAILROAD MOUNTAIN UNIT AREA, CHAVES COUNTY, NEW MEXICO  
TOWNSHIPS 7 AND 8 SOUTH, RANGE 31 EAST

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS  
INTERESTS IN ALL LANDS IN THE UNIT AREA

Tract No.	Description of Land	No. of Acres	Application No. and Lease Date	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working Interest Owner
<u>FEDERAL LAND</u>							
1.	<u>T-8-S, R-31-E</u> Sec. 5: N/2	321.68	LC-064420-B 7-1-48	U.S.A. 12½%	W. H. McKinley	Edith J. Hodges	4% Cities Service Oil Company
2.	<u>T-8-S, R-31-E</u> Sec. 5: S/2 Sec. 8: N/2 NW/4	400	LC-064420-C 7-1-48	U.S.A. 12½%	W. H. McKinley	Edith J. Hodges	4% Humble Oil Refining Co
3.	<u>T-8-S, R-31-E</u> Sec. 6: N/2 Sec. 7: Lots 2, 3, 4, E/2 SW/4, SE/4 NW/4, E/2 Sec. 8: SW/4, S/2 NW/4 Sec. 18: W/2, NE/4 Sec. 17: All	2274.87	LC-064421 7-1-48	U.S.A. 12½%	Clara Phinizy Butcher	Clara Phinizy Butcher, \$750 per Ind. and as executrix acre out of the estate of Cary of 3% P. Butcher	Humble Oil Refining Co
4.	<u>T-7-S, R-31-E</u> Sec. 31: S/2	328.64	LC-065380 2-1-48	U.S.A. 12½%	William C. Taylor	William C. Taylor and Lela G. Taylor	4% Humble Oil Refining Co
5.	<u>T-8-S, R-31-E</u> Sec. 8: E/2	320	LC-067468 5-1-51	U.S.A. 12½%	Ralph Nix	Ralph Nix and Francis Nix	4% Humble Oil Refining Co

5 FEDERAL TRACTS, CONTAINING 3645.19 ACRES OR 86.43% OF UNIT



FEE LAND

6.	<u>T-8-S, R-31-E</u> <u>Sec. 6: S/2</u>	328.25	Fee	9-23-47	Oscar Graves	All	Gulf Oil Corporation	None
7.	<u>T-8-S, R-31-E</u> <u>Sec. 7: Lot 1,</u> <u>NE/4 NW/4</u>	84.04	Fee	5-24-48	Milton J. Graves Bonnie Matlock Selma Andrews A. R. McQuiddy Magnolia Petroleum Company	1/4 1/16 1/8 1/16 1/2	Magnolia Petroleum Company	None
8.	<u>T-8-S, R-31-E</u> <u>Sec. 18: SE/4</u>	160	Fee	9-1-60	Joanna Kimmons John Mack Kimmons Charlotte Baker Ed Fagg Trust Byrd K. Smith Anna L. Kimmons	3/20 3/20 3/20 3/20 3/20 1/4	Monsanto Chemical Company	None

TOTAL - 8 TRACTS CONTAINING 4217.48 ACRES, RAILROAD MOUNTAIN UNIT AREA,

3 FEE TRACTS, CONTAINING 572.29 ACRES

\*Some Leases are held under option agreement which will be promptly exercised upon approval of the Unit.

CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the Act approved February 25, 1920, 41 Stat. 437, 30 U.S.C., Secs. 181, et seq., as amended by the Act of August 8, 1946, and delegated to the Director of the Geological Survey pursuant to Departmental Order 2365 of October 8, 1947, 43 C.F.R. Sec. 4.611, 12 F.R. 6784, I do hereby:

A. Approve the attached Agreement for the Development and Operation of the Railroad Mountain Unit Area, State of New Mexico.

B. Certify and determine that the unit plan of development and operation set forth in the attached Agreement is necessary and advisable in the public interest and is for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said Agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this Agreement.

---

Director  
United States Geological Survey

Date \_\_\_\_\_

J. M. HERVEY 1874-1953

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

J. PENROD TOLES  
LEWIS C. COX, JR.

LAW OFFICES

HERVEY, DOW & HINKLE

FIRST NATIONAL BANK BUILDING

ROSWELL, NEW MEXICO

TELEPHONE MAIN 2-6510

August 9, 1956

Mr. A. L. Porter, Jr.  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Dear Mr. Porter:

We enclose original and several copies of proposed order in Case No. 1113, being the application of Humble Oil & Refining Company for approval of the Railroad Mountain Unit Agreement.

Yours sincerely,

HERVEY, DOW & HINKLE

By Clarence E. Hinkle  
mp

CEH:mp  
Encl.

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. 1118  
Order No. \_\_\_\_\_

THE APPLICATION OF HUMBLE OIL &  
REFINING COMPANY FOR APPROVAL  
OF THE RAILROAD MOUNTAIN UNIT  
AGREEMENT EMBRACING 4,217.48  
ACRES OF LAND, MORE OR LESS, IN  
CHAVES COUNTY, NEW MEXICO, WITHIN  
TOWNSHIPS 7 AND 8 SOUTH, RANGE  
31 EAST, NMPM

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10 o'clock a.m. on the 7th day of August, 1956, at Santa Fe, New Mexico, before Warren W. Mankin, Examiner duly appointed by the Oil Conservation Commission of New Mexico in accordance with Rule 1214 as set forth in Order R-681.

NOW, on this        day of August, 1956, the Commission, a quorum being present, having considered the application, the evidence and the recommendations of the Examiner Warren W. Mankin, and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That the proposed unit plan will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

SECTION 1. That this order shall be known as the

RAILROAD MOUNTAIN UNIT AGREEMENT ORDER

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

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

SECTION 3. (a) That the Railroad Mountain Unit Agreement Plan shall be, and hereby is, approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing in any manner any right, duties or obligation which are now, or may hereafter, be vested in the New Mexico Oil Conser-

vation Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said Railroad Mountain Unit Agreement, or relative to the production of oil or gas therefrom.

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

SECTION 4. That the Unit Area will be:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T. 7 S., R. 31 E.

Sec. 31: S $\frac{1}{2}$

T. 8 S., R. 31 E.

Secs. 5, 6, 7, 8, 17, 18: All

containing 4,217.48 acres, more or less.

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

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

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member and Secretary