

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING JULY 1, 2021**

**CASE No. 21980**

*FORD EXPLORATORY UNIT*

*SANDOVAL COUNTY, NEW MEXICO*



**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**APPLICATION OF EOG RESOURCES,  
INC. FOR APPROVAL OF THE  
FORD EXPLORATORY UNIT,  
SANDOVAL COUNTY, NEW MEXICO.**

**CASE NO. 21980**

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**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**APPLICATION OF EOG RESOURCES,  
INC. FOR APPROVAL OF THE  
FORD EXPLORATORY UNIT,  
SANDOVAL COUNTY, NEW MEXICO.**

CASE NO. 21980

**APPLICATION**

EOG Resources, Inc. (“EOG” or “Applicant”) (OGRID No. 7377), through its undersigned attorneys, files this application for an order approving the Ford Exploratory Unit. In support of this application, EOG states:

1. The proposed Ford Exploratory Unit area consists of the following 18,978.54 acres, more or less, of federal and Indian allotted lands situated in Sandoval County, New Mexico (“Unit Area”):

**TOWNSHIP 21 NORTH, RANGE 4 WEST, N.M.P.M.**

- Section 1: Lots 1-4, S/2 N/2, SW/4, NW/4 SE/4, E/2 SE/4, SW/4 SE/4
- Section 2: Lots 1-4, S/2 N/2, S/2
- Section 3: Lots 5-8, S/2 N/2, S/2
- Section 4: Lots 5-8, S/2 N/2, S/2
- Section 5: Lots 5-8, S/2 N/2, S/2
- Section 6: Lots 8-14, S/2 NE/4, SE/4 NW/4, E/2 SW/4, SE/4
- Section 7: Lots 1-4, E/2 W/2, E/2
- Section 8: ALL
- Section 9: ALL
- Section 10: ALL
- Section 11: ALL
- Section 12: ALL
- Section 18: Lots 1-4, E/2 W/2, E/2

**TOWNSHIP 21 NORTH, RANGE 5 WEST, N.M.P.M.**

- Section 1: Lots 1-4, S/2 N/2, S/2
- Section 2: Lots 1-4, S/2 N/2, SW/4, SE/4
- Section 3: Lots 1-4, S/2 N/2, SW/4, SE/4

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. A  
Submitted by: EOG Resources, Inc.  
Hearing Date: July 1, 2021  
Case No. 21980**

Section 10: ALL  
Section 11: ALL  
Section 12: ALL  
Section 13: ALL  
Section 14: ALL  
Section 15: ALL  
Section 21: ALL  
Section 22: ALL  
Section 23: ALL  
Section 24: ALL  
Section 25: ALL  
Section 26: W/2, NE/4, SE/4  
Section 27: ALL  
Section 28: ALL

2. EOG owns a substantial interest in the Unit Area and is the designated operator under the proposed Unit Agreement

3. The unitized interval for the Ford Exploratory Unit includes all depths underlying said Sections within Township 21 North, Range 4 West, and within Township 21 North, Range 5 West, N.M.P.M., Sandoval County, New Mexico.

4. EOG has met with the BLM and received preliminary approval of the Unit Agreement.

5. EOG holds the majority of the working interest ownership in the unit area and is able to provide effective control of unit operations.

6. The Unit Agreement, and the unitized operation and management of the Unit Area are in the best interests of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, EOG Resources, Inc. requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on July 1, 2021, and that after notice and hearing this Application be approved.

Respectfully submitted,

HOLLAND & HART LLP



By: \_\_\_\_\_

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**ATTORNEYS FOR EOG RESOURCES, INC.**

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

APPLICATION OF EOG RESOURCES,  
INC. FOR APPROVAL OF THE  
FORD EXPLORATORY UNIT,  
SANDOVAL COUNTY, NEW MEXICO.

CASE NO. 21980

AFFIDAVIT OF DANIEL KOURY, LANDMAN

Daniel Koury, being of lawful age and duly sworn, states the following:

1. My name is Daniel Koury and I am employed by EOG Resources, Inc. (“EOG”) as a Landman.

2. I have not previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. I graduated from the Texas Tech University with a B.B.A in Energy Commerce in 2017. Since 2017, I have worked with EOG as a Landman in the Eagle Ford and Permian Basin. I am a member of the American Association of Professional Landmen. **EOG Exhibit B-1** is a copy of my resume reflecting my education and experience in petroleum land matters. I seek to have my credentials accepted by the Division as an expert petroleum landman.

3. I am the landman responsible for the formation of the proposed unit, familiar with the application filed by EOG in this matter, and the status of the lands in the subject area.

4. Since this application seeks approval of a voluntary unit, I do not expect any opposition at the hearing.

5. EOG seeks an order approving the Ford Exploratory Unit, a voluntary unit consisting of the following 18,978.54 acres of federal and Indian allotted lands situated in Sandoval County, New Mexico (“Unit Area”):

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. B  
Submitted by: EOG Resources, Inc. Hearing  
Date: July 1, 2021  
Case No. 21980

**TOWNSHIP 21 NORTH, RANGE 4 WEST, N.M.P.M.**

- Section 1: Lots 1-4, S/2 N/2, SW/4, NW/4 SE/4, E/2 SE/4, SW/4 SE/4
- Section 2: Lots 1-4, S/2 N/2, S/2
- Section 3: Lots 5-8, S/2 N/2, S/2
- Section 4: Lots 5-8, S/2 N/2, S/2
- Section 5: Lots 5-8, S/2 N/2, S/2
- Section 6: Lots 8-14, S/2 NE/4, SE/4 NW/4, E/2 SW/4, SE/4
- Section 7: Lots 1-4, E/2 W/2, E/2
- Section 8: ALL
- Section 9: ALL
- Section 10: ALL
- Section 11: ALL
- Section 12: ALL
- Section 18: Lots 1-4, E/2 W/2, E/2

**TOWNSHIP 21 NORTH, RANGE 5 WEST, N.M.P.M.**

- Section 1: Lots 1-4, S/2 N/2, S/2
- Section 2: Lots 1-4, S/2 N/2, SW/4, SE/4
- Section 3: Lots 1-4, S/2 N/2, SW/4, SE/4
- Section 10: ALL
- Section 11: ALL
- Section 12: ALL
- Section 13: ALL
- Section 14: ALL
- Section 15: ALL
- Section 21: ALL
- Section 22: ALL
- Section 23: ALL
- Section 24: ALL
- Section 25: ALL
- Section 26: W/2, NE/4, SE/4
- Section 27: ALL
- Section 28: ALL

6. EOG is the designated operator for the proposed unit, under the proposed Unit Agreement. **EOG Exhibit B-2** is a copy of the proposed Unit Agreement with Exhibits A and B. It conforms with the federal and Indian allotted exploratory unit form.

7. The unitized interval for the Ford Exploratory Unit includes all depths underlying said Sections within Township 21 North, Range 4 West, and within Township 21 North, Range 5 West, N.M.P.M., Sandoval County, New Mexico.

8. Exhibit A to the Unit Agreement outlines the boundary of the Unit Area and identifies each of the tracts of federal and Indian allotted lands within the Unit. There are fifteen tracts of federal and Indian allotted lands. 99.16% of the acreage in the proposed Unit is federal, and the other .84% is an unleased Indian allotted tract.

9. Exhibit B to the Unit Agreement shows the ownership breakdown by tract in the Unit Area. Eleven of the fifteen tracts are 100% EOG working interest. Three of the remaining tracts are unissued federal leases, and once the leases are issued by the BLM, the working interest and record title will be assigned to EOG. The last tract of the fifteen is an unleased Indian allotted tract within the unit that comprises a total of .84% of the proposed Unit Area. FIMO has committed to BLM the inclusion of the unleased parcel into the Unit. EOG is in the process of negotiating an oil and gas lease with FIMO on behalf of the Indian allotted owners.

10. EOG provided notice of this hearing to all overriding royalty interest owners in the proposed Unit. EOG will also seek ratifications of all of the overriding royalty interest owners in the Unit. Overriding royalty interest owners will be paid on a tract basis within an established participating area.

11. EOG has met with the BLM and FIMO and received preliminary approval of the proposed Unit Area and the proposed Unit Agreement. **EOG Exhibit B-3** is a copy of the preliminary approval letter from the BLM in support of the proposed unitized area and Unit Agreement.

12. As reflected in the BLM preliminary approval letter and **EOG Exhibit B-4**, the initial obligation well is the Bullitt 06 Fed #605H well, a horizontal well with a surface location in the SW/4 SW/4 of Section 6 of Township 21 North, Range 4 West (API No. 30-043-21354) and completed in the WC 21N4W6; Gallup Pool (98350).

13. The effective date of the Unit Agreement is upon the signatures of all parties, which is expected to be received from the BLM following the requested approval from the Division in this case.

14. EOG Exhibits B-1 through B-4 were prepared by me or compiled under my direction from company business records.

FURTHER AFFIANT SAYETH NAUGHT.

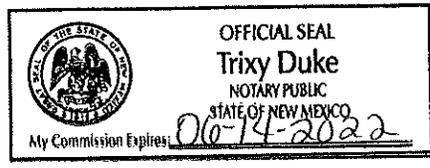
*Daniel Koury*  
DANIEL KOURY

STATE OF NEW MEXICO     )  
  )  
COUNTY OF Eddy         )

SUBSCRIBED and SWORN to before me this 24<sup>th</sup> day of June 2021 by DANIEL KOURY.

*Trixy Duke*  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:  
06-14-2022



**Daniel Koury**

1507 West Bush Ave, Artesia, NM, 88210  
575-748-4947 • Daniel\_Koury@eogresources.com

**EDUCATION**

Texas Tech University, Rawls College of Business  
Bachelor of Business Administration in Energy Commerce  
• President’s List: Fall 2014

Lubbock, TX  
Graduated: May 2017

**EXPERIENCE**

**EOG Resources, Inc.**

*Contract Landman/Intern*

Gonzales/Gillett/San Antonio, TX  
May, 2016 – May, 2017

- Ran Mineral Title in the Eagle Ford Shale
- Created a Supplemental Title Opinion and Sovereignty Run Sheet
- Worked on a Unit Reformation project which involved communicating directly with landowners

*Landman I*

Gonzales/Gillett/San Antonio, TX, Artesia, NM

- Spent 3 months in Mineral Title Office doing DOI curative June, 2017-March, 2020
- Spent 3 months in ROW/Surface Office
- Helped manage an area within our Land position in the Eagle Ford while in San Antonio Office, and Permian Basin while in Artesia, NM Office

*Landman II*

- Managing an area within our Land position in the Permian Basin Artesia, NM  
March, 2020-Present

**JOB DESCRIPTION:**

- Negotiate, analyze, interpret and prepare contracts and leases
- Examine, evaluate and cure drilling and division order title opinion requirements
- Supervise lease brokers and manage project expenditures
- Negotiate and prepare joint operating agreements, participation agreements, farm-in/farm-out agreements, purchase and sale agreements, pooling agreements, and associated support agreements

**INVOLVEMENT**

Energy Commerce Association  
American Association of Professional Landmen Student Membership  
American Association of Professional Landmen Membership

July 2015 – May 2017  
July 2015 – July 2018  
July 2018-Present

**BEFORE THE OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico  
Exhibit No. B1  
Submitted by: EOG Resources, Inc.  
Hearing Date: July 1, 2021  
Case No. 21980

**UNIT AGREEMENT**

**FOR THE DEVELOPMENT AND OPERATION**

**OF THE**

**EOG FORD UNIT AREA**

**COUNTY OF SANDOVAL**

**STATE OF NEW MEXICO**

**BEFORE THE OIL CONSERVATION DIVISION**  
**Santa Fe, New Mexico**  
**Exhibit No. B2**  
**Submitted by: EOG Resources, Inc.**  
**Hearing Date: July 1, 2021**  
**Case No. 21980**

**CONTRACT NO. \_\_\_\_\_**

THIS AGREEMENT, entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20 \_\_, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the “parties hereto,”

WITNESSETH:

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

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Sec. 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 unit plan of development or operations 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 rules and regulations governing the leasing of Allotted and Tribal Indian lands for oil and gas promulgated by the Secretary of the Interior (25 CFR parts 211 and 212) under and pursuant to the Act of March 3, 1909, ch. 263, 35 Stat. 783 as amended, the Act of May 11, 1938, ch. 198, Sec. 1, 52 Stat. 347, 25 U.S.C. Sec. 396 and 396a, and the Act of December 22, 1982, Sec. 3, 96 Stat. 1938, 25 U.S.C. 2102, and the oil and gas leases covering said Allotted and Tribal Indian lands provide for the commitment of such leases to a cooperative or unit plan of development or operation. Wherever the term Authorized Officer (AO) appears in the text of this agreement, it shall refer to the appropriate delegated authority within the Federal Indian Minerals Office (FIMO) or Bureau of Land Management (BLM). However, all submissions are to be made through the proper BLM office for review and distribution to the FIMO; and

WHEREAS, the parties hereto hold sufficient interests in the FORD 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, the Allotted and Tribal Leasing Acts, as amended, and the Indian Mineral Development Act, 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 and Indian lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal and non-Indian 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 and non-Indian land is located, are hereby accepted and made a part of this agreement.

**2. UNIT AREA.** The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing 18,978.54 acres, more or less.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator, the acreage, percentage, and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in Exhibits "A" or "B" 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 the Exhibits as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area or in the ownership interests in the individual tracts render such revision necessary, or when requested by the Authorized Officer, hereinafter referred to as "AO," and not less than four copies of the revised Exhibits shall be filed with the proper Bureau of Land Management office.

The above-described unit area shall when practicable be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be affected in the following manner:

(a) Unit Operator, on its own motion (after preliminary concurrence by the AO), or on demand of the AO, shall prepare a notice of proposed expansion or contraction describing the

contemplated changes in the boundaries of the unit area, the reasons therefor, any plans for additional drilling, and the proposed effective date of the expansion or contraction, preferably the first day of the month subsequent to the date of notice.

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

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

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval of the AO, become effective as of the date prescribed in the notice thereof or such other appropriate date.

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys, unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are in or entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. 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 AO and promptly notify all parties in interest. All lands reasonably proved productive of unitized substances in paying quantities by diligent drilling operations after the aforesaid five-year period shall become participating in the same manner as during said first five-year period. However, when such diligent drilling operations cease, all nonparticipating lands not then entitled to be in a participating area shall be automatically eliminated effective as of the 91st day thereafter.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands. If conditions warrant extension of the 10-year period specified in this subsection, a single extension of not to exceed two years may be accomplished by consent of

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the owners of 90 percent (90%) of the working interest in the current nonparticipating unitized lands and the owners of 60 percent (60%) of the basic royalty interests (exclusive of the basic royalty interests of the United States) in nonparticipating unitized lands with approval of the AO, provided such extension application is submitted not later than 60 days prior to the expiration of said 10-year period.

**3. UNITIZED LAND AND UNITIZED SUBSTANCES.** All land now or hereafter committed to this agreement and unleased Federal or Indian land 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 lands are unitized under the terms of this agreement and herein are called “unitized substances.”

**4. UNIT OPERATOR.** EOG RESOURCES, INC. is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term “working interest owner” when used herein shall include or refer to Unit Operator as the owner of a working interest only 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 AO and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment, whichever is required by the AO, 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 after a participating area established hereunder is in existence, but in all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

The resignation of Unit Operator shall not release the 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

as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the AO.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of 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 wells, equipment, materials, and appurtenances used in conducting the unit operations to the new duly qualified successor Unit Operator or to the common agent, if no such new Unit Operator is selected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment, or appurtenances needed for the preservation of any wells.

**6. SUCCESSOR UNIT OPERATOR.** Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by the working interest owners, the owners of the working interests according to their respective acreage interests in all unitized land shall, pursuant to the Approval of the Parties requirements of the unit operating agreement, select a successor Unit 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 AO.

If no successor Unit Operator is selected and qualified as herein provided, the AO 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 agreement, and in the case of any inconsistency or conflict between this agreement and the unit operating agreement, this agreement shall govern. Two copies of the unit operating agreement,

executed pursuant to this section shall be filed in the proper BLM office prior to approval of this unit 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 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 commence to drill an adequate test well at a location approved by the AO, unless on such effective date a well is being drilled in conformity with the terms hereof, and thereafter continue such drilling diligently until the GALLUP Formation has been tested with at least a 1-mile horizontal well 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, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the AO 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 the horizontal portion of said well to a length in excess of 5,280 feet. Until the discovery of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one or more well(s) at a time, allowing not more than six months between the completion of one well and the commencement of drilling operations for the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the AO or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5, hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section.

The AO may modify any of the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Until the establishment of a participating area, the failure to commence a well subsequent to the drilling of the initial obligation well, or in the case of multiple well requirements, if specified, subsequent to the drilling of those multiple wells, as provided for in this (these) section(s), within the time allowed including any extension of time granted by the AO, shall cause this agreement to terminate automatically. Upon failure to continue drilling diligently any well other than the obligation well(s) commenced hereunder, the AO may, after 15 days' notice to the Unit Operator, declare this unit agreement terminated. Failure to commence drilling the initial

obligation well, or the first of multiple obligation wells, on time and to drill it diligently shall result in the unit agreement approval being declared invalid *ab initio* by the AO. In the case of multiple well requirements, failure to commence drilling the required multiple wells beyond the first well, and to drill them diligently, may result in the unit agreement approval being declared invalid *ab initio* by the AO.

**9a. Multiple well requirements<sup>1</sup>.** Notwithstanding anything in this unit agreement to the contrary, except Section 25, UNAVOIDABLE DELAY, 1 wells shall be drilled with not more than six months' time elapsing between the completion of the first well and commencement of drilling operations for the second well and with not more than six months' time elapsing between completion of the second well and the commencement of drilling operations for the third well, . . . regardless of whether a discovery has been made in any well drilled under this provision. Both the initial well and the second well must be drilled in compliance with the above specified formation or depth requirements in order to meet the dictates of this section; and the second well must be located a minimum of 1 miles from the initial well in order and in the formation designated by the AO to be accepted by the AO as the second unit test well, within the meaning of this section. The third test well shall be diligently drilled, at a location approved by the AO, to test the Gallup Formation or to a depth of 5,000 feet, whichever is the lesser, and must be located a minimum of 1 miles from both the initial and the second test wells. Nevertheless, in the event of the discovery of unitized substances in paying quantities by any well, this unit agreement shall not terminate for failure to complete the 1-well program, but the unit area shall be contracted automatically, effective the first day of the month following the default, to eliminate by subdivisions (as defined in Section 2(e) hereof) all lands not then entitled to be in a participating area.

**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 AO an acceptable plan of development and operation for the unitized land which, when approved by the authorized officer, shall constitute the further drilling and development 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 AO a plan for an additional specified period for the development and operation of the unitized land. Subsequent plans should normally be filed on a calendar-year basis not later than March 1 of each year. Any proposed modification or addition to the existing plan should be filed as a supplement to the plan.

Any plan submitted pursuant to this section shall provide for the timely exploration of the unitized area, and for the diligent drilling necessary for determination of the area or areas capable of producing unitized substances in paying quantities in each and every productive formation. This plan shall be as complete and adequate as the AO may determine to be necessary for timely development and proper conservation of the oil and gas resources in the unitized area and shall:

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<sup>1</sup>Provision to be included only when a multiple well obligation is required.

(a) Specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and

(b) Provide a summary of operations and production for the previous year.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development and operation. The AO is authorized to grant a reasonable extension of the six-month period herein prescribed for submission of the initial plan of development and operation where such action is justified because of unusual conditions or circumstances. Upon failure by the operator to timely submit or adhere to an approved plan of development or operation without prior written authorization, the AO, at his discretion, shall after 15 days' notice to the Unit Operator, eliminate by subdivisions (as defined in Section 2(e) hereof) all lands not then entitled to be in a participating area. The effective date of elimination shall be the first of the month in which the knowledge or information is obtained on which such elimination is predicated.

After completion of a well capable of producing unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the AO, shall be drilled except in accordance with an approved plan of development and operation.

**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 AO, the Unit Operator shall submit for approval by the AO, a schedule, based on subdivisions of the public land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive of unitized substances in paying quantities. These lands shall constitute a participating area on approval of the AO, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of Federal, Indian, and non-Federal and non-Indian lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of each initial participating area. The schedule shall also set forth the percentage of unitized substances to be allocated, as provided in Section 12, to each committed tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A different participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the AO. When production from two or more participating areas is subsequently found to be from a common pool or deposit, the participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the AO. The participating area or areas so established shall be revised from time to time, subject to the approval of the AO, to include additional lands then regarded as reasonably proved to be productive of unitized substances in paying quantities or which are necessary for unit operations, or to exclude lands then regarded as not reasonably proved to be productive of unitized substances in paying quantities, and the schedule of allocation percentages shall be revised

accordingly. The effective date of any revision shall be the first of the month in which the knowledge or information is obtained on which such revision is predicated; provided, however, that a more appropriate effective date may be used if justified by Unit Operator and approved by the AO. No land shall be excluded from a participating area on account of depletion of its unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned. It is the intent of this section that a participating area shall represent the area known or reasonably proved to be productive of unitized substances in paying quantities or which are necessary for unit operations; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the AO as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established, the portion of all payments affected thereby shall, except royalty due the United States and the Indians, be impounded in a manner mutually acceptable to the owners of committed working interests. Royalties due the United States and the Indians shall be determined by the AO and the amount thereof shall be deposited, as directed by the AO, until a participating area is finally approved and then adjusted in accordance with a determination of the sum due as Federal and Indian royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the AO, that a well drilled under this agreement is not capable of production of unitized substances in paying quantities and inclusion in a participating area of the land on which it is situated is unwarranted, production from such well shall, for the purpose of settlement among all parties other than working interest owners, be allocated to the land on which the well is located, unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a nonpaying unit well shall be made as provided in the unit operating agreement.

**12. ALLOCATION OF PRODUCTION.** All unitized substances produced from a participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, and other production or development purposes, for repressuring or recycling in accordance with a plan of development and operations that has been approved by the AO, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the participating area established for such production. Each such tract shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land and unleased Federal land and unleased Indian land, if any, included in said participating area. There shall be allocated to the working interest owner(s) of each tract of unitized land in said participating area, in addition, such percentage of the production attributable to the unleased Federal and Indian land within the participating area as the number of acres of such unitized tract included in said participating area bears to the total

acres of unitized land in said participating area, for the payment of the compensatory royalty specified in Section 17 of this agreement. 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, including compensatory royalty obligations under Section 17, shall be prescribed as set forth in the unit operating agreement or as otherwise mutually agreed by the affected parties. 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 the 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 the latter 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 such area was defined at the time that such transferred gas was finally produced and sold.

**13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS.** Any operator may, with the approval of the AO, at such party's sole risk, costs, and expense, drill a well on the unitized land to test any formation provided the well is outside any participating area established for that formation, 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 the well in a like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled under this section by a non-unit operator results in production of unitized substances in paying quantities such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled under this section by a non-unit operator obtains production in quantities insufficient to justify the inclusion of the land upon which such well is situated in a participating area, 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 the Indians and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or the non-unit operator in the case of the operation of a well by a non-unit operator as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by an operator responsible therefore under existing contracts, laws, and regulations, or by the Unit Operator on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that

nothing in this section shall operate to relieve the responsible parties of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of development and operation approved by the AO, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of development and operation or as may otherwise be consented to by the AO 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 and the Indians shall be computed as provided in 30 CFR Group 200 and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal and Indian Land as provided in Section 12 at the rates specified in the respective Federal and Indian leases, or at such other rate or rates as may be authorized by law or regulation and approved by the AO; 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.

**15. RENTAL SETTLEMENT.** Rental or minimum royalties due on leases committed hereto shall be paid by the appropriate parties under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the responsible parties of the land from their respective obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States and the Indians subject to this agreement shall be paid at the rate specified in the respective leases from the United States and the Indians 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 and non-Indian land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby, or until some portion of such land is included within a participating area.

**16. CONSERVATION.** Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to Federal, Tribal or State law or regulation.

**17. DRAINAGE AND DILIGENCE.**

(a) The Unit Operator shall take such measures as the AO deems appropriate and adequate to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, which shall include the drilling of protective wells and which may include the payment of a fair and reasonable compensatory royalty, as determined by the AO.

(b) Whenever a participating area approved under Section 11 of this agreement contains unleased Federal lands, the value of 12-1/2 percent of the production that would be allocated to such Federal lands under Section 12 of this agreement, if such lands were leased, committed and entitled to participation, shall be payable as compensatory royalties to the Federal Government. Parties to this agreement holding working interests in committed leases within the applicable participating area shall be responsible for such compensatory royalty payment on the volume of production reallocated from the unleased Federal lands to their unitized tracts under Section 12. The value of such production subject to the payment of said royalties shall be determined pursuant to 30 CFR Part 206. Payment of compensatory royalties on the production reallocated from unleased Federal land to the committed tracts within the participating area shall fulfill the Federal royalty obligation for such production and said production shall be subject to no further Federal royalty assessment under Section 14 of this agreement. Payment of compensatory royalties as provided herein shall accrue from the date the committed tracts in the participating area that includes unleased Federal lands receive a production allocation, and shall be due and payable monthly by the last day of the calendar month next following the calendar month of actual production. If leased Federal lands receiving a production allocation from the participating area become unleased, compensatory royalties shall accrue from the date the Federal lands become unleased. Payment due under this provision shall end when the unleased Federal tract is leased or when production of unitized substances ceases within the participating area and the participating area is terminated, whichever occurs first.

(c) If unleased Indian lands are within a participating area, the value of 100 percent (8/8ths) of the production that would be allocated to such Indian lands under Section 12 of this agreement, if such lands were leased, committed and entitled to participation, shall be impounded in a manner mutually acceptable to the owners of committed working interests and the AO, accruing from the date the Indian lands became a part of the participating area. The value of such production subject to such impoundment shall be determined pursuant to 30 CFR Part 206. Impoundment of funds under this provision shall end when the unleased Indian tract is leased or when production of unitized substances ceases within the participating area and the participating area is terminated, whichever occurs first. When the unleased Indian tract is leased, the Indian mineral owner shall be paid the fraction of the accrued impounded funds corresponding to the royalty rate of the lease, and the remaining funds shall be released to the unit interest owners in accordance with the unit operating agreement.

(d) The AO may require the drilling and production of such wells to ensure reasonable diligence in the development and operation of the unitized area, or in lieu of drilling, require the payment of an amount as determined by the AO to compensate the interest owners in full each month for the estimated loss of royalty.

**18. LEASES AND CONTRACTS CONFORMED AND EXTENDED.** The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary 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 and Indian 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 separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of this unit area.

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the AO shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such 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 and the Indians committed to this agreement which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production of unitized substances in paying quantities is established under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years, and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act, as amended.

(f) Any Indian lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production of unitized substances in paying quantities is established under this

Agreement prior to the expiration date of the term of such lease and such lease shall be extended for so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the acts governing the leasing of Indian lands.

(g) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States and the Indians 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.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(m) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784) (30 U.S.C. 226(m)):

“Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, that any such lease as to the non-unitized 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.”

If the public interest requirement is not satisfied, the segregation of a lease and/or extension of a lease pursuant to 43 CFR 3107.3-2 and 43 CFR 3107.4, respectively, shall not be effective.

(i) Any Indian lease committed in part to any such cooperative agreement (unit agreement) shall be segregated into a separate lease or leases as to the lands committed and lands not committed to the agreement.

(j) Any lease, other than a Federal or Indian lease, having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event any such lease provides for a lump-sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

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

**20. EFFECTIVE DATE AND TERM.** This agreement shall become effective upon approval by the AO and shall automatically terminate five years from said effective date unless:

(a) Upon application by the Unit Operator such date of expiration is extended by the AO, or

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

(c) A valuable discovery of unitized substances in paying quantities has been made or accepted on unitized land during said initial term or any extension thereof, in which event this agreement shall remain in effect for such term and so long thereafter as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder. Should production cease and diligent drilling or reworking operations to restore production or new production are not in progress within 60 days and production is not restored or should new production not be obtained in paying quantities on committed lands within this unit area, this agreement will automatically terminate effective the last day of the month in which the last unitized production occurred, or

(d) It is voluntarily terminated as provided in this agreement.

Except as noted herein, this agreement may be terminated at any time prior to the discovery of unitized substances which can be produced in paying quantities by not less than 75 per centum, on an acreage basis, of the working interest owners' signatory hereto, with the approval of the AO. The Unit Operator shall give notice of any such approval to all parties hereto.

If the public interest requirement is not satisfied, the approval of this unit by the AO shall be invalid.

**21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION.** The AO 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 are not fixed pursuant to Federal, Tribal or State law, or do not conform to any Statewide voluntary conservation or allocation program which is established, recognized, and generally adhered to by the majority of operators in such State. The above authority is hereby limited to alteration or modifications which are in the public interest. The public interest to be served and the purpose thereof, must be stated in the order of alteration or modification. Without regard to the foregoing, the AO is also hereby vested with the authority to alter or modify from time to time,

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

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

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

**23. NOTICES.** All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be in writing and shall be personally delivered to the party or parties, or sent by postpaid registered or certified mail, to the last-known address of the party or parties.

**24. NO WAIVER OF CERTAIN RIGHTS.** Nothing contained in this agreement shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State where the unitized lands are located, or of the United States, or of [Name of specific Tribe/Indian Agency], 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.

**25. 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 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, Tribal, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials or equipment in the open market, or other matters beyond the reasonable control of the Unit Operator, whether similar to matters herein enumerated or not.

**26. NONDISCRIMINATION.**

(a) In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 FR 12319), as amended, which are hereby incorporated by reference in this agreement. However, the Unit Operator shall comply with the terms and conditions of the Indian leases while engaged in operations hereunder with respect to the employment of available, qualified Indian labor. Unit Operator shall employ Indian labor in all positions for which they

are qualified, including oil field service contracts, and shall protect the Indian grazing rights and other Indian rights to the surface of the lands.

(b) Operator shall include the provisions of subparagraph (a) above in every subcontract or purchase order so that such provisions will be binding upon each subcontractor or vendor.

**27. LOSS OF TITLE.** In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and Indian lands or leases, no payments of funds due the United States or the Indians shall be withheld, but such funds shall be deposited as directed by the AO, 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.

**28. NONJOINDER 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 the tract from this agreement by written notice delivered to the proper BLM office and the Unit Operator prior to the approval of this agreement by the AO. Any oil or gas interests in lands within the unit area not committed hereto prior to final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approval(s), if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a nonworking 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 nonworking interest. A nonworking interest may not be committed to this unit agreement unless the corresponding working interest is 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, in order for the interest to be regarded as committed to this agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the date of the filing with the AO of duly executed counterparts of all or any papers necessary to establish effective commitment of any interest and/or tract to this agreement.

**29. 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.

**30. INDIAN EMPLOYMENT.** The Unit Operator shall comply with the terms and conditions of the leases on Indian lands with respect to the employment of available Indian labor while engaged in operations hereunder.

**31. SURRENDER.** Nothing in this agreement shall prohibit the exercise by any working interest owner of the right to surrender vested in such party by any lease, sublease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

If as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party may forfeit such rights and further benefits from operations hereunder as to said land to the party next in the chain of title who shall be and become the owner of such working interest.

If as the result of any such surrender or forfeiture working interest rights become vested in the fee owner of the unitized substances, such owner may:

- (a) Accept those working interest rights subject to this agreement and the unit operating agreement; or
- (b) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement; or
- (c) Provide for the independent operation of any part of such land that is not then included within a participating area established hereunder.

If the fee owner of the unitized substances does not accept the working interest rights subject to this agreement and the unit operating agreement or lease such lands as above provided within six months after the surrendered or forfeited, working interest rights become vested in the fee owner; the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of the unitized working interests in accordance with their respective working interest ownerships, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interests

subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within 30 days.

The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

**32. TAXES.** The working interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced, gathered and sold from the land covered by this agreement after its effective date, or upon the proceeds derived therefrom. The working interest owners on each tract shall and may charge the proper proportion of said taxes to royalty owners having interests in said-tract, and may currently retain and deduct a sufficient amount of the unitized substances or derivative products, or net proceeds thereof, from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or to the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

**33. NO PARTNERSHIP.** It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing contained in this agreement, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership association between the parties hereto or any of them.

**34. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS.** Nothing in this agreement shall modify or change either the special Federal or Indian lease stipulations relating to surface management or such special Federal or Indian lease stipulations relating to surface and environmental protection, attached to and made a part of Federal or Indian oil and gas leases covering lands within the 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.

\_\_\_\_\_  
Unit Operator

\_\_\_\_\_  
Working Interest Owners

---

Other Interest Owners

### Unit Agreement Guidelines

1. Executed agreement to be legally complete.
2. Agreement submitted for approval must contain Exhibit A and B in accordance with models shown in §3186.1-1 and §3186.102 of this title.
3. Consents should be identified (in pencil) by tract numbers as listed in Exhibit B and assembled in that order as far as practical. Unit agreements submitted for approval shall include a list of the overriding royalty interest owners who have executed ratifications of the unit agreement. Subsequent joinders by overriding royalty interest owners shall be submitted in the same manner, except each must include or be accompanied by a statement that the corresponding working interest owner has consented in writing to such joinder. Original ratifications of overriding royalty owners will be kept on file by the unit Operator or his designated agent.
4. All leases held by option should be noted on Exhibit B with an explanation as to the type of option, i.e., whether for operating rights only, for full leasehold record title, or for certain interests to be earned by performance. In all instances, optionee committing such interests is expected to exercise option promptly.
5. All owners of oil and gas interests must be invited to join the unit agreement, and statement to that effect must accompany executed agreement, together with summary of results of such invitations. A written reason for all interest owners who have not joined shall be furnished by the unit operator.
6. In the event fish and wildlife lands are included, and the following as a separate section:
 

"Wildlife Stipulation. Nothing in this agreement shall modify the special Federal lease stipulations applicable to lands under the jurisdiction of the United States Fish and Wildlife Service."
7. In the event National Forest System lands are included within the unit area, add the following as a separate section:
 

"Forest Land Stipulation. Notwithstanding any other terms and conditions contained in this agreement, all of the stipulations and conditions of the individual leases between the United States and its lessees or their successors or assigns embracing lands within the unit area included for the protection of lands or functions under the jurisdiction of the Secretary of Agriculture shall remain in full force and effect the same as though this agreement had not been entered into, and no modification thereof is authorized except with the prior consent in writing of the Regional Forester, United States Forest Service,

\_\_\_\_\_, \_\_\_\_\_.

8. In the event reclamation lands are included, add the following as a new separate section:

"Reclamation Lands. Nothing in this agreement shall modify the special Federal lease stipulations applicable to lands under the jurisdiction of the Bureau of Reclamation."

9. In the event a powersite is embraced in the proposed unit area, the following section should be added:

"Powersite. Nothing in this agreement shall modify the special Federal lease stipulations applicable to lands under the jurisdiction of the Federal Energy Regulatory Commission."

10. In the event special surface stipulations have been attached to any of the Federal oil and gas leases to be included, add the following as a separate section:

"Special Surface Stipulations. Nothing in this agreement shall modify the special Federal lease stipulations attached to the individual Federal oil leases."

11. In the event State lands are included in the proposed unit area, use the separate Federal/Indian/State Unit Agreement Model Form that includes the appropriate State Lands Section. (See §3181.4(a) of this title).

12. In the event a prior well was completed within the unit area include the following as the first paragraph of Section 11, Participation After Discovery:

"Determination as to whether a well completed within the Unit Area prior to the effective date of this agreement is capable of producing unitized substances in paying quantities shall be deferred until an initial participating area is established as the result of the completion of a well for production in paying quantities in accordance with Section 9 hereof."

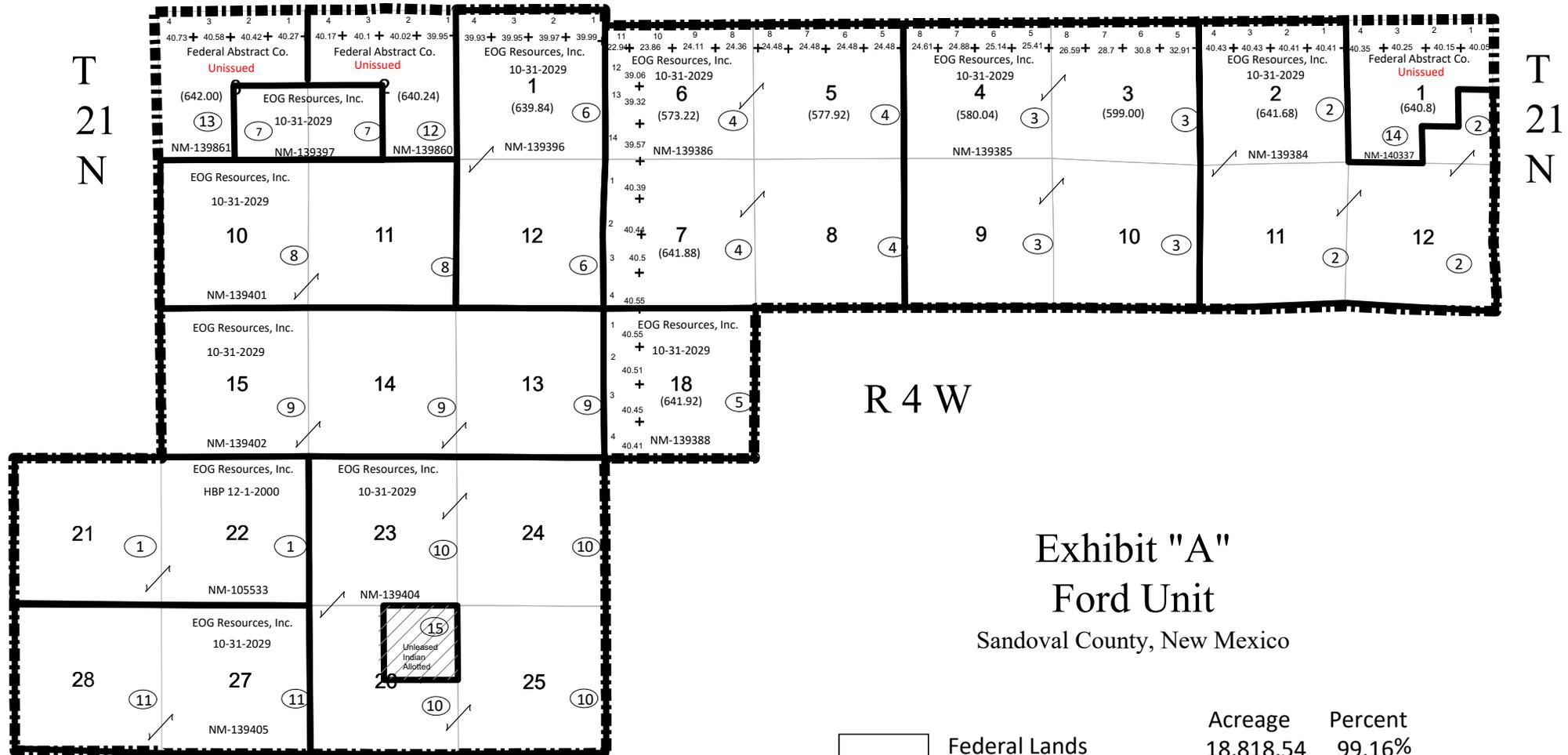


Exhibit "A"  
 Ford Unit  
 Sandoval County, New Mexico

	Acreage	Percent
Federal Lands	18,818.54	99.16%
Indian Allotted Lands	160.00	.84%
<b>Total:</b>	<b>18,978.54</b>	<b>100.00%</b>

① Indicates tract number as listed on Exhibit B



EXHIBIT "B"  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF THE OIL AND GAS INTERESTS  
FORD EXPLORATORY UNIT AREA  
SANDOVAL COUNTY, NEW MEXICO

OWNERSHIPS REFLECTED HEREIN COVERS THOSE FORMATIONS COVERING ALL DEPTHS

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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**FEDERAL LANDS:**

1.	<u>T21N-R5W</u> Sec. 21: All Sec. 22: All	1,280.00	NMNM-105533  Effective 12/01/2000  HBP	U.S.A – All (12.5% royalty)	EOG Resources, Inc.  BetsWest Resources, LP  Probe Resources, Inc.  TOTAL	86.625%  8.875% 4.5%  100%	Greystone Exploration Corporation On Point Exploration, Inc. Cathead Investments, LLC Steven W. Weller SEEL Development Co., L.L.C. BetsWest Resources, LP Scott C. Denison, Jr.  TOTAL	1.66665%  1.66665% 1.15375% 2.216673% 0.33336% 0.576875% 0.116667% 7.730625%	EOG Resources, Inc. 100%:
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TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
2.	<u>T21N-R4W</u> Sec. 1: E2SE, SWSE Sec. 2: Lots 1-4, S2N2, S2 Sec 11: ALL Sec 12: ALL	2,041.68	NMNM 139384  Effective 11/01/2019  Expires 10/31/2029	U.S.A – All (12.5% royalty)	EOG Resources, Inc. 100%		EOG Resources, Inc. 100%
3.	<u>T21N-R4W</u> Sec. 3: Lots 5-8, S2N2, S2 Sec. 4: Lots 5-8, S2N2, S2 Sec. 9: ALL Sec. 10: ALL	2,459.04	NMNM 139385  Effective 11/01/2019  Expires 10/31/2029	U.S.A – All (12.5% royalty)	EOG Resources, Inc. 100%		EOG Resources, Inc. 100%
4.	<u>T21N-R4W</u> Sec. 5: Lots 5-8, S2N2, S2 Sec. 6: Lots 8-14, S2NE, SENW, E2SW, SE Sec. 7: Lots 1-4, E2W2, E2 Sec. 8: ALL	2,433.02	NMNM 139386  Effective 11/01/2019  Expires 10/31/2029	U.S.A – All (12.5% royalty)	EOG Resources, Inc. 100%		EOG Resources, Inc. 100%
5.	<u>T21N-R4W</u> Sec. 18: Lots 1-4, E2W2, E2	641.92	NMNM 139388  Effective 11/01/2019  Expires 10/31/2029	U.S.A – All (12.5% royalty)	EOG Resources, Inc. 100%		EOG Resources, Inc. 100%
6.	<u>T21N-R5W</u> Sec. 1: Lots 1-4, S2N2, S2 Sec. 12: ALL	1,279.84	NMNM 139396  Effective 11/01/2019  Expires 10/31/2029	U.S.A – All (12.5% royalty)	EOG Resources, Inc. 100%		EOG Resources, Inc. 100%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
7.	<u>T21N-R5W</u> Sec. 2: SW Sec. 3: SE	320.00	NMNM 139397  Effective 11/01/2019  Expires 10/31/2029	U.S.A – All (12.5% royalty)	EOG Resources, Inc. 100%		EOG Resources, Inc. 100%
8.	<u>T21N-R5W</u> Sec. 10: ALL Sec. 11: ALL	1,280.00	NMNM 139401  Effective 11/01/2019  Expires 10/31/2029	U.S.A – All (12.5% royalty)	EOG Resources, Inc. 100%		EOG Resources, Inc. 100%
9.	<u>T21N-R5W</u> Sec. 13: ALL Sec. 14: ALL Sec 15: ALL	1,920.00	NMNM 139402  Effective 11/01/2019  Expires 10/31/2029	U.S.A – All (12.5% royalty)	EOG Resources, Inc. 100%		EOG Resources, Inc. 100%
10.	<u>T21N-R5W</u> Sec. 23: ALL Sec. 24: ALL Sec. 25: ALL Sec. 26: W2, SE	2,400.00	NMNM 139404  Effective 11/01/2019  Expires 10/31/2029	U.S.A – All (12.5% royalty)	EOG Resources, Inc. 100%		EOG Resources, Inc. 100%
11.	<u>T21N-R5W</u> Sec 27: ALL Sec 28: ALL	1,280.00	NMNM-139405  Effective 11/01/2019  Expires 10/31/2029	U.S.A – All (12.5% royalty)	EOG Resources, Inc. 100%		EOG Resources, Inc. 100%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
12.	T21N-R5W Sec 2: Lots 1-4 S2N2, SE	480.24	NMNM-139860  Unissued	U.S.A – All (12.5% royalty)	Federal Abstract Co. 100%		Federal Abstract Co. 100%
13.	T21N-R5W Sec 3: Lots 1-4 S2N2, SW	482.00	NMNM-139861  Unissued	U.S.A – All (12.5% royalty)	Federal Abstract Co. 100%		Federal Abstract Co. 100%
14.	T21N-R4W Sec 1: Lots 1-4 S2N2, SW, NWSE	520.80	NMNM-140337  Unissued	U.S.A – All (12.5% royalty)	Federal Abstract Co. 100%		Federal Abstract Co. 100%

<b>14</b>	<b>FEDERAL TRACTS TOTALING</b>	<b>18,818.54</b>	<b>ACRES</b>	<b>OR</b>	<b>99.16%</b>	<b>OF</b>	<b>UNIT</b>	<b>AREA</b>
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**INDIAN ALLOTTED LANDS:**

15.	T21N-R5W Sec. 26: NE4	160.00	Unleased						
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<b>1</b>	<b>INDIAN ALLOTTED TRACTS TOTALING</b>	<b>160</b>	<b>ACRES</b>	<b>OR</b>	<b>0.84%</b>	<b>OF</b>	<b>UNIT</b>	<b>AREA</b>
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<b>15</b>	<b>TRACTS TOTALING</b>	<b>18,978.54</b>	<b>ACRES</b>	<b>IN</b>	<b>UNIT</b>	<b>AREA</b>
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# United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
Wyoming State Office Reservoir Management Group  
2987 Prospector Drive  
Casper, WY 82604-2968



In Reply Refer To:  
3181  
Ford Unit  
NMNM143283X

MAY 06 2021

EOG Resources, Inc.  
Attn: Andrea Felix  
104 South 4th Street  
Artesia, NM 88210

**BEFORE THE OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico  
Exhibit No. B3  
Submitted by: EOG Resources, Inc.  
Hearing Date: July 1, 2021  
Case No. 21980

Dear Ms. Felix:

Your application of April 26, 2021, filed with the Chief, Reservoir Management Group requests the designation of 18,978.54 acres, more or less, in Sandoval County, New Mexico, as logically subject to exploration and development under unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations 43 CFR 3180, the land requested, as outlined on your plat marked "Exhibit 'A', Ford Unit", is hereby designated as a logical unit area. The unit agreement submitted for the area designation should provide for the drilling of the following test well:

**Name:** Bullitt 06 Fed 605H

**Surface Location:** SW¼ SW¼ Section 6, T21N, R04W, N.M. PM.

**Formation and Depth:** Horizontal lateral drilled to test the "Gallup" Sandstone with a lateral of at least one mile (the top of the "Gallup" Sandstone occurs at 5,000 feet measured depth as shown on the gamma ray and resistivity logs in the Firerock Federal 1-3 well located in the NW¼NE¼ of Section 3, T21N-R05W, NM P.M.) has tested said target.

The use of the Form of Agreement for Unproven Areas (43 CFR 3186.1, as revised April 1994), modified as shown in your application, will be accepted. If conditions are such that further modification of said standard form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted for preliminary approval.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement

submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

If a well is commenced and penetrates the geologic formation specified in Section 9 of the unit agreement prior to final unit approval, it cannot be considered as the unit obligation well. In such event the unit obligation well still must be drilled. If you elect to initiate drilling of the obligation well prior to final unit approval, please be advised that the agreement must be filed in time to permit it to be processed in the normal sequence of events without priority consideration because of a well drilling in the unit area.

To help prevent delay in the commencement of drilling the obligation well or subsequent wells, please review all Federal leases within the unit area as to restrictive stipulations which protect wildlife and other resources. Also, contact the Rio Puerco Field Office for any additional Conditions of Approval that may be incorporated in the approval of the Application for Permit to Drill (APD) that may delay commencement of the unit wells.

To ensure the timely handling of units submitted for final approval, proponent must show 100 percent commitment of all lessees of record, basic royalty owners, and working interest owners, or evidence that every such owner of interest in the unit has been given an opportunity to join the unit agreement. If any owner fails or refuses to join, evidence of reasonable effort to obtain a joinder should be submitted, together with a copy of each refusal by an operator giving the reasons for nonjoinder. If a refusal letter cannot be obtained, unit proponent should provide, in writing, a record of the attempts made to obtain joinder.

When the executed agreement is transmitted to the Chief, Reservoir Management Group for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the aforementioned form.

For land questions, please contact Sandy Blackburn, Land Law Examiner, at (307) 261-7632, for all other questions please contact Louis Niglio, Geologist, at (307) 261-7760.

Sincerely,



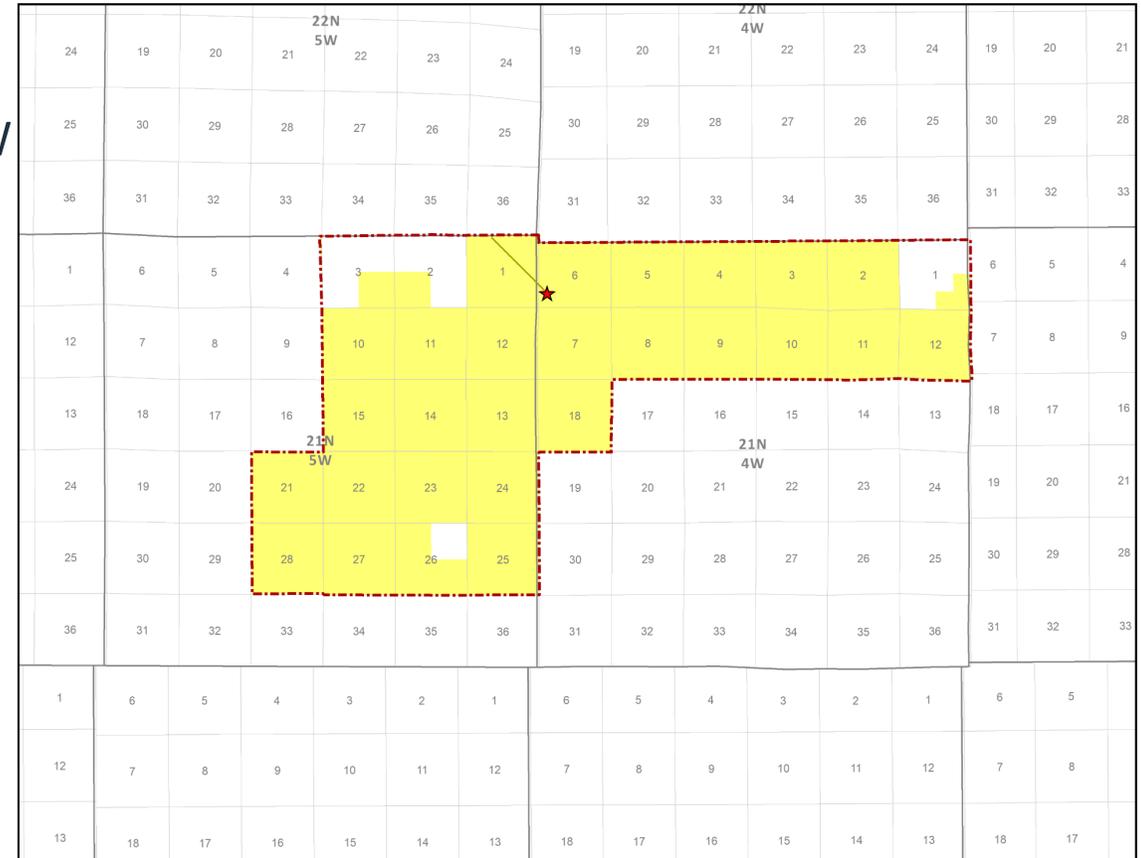
J. David Chase  
Chief, Reservoir Management Group

cc: NMSO – Kyle Paradis  
Rio Puerco Field Office w/application  
New Mexico State Land Office, Scott Dawson  
New Mexico Oil Conservation Division, Leonard Lowe  
FIMO Director

# Initial Development Well Location and Timing

## Bullitt 06 Fed 605H

- Surface Location: SW4SW4 of Section 6, T21N-R4W
- Bottom Hole Location: NE4NW4 of Section 1, T21N-R5W
- Target Spud Date: September, 2021



BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. B4  
 Submitted by: EOG Resources, Inc.  
 Hearing Date: July 1, 2021  
 Case No. 21980

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

APPLICATION OF EOG RESOURCES,  
INC. FOR APPROVAL OF THE  
FORD EXPLORATORY UNIT,  
SANDOVAL COUNTY, NEW MEXICO.

CASE NO. 21980

AFFIDAVIT OF NILES WETHINGTON, GEOLOGIST

Niles Wethington, of lawful age and being first duly sworn, declares as follows:

1. My name is Niles Wethington, and I am employed by EOG Resources, Inc. (“EOG”) as a geologist.

2. I have not previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum geology matters. I graduated from the University of Texas with a B.S. in geology in 2014, and from the University of Texas with a M.S. in geology in 2017. Since 2018, I have worked with EOG as a Geologist in the Permian and San Juan Basins. **EOG Exhibit C-1** is a copy of my resume reflecting my education and experience in petroleum geology. I seek to have my credentials accepted by the Division as an expert petroleum geologist.

3. I am familiar with the application filed by EOG in this matter and have conducted a geologic study of the proposed unit area.

4. The unitized interval for the Unit Area is all depths. The objective of the Unit is the lower Gallup interval, which is 275 feet thick and present from 5,000 feet to 5,273 feet, as shown in the Firerock Federal 1-3 #1 (API 30-043-20847) located in the NW/4 NE/4 of Section 3 (Unit B), Township 21 North, Range 5 West. **EOG Exhibit C-2** is a type log of this well identifying the targeted Gallup formation.

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. C  
Submitted by: EOG Resources, Inc.  
Hearing Date: July 1, 2021  
Case No. 21980

5. **EOG Exhibit C-3** are subsea structure and isopach maps that I prepared for the top of the Gallup formation underlying the proposed Unit Area. The proposed Unit Area is located over an area where the Gallup is structurally benign, and gently dipping towards the Northeast. The lower Gallup interval gradually thickens towards the Southeast as shown by the isopach map. I do not observe any pinch outs or other geologic impediments to drilling horizontal wells or otherwise efficiently developing the unit area.

6. In addition, identified on Exhibit C-3 is the location of the existing Firerock Federal 1-3 #1 in the in the NW/4 NE/4 of Section 3. It was drilled at a structurally representative point of the formation.

7. **Exhibit C-3** also shows the location of the type log for the Firerock Federal 1-3 #1 in Section 3, and two cross-sections, B-B' and C-C'. Cross-section B-B' is a northwest to southeast cross-section comprised of nine wells that were used to create a stratigraphic cross-section in a later exhibit. Cross-section C-C' is a northeast to southwest cross-section comprised of eight wells that were used to create a stratigraphic cross-section in a later exhibit. In my opinion, the well logs from these wells are representative of the geology underlying the unit area.

8. **Exhibit C-4** is a cross-section from A-A' for all depths underlying the subject Unit Area that I prepared using the logs from the representative wells shown on the cross-section map also included on this exhibit. Each well log on the cross-section contains gamma ray, resistivity, and neutron density porosity logs where available. The cross-section shows all depths underlying the subject Unit and that the prospective Gallup formation is clearly present across the entire unit. In addition, shallow productive intervals North of the Unit Area display similar gamma ray, resistivity, and porosity signatures within the Unit Area.

9. **Exhibit C-5** is the cross-section B-B' that I prepared using the logs from the representative wells shown on Exhibit C-3. Each well log on the cross-section contains gamma ray, resistivity and neutron density porosity logs where available. The cross-section shows that the prospective Gallup formation is clearly present across the entire unit in a structural strike direction. Correlative high porosity, low gamma ray intervals represent productive sandstones. The top of the lower Gallup formation is marked on the cross-section with a red line and demonstrates that the unitized interval is continuous across the proposed spacing unit. The Firerock Federal 1-3 #1 is represented by the middle well of the cross-section and drilled through the lower Gallup formation at approximately 5,000 feet.

10. **Exhibit C-6** is the cross-section C-C' that I prepared using the logs from the representative wells shown on Exhibit C-3. Each well log on the cross-section contains gamma ray, resistivity and neutron density porosity logs where available. The cross-section shows that the prospective Gallup formation is clearly present across the entire unit in a structural dip direction. Correlative high porosity, low gamma ray intervals represent productive sandstones. The top of the lower Gallup formation is marked on the cross-section with a red line and demonstrates that the unitized interval is continuous across the proposed spacing unit.

11. Based on my geologic study, the proposed unitized area is prospective for recovery of oil and gas from the unitized interval and suitable for development under a unit plan.

12. In my opinion, the approval of this unit is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

13. EOG Exhibits C-1 through C-6 were either prepared by me or compiled under my direction and supervision.

FURTHER AFFIANT SAYETH NOT.



# Niles Weston Wethington

📍 304 La Cuesta Rd, Artesia, NM, 88210, United States ✉️ nils\_wethington@eogresources.com 📞 (434) 242-2992

## Professional Experience

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2018 – present  
Artesia, NM

**EOG Resources, Geologist**  
*Geologist II*

- Lead geologist for San Juan Basin exploration
- Responsible for regional and local scale mapping based on integration of production data, well logs, core and cuttings, and seismic data
- Daily cross discipline collaboration regarding efficient evaluation, planning, and development of new assets

**BEFORE THE OIL CONSERVATION DIVISION**

**Santa Fe, New Mexico**

**Exhibit No. C1**

**Submitted by: EOG Resources, Inc.**

**Hearing Date: July 1, 2021**

**Case No. 21980**

*Geologist I*

- Exploration focused on NW Shelf Delaware Basin assets including detailed geologic evaluation of four stratigraphic intervals
- Successfully tested new horizontal play through drilling two horizontal wells and coordinating a comprehensive core analysis program
- Facilitated acquisition of large acreage positions through detailed geologic evaluation

2017  
Artesia, NM

**EOG Resources, Geoscience Intern**

Prospect delineation through subsurface mapping, NW Shelf Delaware Basin

2017  
Houston, TX

**BHP Billiton, Geoscience Intern**

Assessed fault transmissibility for the Atlantis Oil Field, GOM

2016  
Houston, TX

**BP, Geoscience Intern**

Evaluated development potential across multiple targets, Western Anadarko Basin

2015  
Houston, TX

**ConocoPhillips, Geoscience Intern**

Determined test locations and drilling targets in the Wolfcamp formation, Delaware Basin

## Education

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2014 – 2017  
Norman, OK

**M.S. Geology, University of Oklahoma**

Thesis: Stratigraphic architecture of the Mississippian Limestone through integrated electrofacies classification, Hardtner field area, Kansas and Oklahoma

2011 – 2014  
Austin, TX

**B.S. Geology, University of Texas**

Undergraduate Research Assistant at Bureau of Economic Geology, Gulf Coast Carbon Center

## Proficiencies

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- Well Log Interpretation
- Well Planning
- Petra
- Petrophysics (IP, Techlog)
- 3D Geocellular Modelling
- Geosteering
- Petrel
- Subsurface Mapping
- Clastic Reservoir Characterization
- Spotfire

## Publications and Presentations

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10/2018

**Stratigraphic architecture of the Mississippian limestone through integrated electrofacies classification, Hardtner field area, Kansas and Oklahoma,**  
*Interpretation (SEG)*

2017

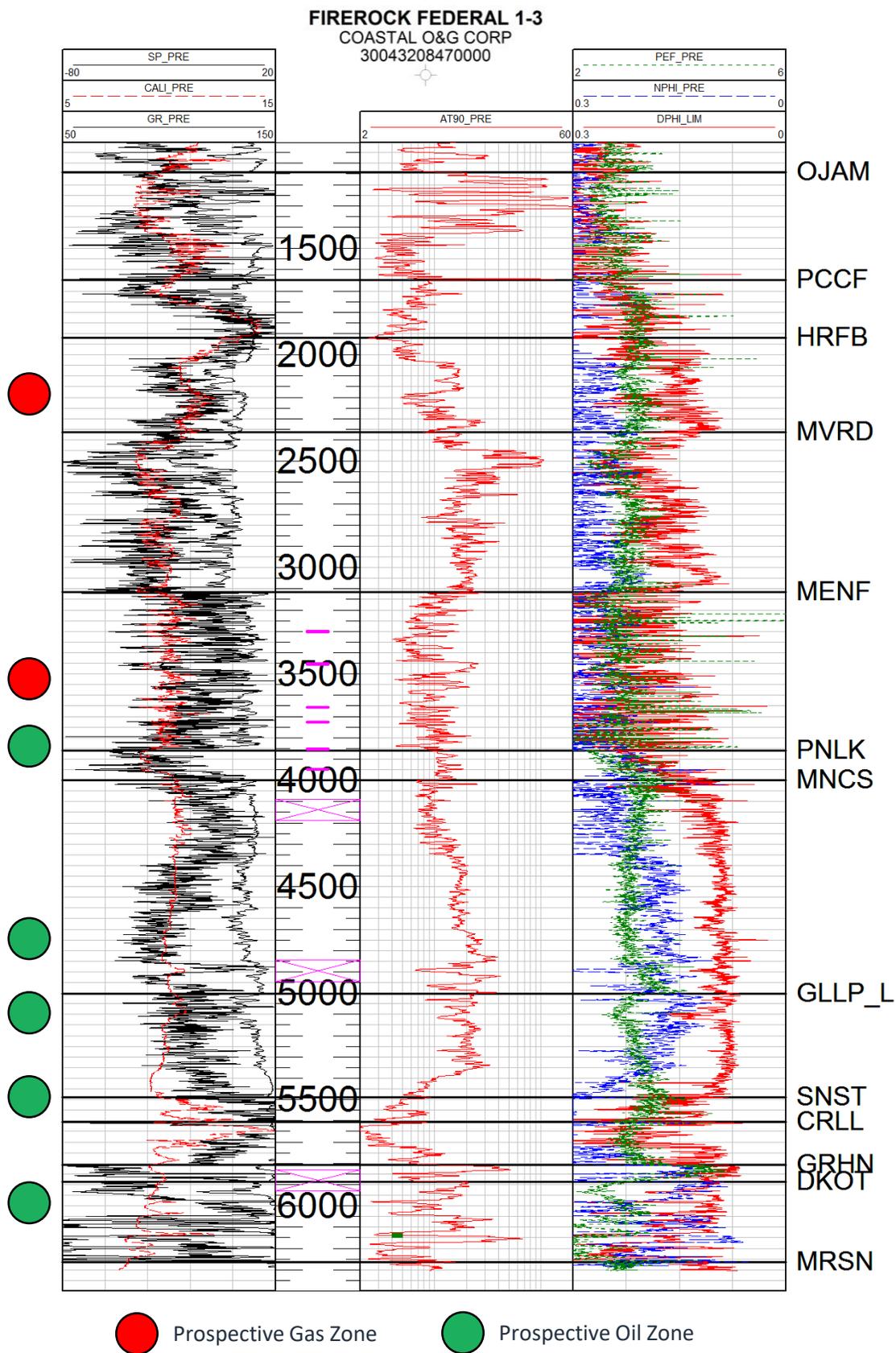
**Stratigraphic Architecture of the Mississippian Limestone,**  
*AAPG Mid-continent Conference, OKC*

## Professional Organizations

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**AAPG, Member**

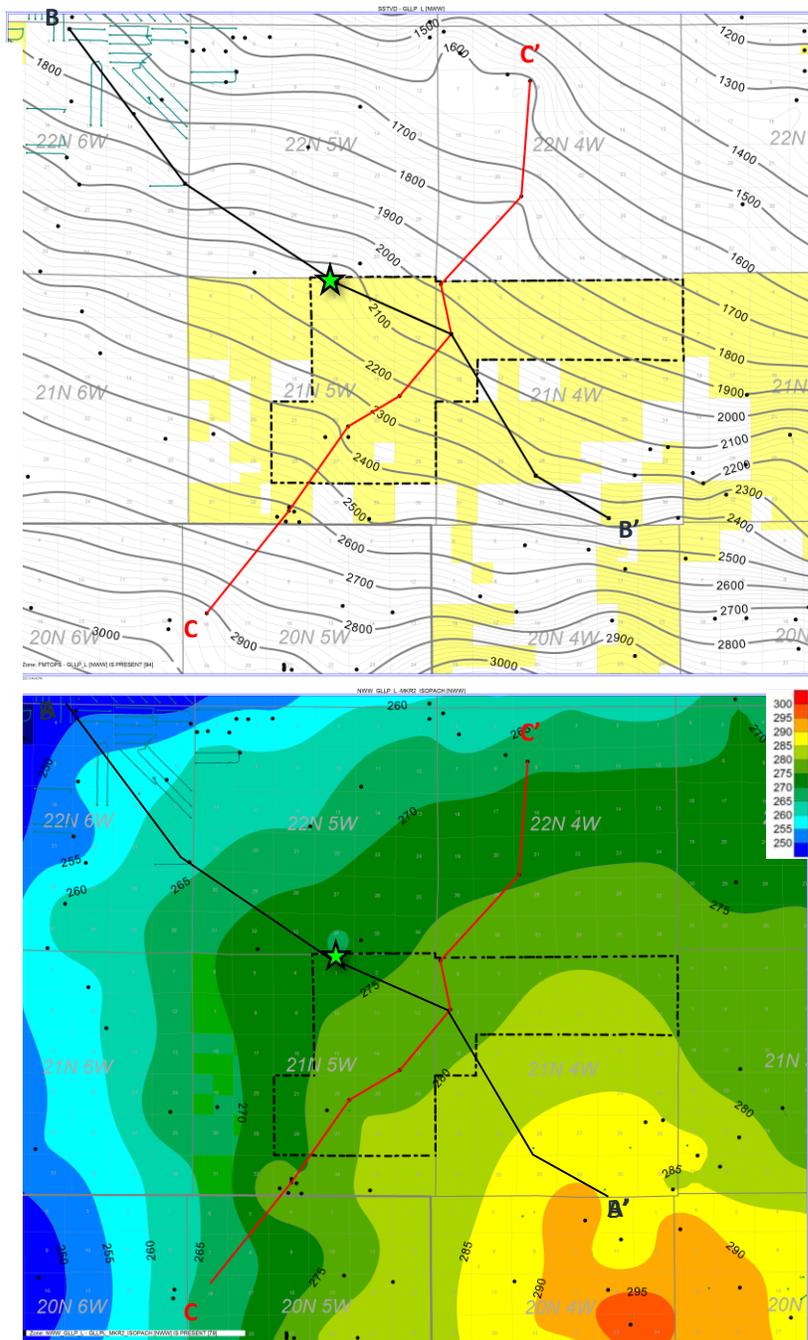
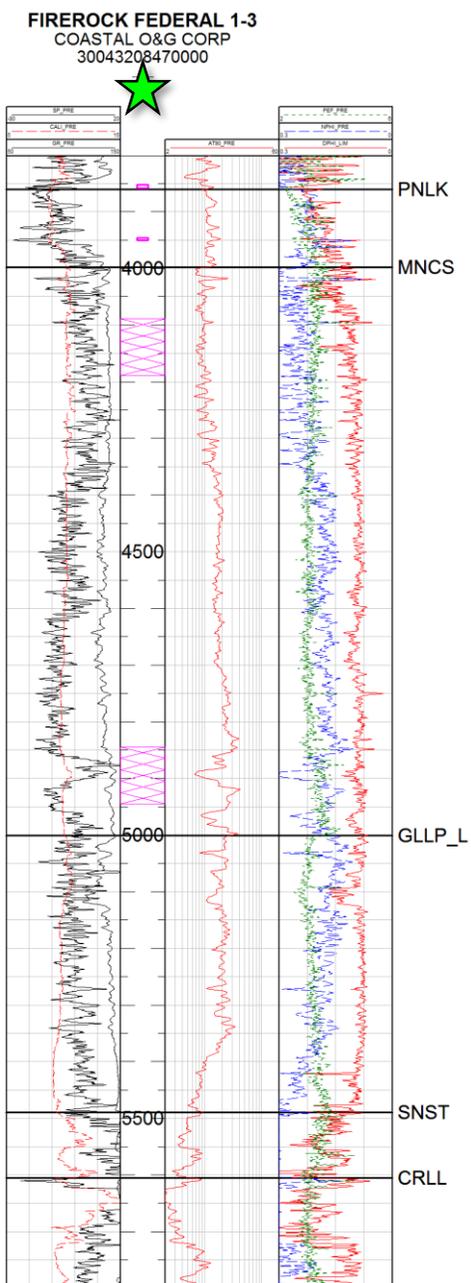
# Type Log



● Prospective Gas Zone

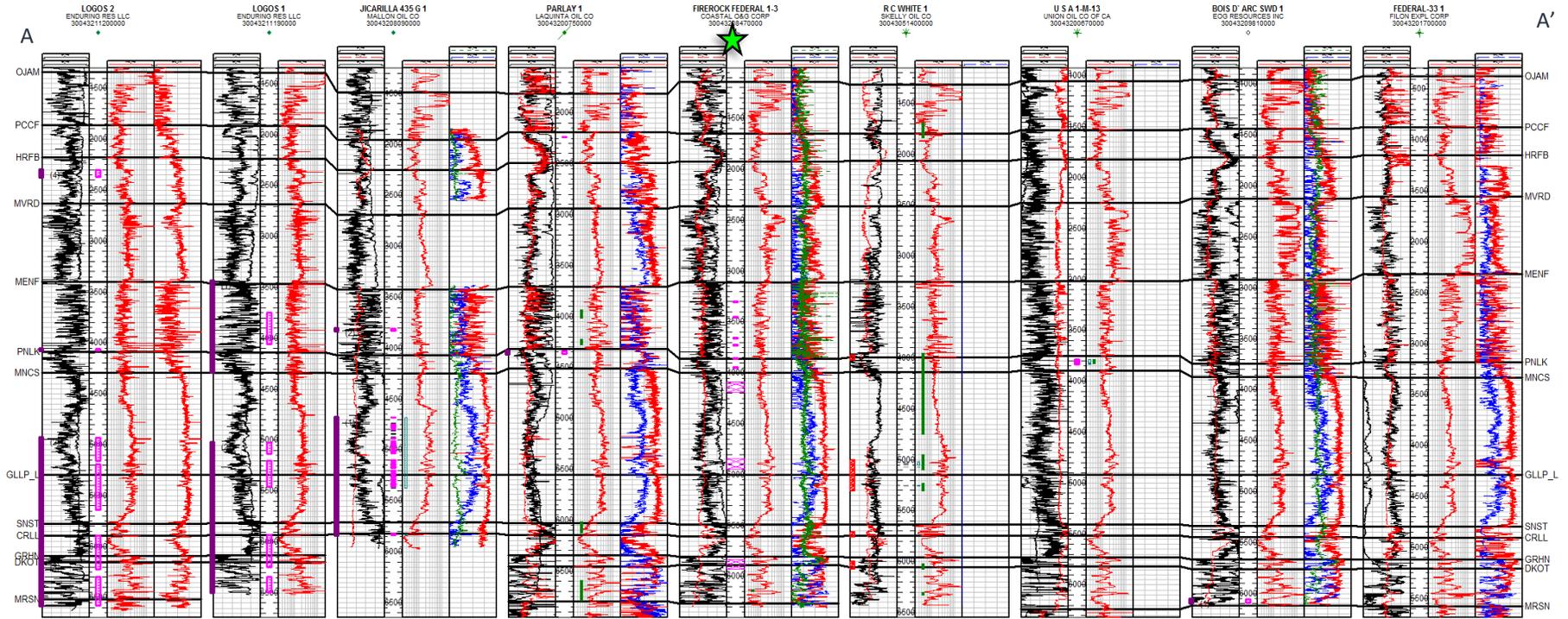
● Prospective Oil Zone

# Structure and Thickness Map – Gallup Interval



**BEFORE THE OIL CONSERVATION DIVISION**  
**Santa Fe, New Mexico**  
**Exhibit No. C3**  
**Submitted by: EOG Resources, Inc.**  
**Hearing Date: July 1, 2021**  
**Case No. 21980**

# Cross section - All Depths



(1) PCum: MESAVERDE  
0113-0420  
O:1019  
G:2408  
W:1605

(2) PCum: GALLUP/SDI  
0113-0420  
O:33921  
W:15410

(3) PCum: DAKOTA  
0113-0420  
O:13518  
G:33921  
W:15410

(4) PCum: CHACRA  
0414-0814  
O:0  
G:3031  
W:0

(1) PCum: MESAVERDE  
0812-0320  
O:1354  
G:2408  
W:1176

(2) PCum: GALLUP/SDI  
0912-0420  
O:16283  
G:18995  
W:13152

(3) PCum: DAKOTA  
0912-0420  
O:8414  
G:9936  
W:6994

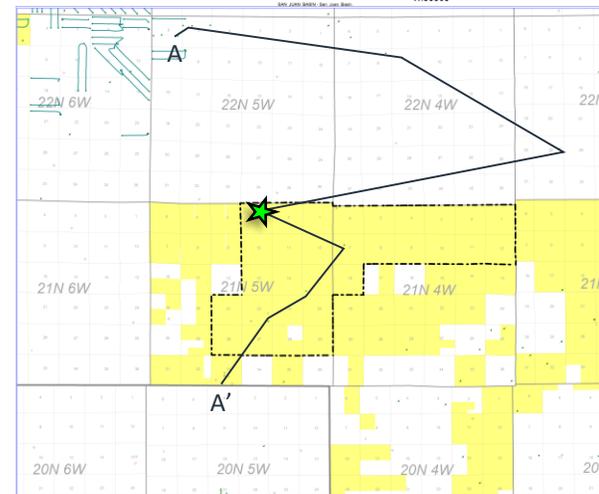
(1) PCum: SANASTEE  
0387-0489  
O:3940  
G:13242  
W:825

(2) PCum: MENEFE  
0389-0499  
O:11760  
G:517  
W:18007

(1) PCum: MESAVERDE  
1071-0198  
O:41358  
G:87899  
W:983

(1) PCum: DAKOTA  
1104-0107  
O:3738  
G:22288  
W:5855

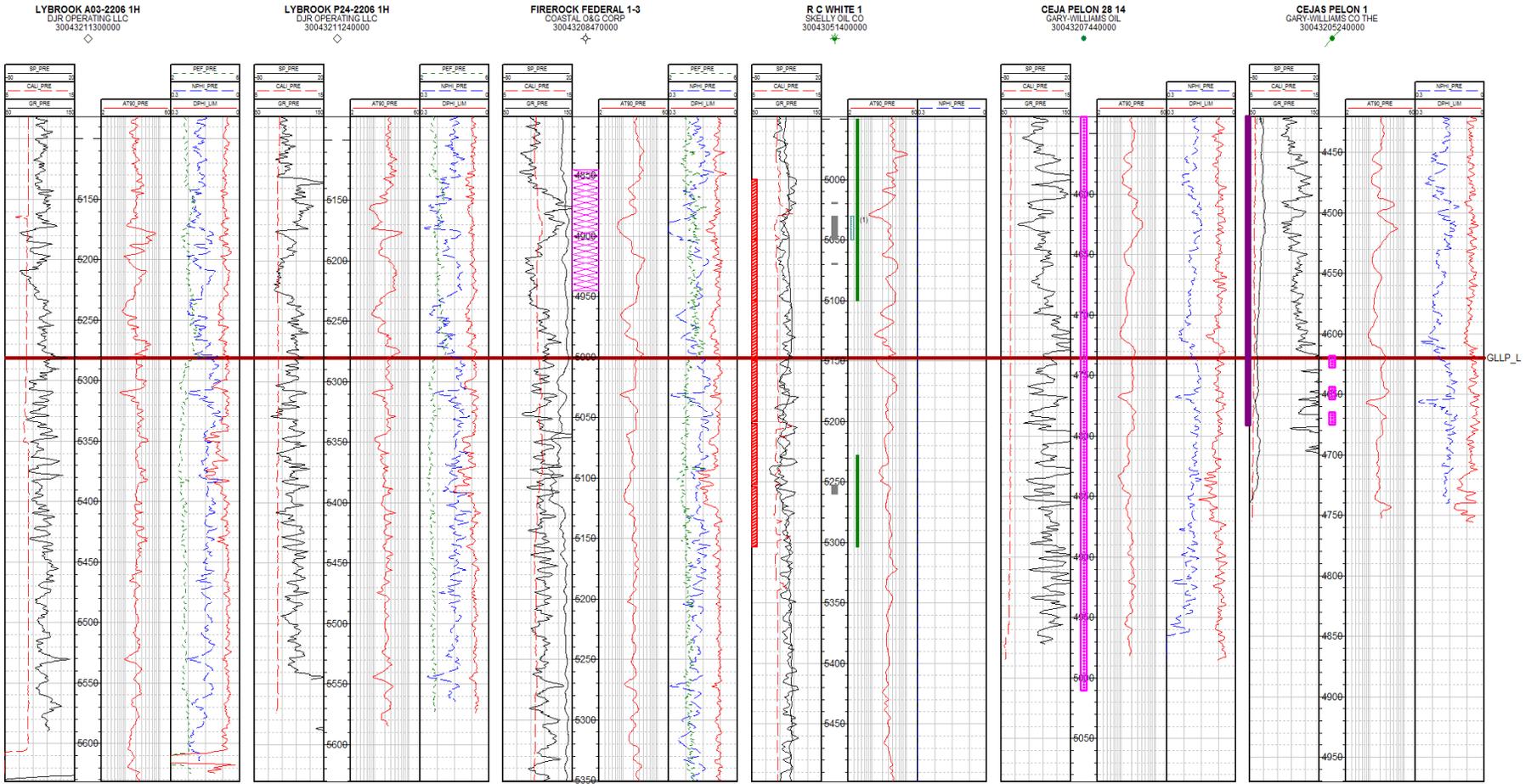
**BEFORE THE OIL CONSERVATION DIVISION**  
**Santa Fe, New Mexico**  
**Exhibit No. C4**  
**Submitted by: EOG Resources, Inc.**  
**Hearing Date: July 1, 2021**  
**Case No. 21980**



# Cross section – Gallup Strike

B

B'



(1) PTF: Test Volumes  
0 BBL OIL

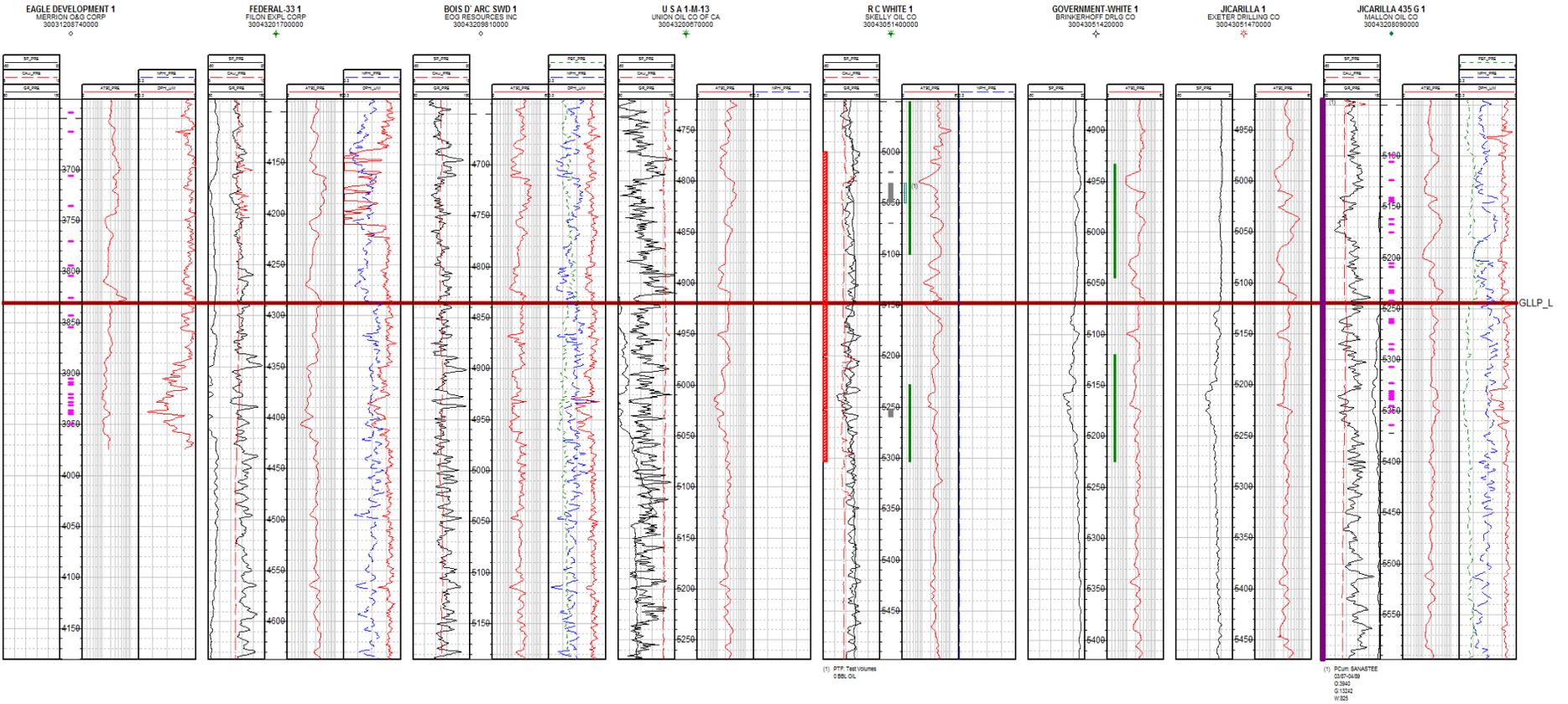
(1) POU: MANCOS  
0481-0491  
G 7788  
G 2072  
W 469

BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. C5  
 Submitted by: EOG Resources, Inc.  
 Hearing Date: July 1, 2021  
 Case No. 21980

# Cross section – Gallup Dip

C

C



BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. C6  
 Submitted by: EOG Resources, Inc. Hearing  
 Date: July 1, 2021  
 Case No. 21980





**Kaitlyn A. Luck**  
Phone (505) 988-4421  
kaluck@hollandhart.com

June 11, 2021

**VIA CERTIFIED MAIL**  
**CERTIFIED RECEIPT REQUESTED**

**ATTN: UNIT INTEREST OWNERS**

**Re: Application of EOG Resources, Inc. for Approval of the Ford Exploratory Unit, Sandoval County, New Mexico.**  
**Ford Exploratory Unit**

Dear Sir or Madam:

This letter is to advise you that EOG Resources, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division.

**During the COVID-19 Public Health Emergency, state buildings are closed to the public and hearings will be conducted remotely. The hearing will be conducted on July 1, 2021 beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the OCD Hearings website: <http://www.emnrd.state.nm.us/OCD/announcements.html>.**

You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must be filed online or in person at the Division’s Santa Fe office and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter, please contact Daniel Koury, at (575) 748-4145 or Daniel\_Koury@eogresources.com.

Sincerely,

**Kaitlyn A. Luck**  
**ATTORNEY FOR EOG RESOURCES INC.**

T 505.988.4421 F 505.983.6043  
110 North Guadalupe, Suite 1, Santa Fe, NM 87501-1849  
Mail to: P.O. Box 2208, Santa Fe, NM 87504-2208  
www.hollandhart.com

Alaska	Montana	Utah
Colorado	Nevada	Washington, D.C.
Idaho	New Mexico	Wyoming

EOG - Ford Exploratory Unit  
Case No. 21980 Postal Delivery Report

TrackingNo	ToName	DeliveryAddress	City	State	Zip	USPS_Status
9414811898765802389784	Federal Abstract Company	PO Box 2288	Santa Fe	NM	87504-2288	Your item was returned to the sender on June 16, 2021 at 1:16 pm in SANTA FE, NM 87501 because the addressee moved and left no forwarding address.
9414811898765802389692	Federal Indian Minerals Office	6251 College Blvd Ste B	Farmington	NM	87402-1738	Your item was delivered to the front desk, reception area, or mail room at 10:18 am on June 15, 2021 in FARMINGTON, NM 87402.
9414811898765802389777	Cathead Investments, LLC	1907B Yacht Haven Rd	Friday Harbor	WA	98250-8135	Your item was delivered to an individual at the address at 3:51 pm on June 19, 2021 in FRIDAY HARBOR, WA 98250.
9414811898765802389951	Greystone Exploration Corporation	330 Conifer Dr	Evergreen	CO	80439-4325	Your item was delivered to an individual at the address at 7:15 pm on June 14, 2021 in EVERGREEN, CO 80439.
9414811898765802389920	On Point Exploration, Inc.	3640 E Warren Ave	Denver	CO	80210-4939	Your item is being held at the DENVER, CO 80210 post office at 8:58 am on June 17, 2021. This is at the request of the customer.
9414811898765802389999	Cathead Investments, LLC	1907B Yacht Haven Rd	Friday Harbor	WA	98250-8135	Your item was delivered to an individual at the address at 3:51 pm on June 19, 2021 in FRIDAY HARBOR, WA 98250.
9414811898765802389982	Steven W. Weller	11547 Riverview Dr	Houston	TX	77077-3249	Your item has been delivered to an agent for final delivery in HOUSTON, TX 77077 on June 15, 2021 at 5:11 pm.
9414811898765802389975	SEEL Development Co., L.L.C.	PO Box 164254	Austin	TX	78716-4254	This is a reminder to arrange for redelivery of your item or your item will be returned to sender.
9414811898765802389654	BetsWest Resources, LP	5900 Highway 290 E	Brenham	TX	77833-8727	Your item was delivered at 1:32 pm on June 23, 2021 in BRENHAM, TX 77833.
9414811898765802389623	Scott C. Denison, Jr.	15600 Barkers Landing Rd Apt 14	Houston	TX	77079-2559	Your item was delivered to an individual at the address at 1:03 pm on June 15, 2021 in HOUSTON, TX 77079.

# AFFIDAVIT OF PUBLICATION

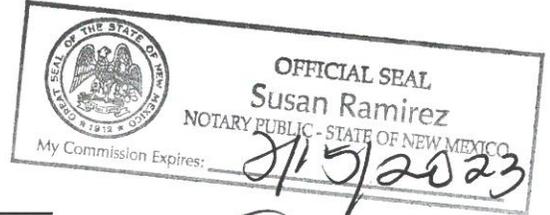
## STATE OF NEW MEXICO

County of Sandoval SS

STATE OF NEW MEXICO  
ENERGY MINERALS AND  
NATURAL RESOURCES  
DEPARTMENT OF OIL  
AND GAS CONSERVATION  
DIVISION OF SOUTHWEST  
NEW MEXICO  
ENERGY MINERALS

Elise Rodriguez, the undersigned, on oath states that she is an authorized Representative of Rio Rancho Observer, and that this newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Session Laws of 1937, and that payment therefore has been made of assessed as court cost; that the notice, copy of which hereto attached, was published in said paper in the regular daily edition, for 1 time(s) on the following date(s):

06/20/2021



*Elise Rodriguez*

Sworn and subscribed before me, a Notary Public, in and for the County of Sandoval and State of New Mexico this 21 day of June of 2021

PRICE \$318.32

Statement to come at the end of month.

ACCOUNT NUMBER 1071602

Case No. 21980: Application of EOG Resources, Inc. for Approval of the Ford Exploratory Unit, Sandoval County, New Mexico. Applicant seeks approval of the Ford Exploratory Unit area that consists of 18,978.54 acres of federal and Indian allotted lands in Sandoval County, New Mexico comprised of the following acreage:

### TOWNSHIP 21 NORTH, RANGE 4 WEST, N.M.P.M.

- Section 1: Lots 1-4, S/2 N/2, SW/4, NW/4 SE/4, E/2 SE/4, SW/4 SE/4
- Section 2: Lots 1-4, S/2 N/2, S/2
- Section 3: Lots 5-8, S/2 N/2, S/2
- Section 4: Lots 5-8, S/2 N/2, S/2
- Section 5: Lots 5-8, S/2 N/2, S/2
- Section 6: Lots 8-14, S/2 NE/4, SE/4 NW/4, E/2 SW/4, SE/4
- Section 7: Lots 1-4, E/2 W/2, E/2
- Section 8: ALL
- Section 9: ALL
- Section 10: ALL
- Section 11: ALL
- Section 12: ALL
- Section 18: Lots 1-4, E/2 W/2, E/2

### TOWNSHIP 21 NORTH, RANGE 5 WEST, N.M.P.M.

- Section 1: Lots 1-4, S/2 N/2, S/2
- Section 2: Lots 1-4, S/2 N/2, SW/4, SE/4
- Section 3: Lots 1-4, S/2 N/2, SW/4, SE/4
- Section 10: ALL
- Section 11: ALL
- Section 12: ALL
- Section 13: ALL
- Section 14: ALL
- Section 15: ALL
- Section 21: ALL
- Section 22: ALL
- Section 23: ALL
- Section 24: ALL
- Section 25: ALL
- Section 26: W/2, NE/4, SE/4
- Section 27: ALL
- Section 28: ALL

The unitized interval is all depths under said sections. The Ford Exploratory Unit is approximately 20 miles west of Cuba, New Mexico.

Observer: June 20, 2021

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. E  
Submitted by: EOG Resources, Inc.  
Hearing Date: July 1, 2021  
Case No. 21980

STATE OF NEW MEXICO  
ENERGY, MINERALS AND  
NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
SANTA FE, NEW MEXICO

STATE OF NEW MEXICO  
ENERGY, MINERALS AND  
NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
SANTA FE, NEW MEXICO

The State of New Mexico, Energy Minerals and Natural Resources Department, Oil Conservation Division ("Division") hereby gives notice that the Division will hold public hearings before a hearing examiner on the following case. During the COVID-19 Public Health Emergency, state buildings are closed to the public and Division hearings will be conducted remotely. The public hearings for the following case will be electronic and conducted remotely. The hearing will be conducted on **Thursday, July 1, 2021, beginning at 8:15 a.m.** To participate in the electronic hearing, see the instructions posted below. The docket may be viewed at <http://www.emnrd.state.nm.us/OCD/hearings.html> or obtained from Marlene Salvidrez, at [Marlene.Salvidrez@state.nm.us](mailto:Marlene.Salvidrez@state.nm.us). Documents filed in the case may be viewed at <http://ocdimage.emnrd.state.nm.us/imaging/CaseFileCriteria.aspx>. If you are an individual with a disability who needs a reader, amplifier, qualified sign language interpreter, or other form of auxiliary aid or service to attend or participate in a hearing, contact Marlene Salvidrez at [Marlene.Salvidrez@state.nm.us](mailto:Marlene.Salvidrez@state.nm.us), or the New Mexico Relay Network at 1-800-659-1779, no later than **June 21, 2021**.

Persons may view and participate in the hearings through the following link:

<https://nmemnrd.webex.com/nmemnrd/onstage/g.php?MTID=e27ab61b7f5ad68b04d4652ecf5502112>  
Event number: 187 606 9449  
Event password: cMbpmxsh633

Join by video: 1876069449@nmemnrd.webex.com  
Numeric Password: 359882  
You can also dial 173.243.2.68 and enter your meeting number

Join by audio: 1-844-992-4726 United States Toll Free  
Access code: 187 606 9449

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

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: All non-participating royalty interest owners, including: Federal Abstract Company; Cathead Investments, LLC; Greystone Exploration Corporation; On Point Exploration, Inc.; Steven W. Weller, his heirs and devisees; SEEL Development Co., L.L.C.; BetsWest Resources, LP; Scott C. Denison, Jr., his heirs and devisees; and Federal Indian Minerals Office.

Case No. 21980: Application of EOG Resources, Inc. for Approval of the Ford Exploratory Unit, Sandoval County, New Mexico. Applicant seeks approval of the Ford Exploratory Unit area that consists of 18,978.54 acres of federal and Indian allotted lands in Sandoval County, New Mexico comprised of the following acreage:

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**TOWNSHIP 21 NORTH, RANGE 5 WEST, N.M.P.M.**

- Section 1: Lots 1-4, S/2 N/2, S/2
- Section 2: Lots 1-4, S/2 N/2, SW/4, SE/4
- Section 3: Lots 1-4, S/2 N/2, SW/4, SE/4
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- Section 27: ALL
- Section 28: ALL

The unitized interval is all depths under said sections. The Ford Exploratory Unit is approximately 20 miles west of Cuba, New Mexico.

Observer: June 20, 2021

TION

is an authorized Representative of  
to publish legal notices  
er 167, Session Laws of 1937, and that  
st; that the notice, copy of which hereto  
edition, for 1 time(s) on the following

