

Case Number
4518

Application

Transcripts

Small Exhibits

ETC.

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO



BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 28, 1971

EXAMINER HEARING

IN THE MATTER OF:

Application of American Quasar
Petroleum Company of New Mexico
for a unit agreement and
unorthodox gas well location,
Lea County, New Mexico.

Case No. 4518
(Readvertised)

BEFORE: Elvin A. Utz, Examiner

TRANSCRIPT OF PROCEEDINGS

dearnley-meier

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FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1 MR. UTZ: Might as well call Case 4518.

2 MR. HATCH: Case 4518, re-advertised.

3 Mr. Examiner, this was a case on the application
4 of American Quasar Petroleum Company of New Mexico for
5 a unit agreement and unorthodox gas well location, Lea
6 County, New Mexico, and through mistake of the Commission,
7 it was previously advertised only for unit agreement and
8 the part about the unorthodox location was left out.

9 The Commission has heard all the testimony
10 and an order has already been issued approving the unit
11 agreement part, and it was re-advertised to cover the
12 unorthodox gas well location.

13 If there's anyone here that would like to object
14 to it, why we would be glad to hear their testimony this
15 morning. If not, I'd suggest that an order be issued
16 on the testimony already received.

17 MR. UTZ: We have received testimony at the
18 last hearing on this case regarding the unorthodox location.
19 Is there anyone here that would like to make an appearance
20 in Case 4518?

21 Well, they have had their day. Case 4518 will be
22 taken under advisement, and this is really not necessary, but
23 we'll re-write an order approving the unstandard location.
24
25

1 STATE OF NEW MEXICO)
 2 : ss
 3 COUNTY OF MCKINLEY)

4 I, Jerry Martinez, Court Reporter in and for the
 5 County of McKinley, State of New Mexico, do hereby certify
 6 that the foregoing and attached Transcript of Hearing before
 7 the New Mexico Oil Conservation Commission was reported by
 8 me and that the same is a true and correct record of the said
 9 proceedings, to the best of my knowledge, skill and ability.

10 
 11 Court Reporter

dearnley-meier

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22 I do hereby certify that the foregoing is
 23 a complete record of the proceedings in
 24 the 100th hearing of Case No. 4528
 25 heard by us on 10/21/71
 New Mexico Oil Conservation Commission

dearnley-meier reporting service, inc.

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209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-4491 • ALBUQUERQUE, NEW MEXICO



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Santa Fe, New Mexico
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 11 Court Reporter

22 I do hereby certify that the foregoing is
 23 a complete record of the proceedings in
 24 the Ex parte hearing of Case No. 4518
 25 heard by me on 12/27/71.
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BEFORE EXAMINER UTZ
 IL CONSERVATION COMMISSION
 EXHIBIT NO. 1
 CASE NO. 4518

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

Index

<u>Section</u>	<u>Title</u>	<u>Page</u>
	PRELIMINARY RECITALS	1
1	ENABLING ACT AND REGULATIONS	2
2	UNIT AREA	2
3	UNITIZED LAND AND SUBSTANCES	6
4	UNIT OPERATOR	6
5	RESIGNATION OR REMOVAL OF UNIT OPERATOR	6
6	SUCCESSOR UNIT OPERATOR	8
7	ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT	9
8	RIGHTS AND OBLIGATIONS OF UNIT OPERATOR	9
9	DRILLING TO DISCOVERY	10
10	PLAN OF FURTHER DEVELOPMENT AND OPERATION	11
11	PARTICIPATION AFTER DISCOVERY	13
12	ALLOCATION OF PRODUCTION	15
13	DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS	16
14	ROYALTY SETTLEMENT	17
15	RENTAL SETTLEMENT	19
16	CONSERVATION	20
17	DRAINAGE	20
18	LEASES AND CONTRACTS CONFORMED AND EXTENDED	20
19	COVENANTS RUN WITH LAND	24
20	EFFECTIVE DATE AND TERM	24
21	RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION	26
22	CONFLICT OF SUPERVISION	26
23	APPEARANCES	27
24	NOTICES	28
25	NO WAIVER OF CERTAIN RIGHTS	28
26	UNAVOIDABLE DELAY	28
27	NON-DISCRIMINATION	29
28	LOSS OF TITLE	29
29	NON-JOINDER AND SUBSEQUENT JOINDER	29
30	COUNTERPARTS	31
31	SURRENDER	31
32	TAXES	33
33	NO PARTNERSHIP	33

Exhibits

EXHIBIT "A" - MAP OF UNIT AREA
 EXHIBIT "B" - SCHEDULE OF OWNERSHIP IN LANDS

NO.

5 W I T N E S S E T H: 5

9 WHEREAS, the Mineral Leasing Act of February 25, 1920, 9
10 41 Stat. 437, as amended, 30 U. S. C. Secs. 181 et seq., author- 10
11 izes Federal lessees and their representatives to unite with 11
12 each other, or jointly or separately with others, in collec- 12
13 tively adopting and operating a cooperative or unit plan of 13
14 development or operation of any oil or gas pool, field, or like 14
15 area, or any part thereof for the purpose of more properly con- 15
16 serving the natural resources thereof whenever determined and 16
17 certified by the Secretary of the Interior to be necessary or 17
18 advisable in the public interest; and 18

19 WHEREAS, the Commissioner of Public Lands of the State 19
20 of New Mexico is authorized by an Act of the Legislature (Sec. 20
21 7-11-39 N.M. Statutes 1953 Annotated) to consent to or approve 21
22 this agreement on behalf of the State of New Mexico, in so far 22
23 as it covers and includes lands and mineral interests of the 23
24 State of New Mexico; and 24

1 WHEREAS, the Oil Conservation Commission of the State 1
2 of New Mexico is authorized by an Act of the Legislature (Chapter 2
3 72, Laws of 1935, as amended by Chapter 193, Laws of 1937, 3
4 Chapter 166, Laws of 1941, and Chapter 168, Laws of 1949) to 4
5 approve this agreement and the conservation provisions hereof; 5
6 and 6

7 WHEREAS, the parties hereto hold sufficient interests in 7
8 the Vaca Draw Unit Area covering the land hereinafter described 8
9 to give reasonably effective control of operations therein; and 9

10 WHEREAS, it is the purpose of the parties hereto to 10
11 conserve natural resources, prevent waste, and secure other ben- 11
12 efits obtainable through development and operation of the area 12
13 subject to this agreement under the terms, conditions, and limita- 13
14 tions herein set forth; 14

15 NOW, THEREFORE, in consideration of the premises and the 15
16 promises herein contained, the parties hereto commit to this 16
17 agreement their respective interests in the below-defined unit 17
18 area, and agree severally among themselves as follows: 18

19 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of 19
20 February 25, 1920, as amended, supra, and all valid pertinent 20
21 regulations, including operating and unit plan regulations, here- 21
22 tofore issued thereunder or valid, pertinent, and reasonable 22
23 regulations hereafter issued thereunder are accepted and made a 23
24 part of this agreement as to Federal lands, provided such regula- 24
25 tions are not inconsistent with the terms of this agreement; and 25
26 as to State of New Mexico lands, the oil and gas operating regu- 26
27 lations in effect as of the effective date hereof governing 27
28 drilling and producing operations, not inconsistent with the terms 28
29 hereof or the laws of the State of New Mexico are hereby accepted 29
30 and made a part of this agreement. 30

31 2. UNIT AREA. The area specified on the map attached hereto 31

1 marked Exhibit "A" is hereby designated and recognized as consti- 1
2 tuting the unit area, containing 7,680 acres, more or less. 2

3 Exhibit "A" shows, in addition to the boundary of the unit 3
4 area, the boundaries and identity of tracts and leases in said 4
5 area to the extent known to the Unit Operator. Exhibit "B" 5
6 attached hereto is a schedule showing to the extent known to the 6
7 Unit Operator the acreage, percentage, and kind of ownership of 7
8 oil and gas interests in all land in the unit area. However, 8
9 nothing herein or in said schedule or map shall be construed as a 9
10 representation by any party hereto as to the ownership of any 10
11 interest other than such interest or interests as are shown in 11
12 said map or schedule as owned by such party. Exhibits "A" and "B" 12
13 shall be revised by the Unit Operator whenever changes in the unit 13
14 area render such revision necessary, or when requested by the Oil 14
15 and Gas Supervisor, hereinafter referred to as "Supervisor", or 15
16 when requested by the Commissioner of Public Lands of The State 16
17 of New Mexico, hereinafter referred to as "Land Commissioner", and 17
18 not less than five (5) copies of the revised exhibits shall be 18
19 filed with the Supervisor, and two (2) copies thereof shall be 19
20 filed with The Land Commissioner and one (1) copy with The New 20
21 Mexico Oil Conservation Commission, hereinafter referred to as 21
22 "Conservation Commission". 22

23 The above-described unit area shall when practicable be 23
24 expanded to include therein any additional lands or shall be con- 24
25 tracted to exclude lands whenever such expansion or contraction 25
26 is deemed to be necessary or advisable to conform with the pur- 26
27 poses of this agreement. Such expansion or contraction shall be 27
28 effected in the following manner: 28

29 (a) Unit Operator, on its own motion or on demand of the 29
30 Director of the Geological Survey, hereinafter referred to as 30
31 "Director", or on demand of The Land Commissioner, but only after 31

1 preliminary concurrence by the Director and The Land Commis- 1
2 sioner, shall prepare a notice of proposed expansion or contrac- 2
3 tion describing the contemplated changes in the boundaries of 3
4 the unit area, the reasons therefor, and the proposed effective 4
5 date thereof, preferably the first day of a month subsequent to 5
6 the date of notice. 6

7 (b) Said notice shall be delivered to the Supervisor, the 7
8 Land Commissioner and the Conservation Commission and copies 8
9 thereof mailed to the last known address of each working interest 9
10 owner, lessee, and lessor whose interests are affected, advising 10
11 that 30 days will be allowed for submission to the Unit Operator 11
12 of any objections. 12

13 (c) Upon expiration of the 30-day period provided in the 13
14 preceding item (b) hereof, Unit Operator shall file with the 14
15 Supervisor, Land Commissioner and Conservation Commission evi- 15
16 dence of mailing of the notice of expansion or contraction and 16
17 a copy of any objections thereto which have been filed with the 17
18 Unit Operator, together with an application in sufficient number, 18
19 for approval of such expansion or contraction and with appro- 19
20 priate joinders. 20

21 (d) After due consideration of all pertinent information, 21
22 the expansion or contraction shall, upon approval by the Super- 22
23 visor, the Land Commissioner and the Conservation Commission, 23
24 become effective as of the date prescribed in the notice thereof. 24

25 (e) All legal subdivisions of lands (i.e., 40 acres by 25
26 Government survey or its nearest lot or tract equivalent; in 26
27 instances of irregular surveys unusually large lots or tracts 27
28 shall be considered in multiples of 40 acres or the nearest 28
29 aliquot equivalent thereof), no parts of which are entitled to 29
30 be in a participating area on or before the fifth anniversary of 30
31 the effective date of the first initial participating area 31

1 established under this unit agreement, shall be eliminated 1
2 automatically from this agreement, effective as of said fifth 2
3 anniversary, and such lands shall no longer be a part of the 3
4 unit area and shall no longer be subject to this agreement, 4
5 unless diligent drilling operations are in progress on unitized 5
6 lands not entitled to participation on said fifth anniversary, 6
7 in which event all such lands shall remain subject hereto for so 7
8 long as such drilling operations are continued diligently, with 8
9 not more than 90 days' time elapsing between the completion of 9
10 one such well and the commencement of the next such well. All 10
11 legal subdivisions of lands not entitled to be in a partici- 11
12 pating area within 10 years after the effective date of the 12
13 first initial participating area approved under this agreement 13
14 shall be automatically eliminated from this agreement as of 14
15 said tenth anniversary. All lands proved productive by dili- 15
16 gent drilling operations after the aforesaid 5-year period shall 16
17 become participating in the same manner as during said 5-year 17
18 period. However, when such diligent drilling operations cease, 18
19 all nonparticipating lands shall be automatically eliminated 19
20 effective as of the 91st day thereafter. The unit operator 20
21 shall within 90 days after the effective date of any elimina- 21
22 tion hereunder, describe the area so eliminated to the satis- 22
23 faction of the Supervisor and the Land Commissioner and promptly 23
24 notify all parties in interest. 24

25 If conditions warrant extension of the 10-year period 25
26 specified in this subsection 2(e), a single extension of not 26
27 to exceed 2 years may be accomplished by consent of the owners 27
28 of 90% of the working interests in the current nonparticipating 28
29 unitized lands and the owners, of 60% of the basic royalty 29
30 interests (exclusive of the basic royalty interests of the 30
31 United States) in nonparticipating unitized lands with approval 31

1 of the Director and the Land Commissioner, provided such exten- 1
2 sion application is submitted to the Director and the Land 2
3 Commissioner not later than 60 days prior to the expiration of 3
4 said 10-year period. 4

5 Any expansion of the unit area pursuant to this section 5
6 which embraces lands theretofore eliminated pursuant to this 6
7 subsection 2(e) shall not be considered automatic commitment or 7
8 recommitment of such lands. 8

9 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land com- 9
10 mitted to this agreement shall constitute land referred to here- 10
11 in as "unitized land" or "land subject to this agreement". All 11
12 oil and gas in any and all formations of the unitized land are 12
13 unitized under the terms of this agreement and herein are called 13
14 "unitized substances". 14

15 4. UNIT OPERATOR. American Quasar Petroleum 15
Co. of New Mexico is 16
16 hereby designated as Unit Operator and by signature hereto as 16
17 Unit Operator agrees and consents to accept the duties and obli- 17
18 gations of Unit Operator for the discovery, development, and 18
19 production of unitized substances as herein provided. Whenever 19
20 reference is made herein to the Unit Operator, such reference 20
21 means the Unit Operator acting in that capacity and not as an 21
22 owner of interest in unitized substances, and the term "working 22
23 interest owner" when used herein shall include or refer to Unit 23
24 Operator as the owner of a working interest when such an inter- 24
25 est is owned by it. 25

26 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Opera- 26
27 tor shall have the right to resign at any time prior to the 27
28 establishment of a participating area or areas hereunder, but 28
29 such resignation shall not become effective so as to release 29
30 Unit Operator from the duties and obligations of Unit Operator 30
31 and terminate Unit Operator's rights as such for a period of 31

1 six months after notice of intention to resign has been served 1
2 by Unit Operator on all working interest owners, the Supervisor, 2
3 the Land Commissioner and Conservation Commission, and until all 3
4 wells then drilled hereunder are placed in a satisfactory condi- 4
5 tion for suspension or abandonment whichever is required by the 5
6 Supervisor as to Federal lands and by the Conservation Commission 6
7 as to State lands unless a new Unit Operator shall have been 7
8 selected and approved and shall have taken over and assumed the 8
9 duties and obligations of Unit Operator prior to the expiration 9
10 of said period. 10

11 Unit Operator shall have the right to resign in like manner 11
12 and subject to like limitations as above provided at any time a 12
13 participating area established hereunder is in existence, but, 13
14 in all instances of resignation or removal, until a successor 14
15 unit operator is selected and approved as hereinafter provided, 15
16 the working interest owners shall be jointly responsible for 16
17 performance of the duties of unit operator, and shall not later 17
18 than 30 days before such resignation or removal becomes effective 18
19 appoint a common agent to represent them in any action to be 19
20 taken hereunder. 20

21 The resignation of Unit Operator shall not release Unit 21
22 Operator from any liability for any default by it hereunder 22
23 occurring prior to the effective date of its resignation. 23

24 The Unit Operator may, upon default or failure in the per- 24
25 formance of its duties or obligations hereunder, be subject to 25
26 removal by the same percentage vote of the owners of working 26
27 interests as herein provided for the selection of a new Unit 27
28 Operator. Such removal shall be effective upon notice thereof 28
29 to the Supervisor and The Land Commissioner. 29

30 The resignation or removal of Unit Operator under this 30
31 agreement shall not terminate its right, title, or interest as 31

1 the owner of a working interest or other interest in unitized 1
2 substances, but upon the resignation or removal of Unit Operator 2
3 becoming effective, such Unit Operator shall deliver possession 3
4 of all wells, equipment, materials, and appurtenances used in 4
5 conducting the unit operations to the new duly qualified succes- 5
6 sor Unit Operator or to the common agent, if no such new Unit 6
7 Operator is elected, to be used for the purpose of conducting 7
8 unit operations hereunder. Nothing herein shall be construed as 8
9 authorizing removal of any material, equipment and appurtenances 9
10 needed for the preservation of any wells. 10

11 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator 11
12 shall tender his or its resignation as Unit Operator or shall be 12
13 removed as hereinabove provided, or a change of Unit Operator 13
14 is negotiated by working interest owners, the owners of the 14
15 working interests in the participating area or areas according 15
16 to their respective acreage interests in such participating area 16
17 or areas, or, until a participating area shall have been estab- 17
18 lished, the owners of the working interests according to their 18
19 respective acreage interests in all unitized land, shall by 19
20 majority vote select a successor Unit Operator: Provided, That, 20
21 if a majority but less than 75 per cent of the working interests 21
22 qualified to vote are owned by one party to this agreement, a 22
23 concurring vote of one or more additional working interest owners 23
24 shall be required to select a new operator. Such selection shall 24
25 not become effective until 25

26 (a) a Unit Operator so selected shall accept in writing 26
27 the duties and responsibilities of Unit Operator, and 27

28 (b) the selection shall have been approved by the Super- 28
29 visor and the Land Commissioner. 29

30 If no successor Unit Operator is selected and qualified as 30
31 herein provided, the Director and the Land Commissioner at their 31

1 election may declare this unit agreement terminated. 1

2 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If 2

3 the Unit Operator is not the sole owner of working interests, 3

4 costs and expenses incurred by Unit Operator in conducting unit 4

5 operations hereunder shall be paid and apportioned among and 5

6 borne by the owners of working interests, all in accordance with 6

7 the agreement or agreements entered into by and between the Unit 7

8 Operator and the owners of working interests, whether one or more, 8

9 separately or collectively. Any agreement or agreements entered 9

10 into between the working interest owners and the Unit Operator as 10

11 provided in this section, whether one or more, are herein re- 11

12 ferred to as the "unit operating agreement". Such unit operating 12

13 agreement shall also provide the manner in which the working 13

14 interest owners shall be entitled to receive their respective 14

15 proportionate and allocated share of the benefits accruing hereto 15

16 in conformity with their underlying operating agreements, leases, 16

17 or other independent contracts, and such other rights and obliga- 17

18 tions as between Unit Operator and the working interest owners as 18

19 may be agreed upon by Unit Operator and the working interest 19

20 owners; however, no such unit operating agreement shall be deemed 20

21 either to modify any of the terms and conditions of this unit 21

22 agreement or to relieve the Unit Operator of any right or obliga- 22

23 tion established under this unit agreement, and in case of any 23

24 inconsistency or conflict between this unit agreement and the 24

25 unit operating agreement, this unit agreement shall govern. Three 25

26 true copies of any unit operating agreement executed pursuant to 26

27 this section should be filed with the Supervisor and one (1) true 27

28 copy with the Land Commissioner, prior to approval of this unit 28

29 agreement. 29

30 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as 30

31 otherwise specifically provided herein, the exclusive right, 31

1 privilege, and duty of exercising any and all rights of the par- 1
2 ties hereto which are necessary or convenient for prospecting for, 2
3 producing, storing, allocating, and distributing the unitized 3
4 substances are hereby delegated to and shall be exercised by the 4
5 Unit Operator as herein provided. Acceptable evidence of title 5
6 to said rights shall be deposited with said Unit Operator and, 6
7 together with this agreement, shall constitute and define the 7
8 rights, privileges, and obligations of Unit Operator. Nothing 8
9 herein, however, shall be construed to transfer title to any land 9
10 or to any lease or operating agreement, it being understood that 10
11 under this agreement the Unit Operator, in its capacity as Unit 11
12 Operator, shall exercise the rights of possession and use vested 12
13 in the parties hereto only for the purposes herein specified. 13
14 9. DRILLING TO DISCOVERY. Within 6 months after the 14
15 effective date hereof, the Unit Operator shall begin to drill an 15
16 adequate test well at a location approved by the Supervisor if 16
17 on Federal land or by the Land Commissioner if on State land, or 17
18 by the Conservation Commission if on privately owned land, unless 18
19 on such effective date a well is being drilled conformably with 19
20 the terms hereof, and thereafter continue such drilling dili- 20
21 gently until the Pennsylvanian (Atoka) formation has been tested 21
22 or until at a lesser depth unitized substances shall be discov- 22
23 ered which can be produced in paying quantities (to wit: quanti- 23
24 ties sufficient to repay the costs of drilling, completing, and 24
25 producing operations, with a reasonable profit) or the Unit 25
26 Operator shall at any time establish to the satisfaction of the 26
27 Supervisor if on Federal land, of the Land Commissioner if on 27
28 State land, or of the Conservation Commission if on privately 28
29 owned land, that further drilling of said well would be unwar- 29
30 ranted or impracticable, provided, however, that Unit Operator 30
31 shall not in any event be required to drill said well to a depth 31

1 in excess of 15,000 feet. Until the discovery of a deposit of 1
2 unitized substances capable of being produced in paying quantities, 2
3 the Unit Operator shall continue drilling one well at a time, 3
4 allowing not more than 6 months between the completion of one 4
5 well and the beginning of the next well, until a well capable of 5
6 producing unitized substances in paying quantities is completed 6
7 to the satisfaction of said Supervisor if it be on Federal land 7
8 or of the Land Commissioner if on State land or of the Conserva- 8
9 tion Commission if on privately owned land, or until it is 9
10 reasonably proved that the unitized land is incapable of produc- 10
11 ing unitized substances in paying quantities in the formations 11
12 drilled hereunder. Nothing in this section shall be deemed to 12
13 limit the right of the Unit Operator to resign as provided in 13
14 Section 5, hereof, or as requiring Unit Operator to commence or 14
15 continue any drilling during the period pending such resignation 15
16 becoming effective in order to comply with the requirements of 16
17 this section. The Supervisor and Land Commissioner may modify 17
18 the drilling requirements of this section by granting reasonably 18
19 extensions of time when, in their opinion, such action is war- 19
20 ranted. 20

21 Upon failure to commence any well provided for in this 21
22 section within the time allowed, including any extension of time 22
23 granted by the Supervisor and the Land Commissioner, this agree- 23
24 ment will automatically terminate; upon failure to continue 24
25 drilling diligently any well commenced hereunder, the Supervisor 25
26 may, after 15-days notice to the Unit Operator, declare this unit 26
27 agreement terminated. 27

28 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 28
29 months after completion of a well capable of producing unitized 29
30 substances in paying quantities, the Unit Operator shall submit 30
31 for the approval of the Supervisor and the Land Commissioner an 31

1 acceptable plan of development and operation for the unitized 1
2 land which, when approved by the Supervisor and Land Commissioner, 2
3 shall constitute the further drilling and operating obligations of 3
4 the Unit Operator under this agreement for the period specified 4
5 therein. Thereafter, from time to time before the expiration of 5
6 any existing plan, the Unit Operator shall submit for the approval 6
7 of the Supervisor and Land Commissioner a plan for an additional 7
8 specified period for the development and operation of the unitized 8
9 land. 9

10 Any plan submitted pursuant to this section shall provide 10
11 for the exploration of the unitized area and for the diligent 11
12 drilling necessary for determination of the area or areas thereof 12
13 capable of producing unitized substances in paying quantities in 13
14 each and every productive formation and shall be as complete and 14
15 adequate as the Supervisor and Land Commissioner may determine to 15
16 be necessary for timely development and proper conservation of 16
17 the oil and gas resources of the unitized area and shall: 17

18 (a) specify the number and locations of any wells to be 18
19 drilled and the proposed order and time for such drilling; 19
20 (b) to the extent practicable specify the operating 20
21 practices regarded as necessary and advisable for proper 21
22 conservation of natural resources. 22

23 Separate plans may be submitted for separate productive zones, 23
24 subject to the approval of the Supervisor and the Land Commis- 24
25 sioner. 25

26 Plans shall be modified or supplemented when necessary to 26
27 meet changed conditions or to protect the interests of all par- 27
28 ties to this agreement. Reasonable diligence shall be exercised 28
29 in complying with the obligations of the approved plan of devel- 29
30 opment. The Supervisor and Land Commissioner are authorized to 30
31 grant a reasonable extension of the 6-month period herein 31

1 prescribed for submission of an initial plan of development where 1
2 such action is justified because of unusual conditions or circum- 2
3 stances. After completion hereunder of a well capable of produc- 3
4 ing any unitized substance in paying quantities, no further wells, 4
5 except such as may be necessary to afford protection against oper- 5
6 ations not under this agreement and such as may be specifically ap- 6
7 proved by the Supervisor and Land Commissioner, shall be drilled 7
8 except in accordance with a plan of development approved as herein 8
9 provided. 9

10 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well 10
11 capable of producing unitized substances in paying quantities or 11
12 as soon thereafter as required by the Supervisor and Land Com- 12
13 missioner, the Unit Operator shall submit for approval by the 13
14 Supervisor and the Land Commissioner, a schedule, based on sub- 14
15 divisions of the public-land survey or aliquot parts thereof, of 15
16 all land then regarded as reasonably proved to be productive in 16
17 paying quantities; all lands in said schedule on approval of the 17
18 Supervisor and the Land Commissioner to constitute a participat- 18
19 ing area, effective as of the date of completion of such well or 19
20 the effective date of this unit agreement, whichever is later. 20
21 The acreages of both Federal and non-Federal lands shall be based 21
22 upon appropriate computations from the courses and distances shown 22
23 on the last approved public-land survey as of the effective date of 23
24 each initial participating area. Said schedule shall also set 24
25 forth the percentage of unitized substances to be allocated as 25
26 herein provided to each tract in the participating area so estab- 26
27 lished, and shall govern the allocation of production commencing 27
28 with the effective date of the participating area. A separate 28
29 participating area shall be established for each separate pool or 29
30 deposit of unitized substances or for any group thereof which is 30
31 produced as a single pool or zone, and any two or more participat- 31
32 ing areas so established may be combined into one, on approval of 32

1 the Supervisor and the Land Commissioner. When production from 1
2 two or more participating areas, so established, is subsequently 2
3 found to be from a common pool or deposit said participating areas 3
4 shall be combined into one effective as of such appropriate date 4
5 as may be approved or prescribed by the Supervisor and the Land 5
6 Commissioner. The participating area or areas so established shall 6
7 be revised from time to time, subject to like approval, to include 7
8 additional land then regarded as reasonably proved to be produc- 8
9 tive in paying quantities or necessary for unit operations, or to 9
10 exclude land then regarded as reasonably proved not to be produc- 10
11 tive in paying quantities and the schedule of allocation percent- 11
12 ages shall be revised accordingly. The effective date of any re- 12
13 vision shall be the first of the month in which is obtained the 13
14 knowledge or information on which such revision is predicated, 14
15 provided, however, that a more appropriate effective date may be 15
16 used if justified by the Unit Operator and approved by the Super- 16
17 viser and the Land Commissioner. No land shall be excluded from 17
18 a participating area on account of depletion of the unitized sub- 18
19 stances, except that any participating area established under the 19
20 provisions of this unit agreement shall terminate automatically 20
21 whenever all completions in the formation on which the partici- 21
22 pating area is based are abandoned. 22

23 It is the intent of this section that a participating area 23
24 shall represent the area known or reasonably estimated to be pro- 24
25 ductive in paying quantities; but, regardless of any revision of 25
26 the participating area, nothing herein contained shall be con- 26
27 strued as requiring any retroactive adjustment for production ob- 27
28 tained prior to the effective date of the revision of the partici- 28
29 pating area. 29

30 In the absence of agreement at any time between the Unit 30
31 Operator and the Supervisor and the Land Commissioner as to the 31

1 proper definition or redefinition of a participating area, or until 1
2 a participating area has, or areas have, been established as pro- 2
3 vided herein, the portion of all payments affected thereby shall 3
4 be impounded in a manner mutually acceptable to the owners of work- 4
5 ing interests and the Supervisor and the Land Commissioner. Royal- 5
6 ties due the United States and the State of New Mexico shall be de- 6
7 termined by the Supervisor and the Land Commissioner, respectively, 7
8 and the amounts thereof shall be deposited, as directed by the 8
9 Supervisor and the Land Commissioner to be held as unearned monies 9
10 until a participating area is finally approved and then applied as 10
11 earned or returned in accordance with a determination of the sums 11
12 due as Federal royalty and State of New Mexico royalty, respec- 12
13 tively, on the basis of such approved participating area. 13

14 Whenever it is determined subject to the approval of the 14
15 Supervisor, as to wells drilled on Federal land and of the Land 15
16 Commissioner as to wells drilled on State land and of the Conser- 16
17 vation Commission as to wells drilled on privately owned land, 17
18 that a well drilled under this agreement is not capable of pro- 18
19 duction in paying quantities and inclusion of the land on which 19
20 it is situated in a participating area is unwarranted, production 20
21 from such well shall, for the purpose of settlement among all par- 21
22 ties other than working interest owners, be allocated to the land 22
23 on which the well is located unless such land is already within 23
24 the participating area established for the pool or deposit from 24
25 which such production is obtained. Settlement for working inter- 25
26 est benefits from such a well shall be made as provided in the unit 26
27 operating agreement.

28 12. ALLOCATION OF PRODUCTION. All unitized substances pro- 28
29 duced from each participating area established under this agree- 29
30 ment, except any part thereof used in conformity with good operat- 30
31 ing practices within the unitized area for drilling, operating, 31

1 camp and other production or development purposes, for repressur- 1
2 ing or recycling in accordance with a plan of development ap- 2
3 proved by the Supervisor, the Land Commissioner and the Conserva- 3
4 tion Commission, or unavoidably lost, shall be deemed to be pro- 4
5 duced equally on an acreage basis from the several tracts of unit- 5
6 ized land of the participating area established for such produc- 6
7 tion and, for the purpose of determining any benefits accruing 7
8 under this agreement, each such tract of unitized land shall have 8
9 allocated to it such percentage of said production as the number 9
10 of acres of such tract included in said participating area bears 10
11 to the total acres of unitized land in said participating area, 11
12 except that allocation of production hereunder for purposes other 12
13 than for settlement of the royalty, overriding royalty, or payment 13
14 out of production obligations of the respective working interest 14
15 owners, shall be on the basis prescribed in the unit operating 15
16 agreement whether in conformity with the basis of allocation here- 16
17 in set forth or otherwise. It is hereby agreed that production of 17
18 unitized substances from a participating area shall be allocated 18
19 as provided herein regardless of whether any wells are drilled on 19
20 any particular part or tract of said participating area. If any 20
21 gas produced from one participating area is used for repressuring 21
22 or recycling purposes in another participating area, the first gas 22
23 withdrawn from such last-mentioned participating area for sale dur- 23
24 ing the life of this agreement shall be considered to be the gas 24
25 so transferred until an amount equal to that transferred shall be 25
26 so produced for sale and such gas shall be allocated to the par- 26
27 ticipating area from which initially produced as such area was 27
28 last defined at the time of such final production. 28
29 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR 29
30 FORMATIONS. 30
31 Any party hereto owning or controlling the working interest in any 31
unitized land having thereon a regular well location may with the 31

1 approval of the Supervisor as to Federal land, the Land Commis- 1
2 sioner as to State land, and the Conservation Commission as to 2
3 privately owned land, at such party's sole risk, costs, and 3
4 expense, drill a well to test any formation for which a partici- 4
5 pating area has not been established or to test any formation 5
6 for which a participating area has been established if such 6
7 location is not within said participating area, unless within 7
8 90 days of receipt of notice from said party of his intention to 8
9 drill the well the Unit Operator elects and commences to drill 9
10 such a well in like manner as other wells are drilled by the 10
11 Unit Operator under this agreement. 11

12 If any well drilled as aforesaid by a working interest 12
13 owner results in production such that the land upon which it is 13
14 situated may properly be included in a participating area, such 14
15 participating area shall be established or enlarged as provided 15
16 in this agreement and the well shall thereafter be operated by 16
17 the Unit Operator in accordance with the terms of this agree- 17
18 ment and the unit operating agreement. 18

19 If any well drilled as aforesaid by a working interest 19
20 owner obtains production in quantities insufficient to justify 20
21 the inclusion of the land upon which such well is situated in 21
22 a participating area, such well may be operated and produced by 22
23 the party drilling the same subject to the conservation require- 23
24 ments of this agreement. The royalties in amount of value of 24
25 production from any such well shall be paid as specified in the 25
26 underlying lease and agreements affected. 26

27 14. ROYALTY SETTLEMENT. The United States, the State of 27
28 New Mexico and any royalty owner who, is entitled to take in 28
29 kind a share of the substances now unitized hereunder shall 29
30 hereafter be entitled to the right to take in kind its share 30
31 of the unitized substances, and Unit Operator, or the working 31

1 interest owner in case of the operation of a well by a working 1
2 interest owner as herein provided for in special cases, shall 2
3 make deliveries of such royalty share taken in kind in conform- 3
4 ity with the applicable contracts, laws, and regulations. Set- 4
5 tlement for royalty interest not taken in kind shall be made by 5
6 working interest owners responsible therefor under existing con- 6
7 tracts, laws and regulations, or by the Unit Operator on or 7
8 before the last day of each month for unitized substances pro- 8
9 duced during the preceding calendar month; provided, however, 9
10 that nothing herein contained shall operate to relieve the les- 10
11 sees of any land from their respective lease obligations for the 11
12 payment of any royalties due under their leases. 12

13 If gas obtained from lands not subject to this agreement 13
14 is introduced into any participating area hereunder, for use in 14
15 repressuring, stimulation of production, or increasing ultimate 15
16 recovery, in conformity with a plan of operations approved by 16
17 the Supervisor, the Land Commissioner and the Conservation 17
18 Commission, a like amount of gas, after settlement as herein 18
19 provided for any gas transferred from any other participating 19
20 area and with appropriate deduction for loss from any cause, may 20
21 be withdrawn from the formation into which the gas is intro- 21
22 duced, royalty free as to dry gas, but not as to any products 22
23 which may be extracted therefrom; provided that such withdrawal 23
24 shall be at such time as may be provided in the approved plan 24
25 of operations or as may otherwise be consented to by the Super- 25
26 visor, the Land Commissioner and the Conservation Commission, as 26
27 conforming to good petroleum engineering practice; and provided 27
28 further, that such right of withdrawal shall terminate on the 28
29 termination of this unit agreement. 29

30 Royalty due the United States shall be computed as pro- 30
31 vided in the operating regulations and paid in value or delivered 31

1 in kind as to all unitized substances on the basis of the 1
2 amounts thereof allocated to unitized Federal land as provided 2
3 herein at the rates specified in the respective Federal leases, 3
4 or at such lower rate or rates as may be authorized by law or 4
5 regulation; provided, that for leases on which the royalty rate 5
6 depends on the daily average production per well, said average 6
7 production shall be determined in accordance with the operating 7
8 regulations as though each participating area were a single 8
9 consolidated lease.

10 Royalty due the State of New Mexico shall be computed and 10
11 paid on the basis of the amounts allocated to unitized State 11
12 land as provided herein at the rate specified in the State oil 12
13 and gas lease. 13

14 Royalty due on account of privately owned lands shall be 14
15 computed and paid on the basis of all unitized substances allo- 15
16 cated to such lands. 16

17 15. RENTAL SETTLEMENT. Rental or minimum royalties due 17
18 on leases committed hereto shall be paid by working interest 18
19 owners responsible therefor under existing contracts, laws, and 19
20 regulations, provided that nothing herein contained shall op- 20
21 erate to relieve the lessees of any land from their respective 21
22 lease obligations for the payment of any rental or minimum 22
23 royalty due under their leases. Rental or minimum royalty for 23
24 lands of the United States subject to this agreement shall be 24
25 paid at the rate specified in the respective leases from the 25
26 United States unless such rental or minimum royalty is waived, 26
27 suspended, or reduced by law or by approval of the Secretary or 27
28 his duly authorized representative. 28

29 Rentals on State of New Mexico lands subject to this agree- 29
30 ment shall be paid at the rates specified in the respective 30
31 leases. 31

1 With respect to any lease on non-Federal land containing 1
2 provisions which would terminate such lease unless drilling 2
3 operations are commenced upon the land covered thereby within 3
4 the time therein specified or rentals are paid for the privilege 4
5 of deferring such drilling operations, the rentals required 5
6 thereby shall, notwithstanding any other provision of this agree- 6
7 ment, be deemed to accrue and become payable during the term 7
8 thereof as extended by this agreement and until the required 8
9 drilling operations are commenced upon the land covered thereby 9
10 or until some portion of such land is included within a partici- 10
11 pating area. 11

12 16. CONSERVATION. Operations hereunder and production of 12
13 unitized substances shall be conducted to provide for the most 13
14 economical and efficient recovery of said substances without 14
15 waste, as defined by or pursuant to State or Federal law or 15
16 regulation. 16

17 17. DRAINAGE. The Unit Operator shall take such measures 17
18 as the Supervisor and Land Commissioner deems appropriate and 18
19 adequate to prevent drainage of unitized substances from uni- 19
20 tized land by wells on land not subject to this agreement. 20

21 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The 21
22 terms, conditions, and provisions of all leases, subleases, and 22
23 other contracts relating to exploration, drilling, development 23
24 or operation for oil or gas on lands committed to this agreement 24
25 are hereby expressly modified and amended to the extent neces- 25
26 sary to make the same conform to the provisions hereof, but 26
27 otherwise to remain in full force and effect; and the parties 27
28 hereto hereby consent that the Secretary as to Federal leases 28
29 and the Land Commissioner as to State leases, shall and each by 29
30 his approval hereof, or by the approval hereof by his duly 30
31 authorized representative, does hereby establish, alter, change 31

1 or revoke the drilling, producing, rental, minimum royalty, and 1
2 royalty requirements of Federal and State leases committed hereto 2
3 and the regulations in respect thereto to conform said require- 3
4 ments to the provisions of this agreement, and, without limiting 4
5 the generality of the foregoing, all leases, subleases, and con- 5
6 tracts are particularly modified in accordance with the follow- 6
7 ing: 7

8 (a) The development and operation of lands subject to 8
9 this agreement under the terms hereof shall be deemed 9
10 full performance of all obligations for development and 10
11 operation with respect to each and every separately 11
12 owned tract subject to this agreement, regardless of 12
13 whether there is any development of any particular tract 13
14 of the unit area. 14

15 (b) Drilling and producing operations performed here- 15
16 under upon any tract of unitized lands will be accepted 16
17 and deemed to be performed upon and for the benefit of 17
18 each and every tract of unitized land, and no lease 18
19 shall be deemed to expire by reason of failure to drill 19
20 or produce wells situated on the land therein embraced. 20

21 (c) Suspension of drilling or producing operations on 21
22 all unitized lands pursuant to direction or consent of 22
23 the Secretary and the Land Commissioner or their duly 23
24 authorized representatives shall be deemed to constitute 24
25 such suspension pursuant to such direction or consent as 25
26 to each and every tract of unitized land. A suspension 26
27 of drilling or producing operations limited to specified 27
28 lands shall be applicable only to such lands. 28

29 (d) Each lease, sublease or contract relating to the 29
30 exploration, drilling, development or operation for oil 30
31 or gas of lands other than those of the United States and 31

1 the State of New Mexico committed to this agreement, 1
2 which, by its terms might expire prior to the termination 2
3 of this agreement, is hereby extended beyond any such 3
4 terms so provided therein so that it shall be continued 4
5 in full force and effect for and during the term of this 5
6 agreement. 6
7 (e) Any Federal lease for a fixed term of twenty (20) 7
8 years or any renewal thereof or any part of such lease 8
9 which is made subject to this agreement shall continue 9
10 in force beyond the term provided therein until the 10
11 termination hereof. Any other Federal lease committed 11
12 hereto shall continue in force beyond the term so pro- 12
13 vided therein or by law as to the land committed so long 13
14 as such lease remains subject hereto, provided that pro- 14
15 duction is had in paying quantities under this unit 15
16 agreement prior to the expiration date of the term of 16
17 such lease, or in the event actual drilling operations 17
18 are commenced on unitized land, in accordance with the 18
19 provisions of this agreement, prior to the end of the 19
20 primary term of such lease and are being diligently 20
21 prosecuted at that time, such lease shall be extended 21
22 for two years and so long thereafter as oil or gas is 22
23 produced in paying quantities in accordance with the 23
24 provisions of the Mineral Leasing Act Revision of 1960. 24
25 (f) Each sublease or contract relating to the operation 25
26 and development of unitized substances from lands of the 26
27 United States committed to this agreement, which by its 27
28 terms would expire prior to the time at which the under- 28
29 lying lease, as extended by the immediately preceding 29
30 paragraph, will expire, is hereby extended beyond any 30
31 such term so provided therein so that it shall be continued 31

1 in full force and effect for and during the term of the 1
2 underlying lease as such term is herein extended. 2
3 (g) Any lease embracing lands of the State of New Mexico 3
4 which is made subject to this agreement, shall continue 4
5 in force beyond the term provided therein as to lands 5
6 committed hereto with the termination hereof. 6
7 (h) The segregation of any Federal lease committed to 7
8 this agreement is governed by the following provision 8
9 in the fourth paragraph of Sec. 17(j) of the Mineral Leas- 9
10 ing Act, as amended by the Act of September 2, 1960 (74 10
11 Stat. 781-784): "Any (Federal) lease heretofore or 11
12 hereafter committed to any such (unit) plan embracing 12
13 lands that are in part within and in part outside of the 13
14 area covered by any such plan shall be segregated into 14
15 separate leases as to the lands committed and the lands 15
16 not committed as of the effective date of the unitiza- 16
17 tion: Provided, however, That any such lease as to the 17
18 non-unitized portion shall continue in force and effect 18
19 for the term thereof but for not less than two years 19
20 from the date of such segregation and so long thereafter 20
21 as oil or gas is produced in paying quantities." 21
22 (i) Any lease embracing lands of the State of New Mex- 22
23 ico having only a portion of its land committed hereto, 23
24 shall be segregated as to the portion committed and the 24
25 portion not committed, and the provisions of such lease 25
26 shall apply separately to such segregated portions com- 26
27 mencing as of the effective date hereof; provided, how- 27
28 ever, notwithstanding any of the provisions of this 28
29 agreement to the contrary any lease embracing lands of 29
30 the State of New Mexico having only a portion of its 30
31 lands committed hereto shall continue in full force and 31

1 effect beyond the term provided therein as to all lands 1
2 embraced in such lease, if oil or gas is discovered and 2
3 is capable of being produced in paying quantities from 3
4 some part of the lands embraced in such lease at the ex- 4
5 piration of the secondary term of such lease; or if, at 5
6 the expiration of the secondary term, the Lessee of the 6
7 Unit Operator is then engaged in bona fide drilling or 7
8 re-working operations on some part of the lands embraced 8
9 in such lease, the same, as to all lands embraced therein, 9
10 shall remain in full force and effect so long as such 10
11 operations are being diligently prosecuted, and if they 11
12 result in the production of oil or gas, said lease shall 12
13 continue in full force and effect as to all of the lands 13
14 embraced therein, so long thereafter as oil or gas in 14
15 paying quantities is being produced from any portion of 15
16 said lands. 16

17 19. COVENANTS RUN WITH LAND. The covenants herein shall 17
18 be construed to be covenants running with the land with respect 18
19 to the interest of the parties hereto and their successors in 19
20 interest until this agreement terminates, and any grant, trans- 20
21 fer, or conveyance, of interest in land or leases subject hereto 21
22 shall be and hereby is conditioned upon the assumption of all 22
23 privileges and obligations hereunder by the grantee, transferee, 23
24 or other successor in interest. No assignment or transfer of 24
25 any working interest, royalty, or other interest subject hereto 25
26 shall be binding upon Unit Operator until the first day of the 26
27 calendar month after Unit Operator is furnished with the orig- 27
28 inal, photostatic, or certified copy of the instrument of 28
29 transfer. 29

30 20. EFFECTIVE DATE AND TERM. This agreement shall be- 30
31 come effective upon approval by the Secretary and the Land 31
32 Commissioner or their duly authorized representative and shall 32

1 terminate five (5) years from said effective date unless 1

2 (a) such date of expiration is extended by the 2

3 Director and the Land Commissioner, or 3

4 (b) it is reasonably determined prior to the expiration 4

5 of the fixed term or any extension thereof that the 5

6 unitized land is incapable of production of unitized 6

7 substances in paying quantities in the formations tested 7

8 hereunder and after notice of intention to terminate the 8

9 agreement on such ground is given by the Unit Operator to 9

10 all parties in interest at their last known addresses, the 10

11 agreement is terminated with the approval of the Super- 11

12 visor and Land Commissioner, or 12

13 (c) a valuable discovery of unitized substances has 13

14 been made or accepted on unitized land during said initial 14

15 term or any extension thereof, in which event the agree- 15

16 ment shall remain in effect for such term and so long as 16

17 unitized substances can be produced in quantities suffi- 17

18 cient to pay for the cost of producing same from wells on 18

19 unitized land within any participating area established 19

20 hereunder and, should production cease, so long thereafter 20

21 as diligent operations are in progress for the restoration 21

22 of production or discovery of new production and so long 22

23 thereafter as unitized substances so discovered can be 23

24 produced as aforesaid, or 24

25 (d) it is terminated as heretofore provided in this 25

26 agreement. 26

27 This agreement may be terminated at any time by not less than 27

28 75 per centum, on an acreage basis, of the working interest 28

29 owners signatory hereto, with the approval of the Supervisor 29

30 and Land Commissioner; notice of any such approval to be given 30

31 by the Unit Operator to all parties hereto. 31

1 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The 1
2 Director is hereby vested with authority to alter or modify from 2
3 time to time in his discretion the quantity and rate of produc- 3
4 tion under this agreement when such quantity and rate is not 4
5 fixed pursuant to Federal or State law or does not conform to 5
6 any state-wide voluntary conservation or allocation program, 6
7 which is established, recognized, and generally adhered to by 7
8 the majority of operators in such State, such authority being 8
9 hereby limited to alteration or modification in the public 9
10 interest, the purpose thereof and the public interest to be 10
11 served thereby to be stated in the order of alteration or modi- 11
12 fication. Without regard to the foregoing, the Director is 12
13 also hereby vested with authority to alter or modify from time 13
14 to time in his discretion the rate of prospecting and develop- 14
15 ment and the quantity and rate of production under this agree- 15
16 ment when such alteration or modification is in the interest 16
17 of attaining the conservation objectives stated in this agree- 17
18 ment and is not in violation of any applicable Federal or State 18
19 law; provided, further, that no such alteration or modification 19
20 shall be effective as to any land of the State of New Mexico, 20
21 as to the rate of prospecting and developing in the absence of 21
22 the specific written approval thereof by the Commissioner and 22
23 as to any lands of the State of New Mexico or privately owned 23
24 lands subject to this agreement as to the quantity and rate of 24
25 production in the absence of specific written approval thereof 25
26 by the Commission. 26

27 Powers in this section vested in the Director shall only 27
28 be exercised after notice to Unit Operator and opportunity for 28
29 hearing to be held not less than 15 days from notice. 29

30 22. CONFLICT OF SUPERVISION. Neither the Unit Operator 30
31 nor the working interest owners nor any of them shall be subject 31

1 to any forfeiture, termination or expiration of any rights here- 1
2 under or under any leases or contracts subject hereto, or to any 2
3 penalty or liability on account of delay or failure in whole or 3
4 in part to comply with any applicable provision thereof to the 4
5 extent that the Unit Operator, working interest owners or any of 5
6 them are hindered, delayed or prevented from complying therewith 6
7 by reason of failure of the Unit Operator to obtain in the exer- 7
8 cise of due diligence, the concurrence of proper representatives 8
9 of the United States and proper representatives of the State of 9
10 New Mexico in and about any matters or thing concerning which it 10
11 is required herein that such concurrence be obtained. The par- 11
12 ties hereto, including the Conservation Commission, agree that 12
13 all powers and authority vested in the Conservation Commission 13
14 in and by any provisions of this agreement are vested in the 14
15 Conservation Commission and shall be exercised by it pursuant to 15
16 the provisions of the laws of the State of New Mexico and sub- 16
17 ject in any case to appeal or judicial review as may now or 17
18 hereafter be provided by the laws of the State of New Mexico. 18
19 23. APPEARANCES. Unit Operator shall, after notice to 19
20 other parties affected, have the right to appear for and on 20
21 behalf of any and all interests affected hereby before the 21
22 Department of the Interior, the Commissioner of Public Lands of 22
23 the State of New Mexico and the New Mexico Oil Conservation 23
24 Commission and to appeal from orders issued under the regula- 24
25 tions of said Department, the Conservation Commission or Land 25
26 Commissioner or to apply for relief from any of said regulations 26
27 or in any proceedings relative to operations before the Depart- 27
28 ment of the Interior, the Land Commissioner, or Conservation 28
29 Commission or any other legally constituted authority; provided, 29
30 however, that any other interested party shall also have the 30
31 right at his own expense to be heard in any such proceeding. 31

1 24. NOTICES. All notices, demands or statements required 1
2 hereunder to be given or rendered to the parties hereto shall 2
3 be deemed fully given if given in writing and personally deliv- 3
4 ered to the party or sent by postpaid registered or certified 4
5 mail, addressed to such party or parties at their respective 5
6 addresses set forth in connection with the signatures hereto or 6
7 to the ratification or consent hereof or to such other address 7
8 as any such party may have furnished in writing to party sending 8
9 the notice, demand or statement. 9

10 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agree- 10
11 ment contained shall be construed as a waiver by any party 11
12 hereto of the right to assert any legal or constitutional right 12
13 or defense as to the validity or invalidity of any law of the 13
14 State wherein said unitized lands are located, or of the United 14
15 States, or regulations issued thereunder in any way affecting 15
16 such party, or as a waiver by any such party of any right beyond 16
17 his or its authority to waive. 17

18 26. UNAVOIDABLE DELAY. All obligations under this agree- 18
19 ment requiring the Unit Operator to commence or continue drill- 19
20 ing or to operate on or produce unitized substances from any of 20
21 the lands covered by this agreement shall be suspended while 21
22 the Unit Operator, despite the exercise of due care and dili- 22
23 gence, is prevented from complying with such obligations, in 23
24 whole or in part, by strikes, acts of God, Federal, State, or 24
25 municipal law or agencies, unavoidable accidents, uncontrollable 25
26 delays in transportation, inability to obtain necessary mate- 26
27 rials in open market, or other matters beyond the reasonable 27
28 control of the Unit Operator whether similar to matters herein 28
29 enumerated or not. No unit obligation which is suspended under 29
30 this section shall become due less than thirty (30) days after 30
31 it has been determined that the suspension is no longer 31

1 applicable. Determination of creditable "Unavoidable Delay" 1
2 time shall be made by the unit operator subject to approval of 2
3 the Supervisor and the Land Commissioner. 3

4 27. NONDISCRIMINATION. In connection with the performance 4
5 of work under this agreement, the operator agrees to comply with 5
6 all the provisions of section 202 (1) to (7) inclusive of Exe- 6
7 cutive Order 11246 (30 F.R. 12319), which are hereby incorporated 7
8 by reference in this agreement. 8

9 28. LOSS OF TITLE. In the event title to any tract of 9
10 unitized land shall fail and the true owner cannot be induced to 10
11 join in this unit agreement, such tract shall be automatically 11
12 regarded as not committed hereto and there shall be such re- 12
13 adjustment of future costs and benefits as may be required on 13
14 account of the loss of such title. In the event of a dispute as 14
15 to title as to any royalty, working interest, or other interests 15
16 subject thereto, payment or delivery on account thereof may be 16
17 withheld without liability for interest until the dispute is 17
18 finally settled; provided, that, as to Federal and State land or 18
19 leases, no payments of funds due the United States or the State 19
20 of New Mexico should be withheld, but such funds of the United 20
21 States shall be deposited as directed by the Supervisor and such 21
22 funds of the State of New Mexico shall be deposited as directed 22
23 by the Land Commissioner to be held as unearned money pending 23
24 final settlement of the title dispute, and then applied as 24
25 earned or returned in accordance with such final settlement. 25

26 Unit Operator as such is relieved from any responsibility 26
27 for any defect or failure of any title hereunder. 27

28 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of 28
29 any substantial interest in a tract within the unit area fails 29
30 or refuses to subscribe or consent to this agreement, the owner 30
31 of the working interest in that tract may withdraw said tract 31

1 from this agreement by written notice delivered to the Super- 1
2 visor and the Land Commissioner, and the Unit Operator prior to 2
3 the approval of this agreement by the Supervisor. Any oil or gas 3
4 interests in lands within the unit area not committed hereto 4
5 prior to submission of this agreement for final approval may 5
6 thereafter be committed hereto by the owner or owners thereof 6
7 subscribing or consenting to this agreement, and, if the interest 7
8 is a working interest, by the owner of such interest also sub- 8
9 scribing to the unit operating agreement. After operations are 9
10 commenced hereunder, the right of subsequent joinder, as pro- 10
11 vided in this section, by a working interest owner is subject to 11
12 such requirements or approvals, if any, pertaining to such 12
13 joinder, as may be provided for in the unit operating agreement. 13
14 After final approval hereof, joinder by a non-working interest 14
15 owner must be consented to in writing by the working interest 15
16 owner committed hereto and responsible for the payment of any 16
17 benefits that may accrue hereunder in behalf of such non-working 17
18 interest. A non-working interest may not be committed to this 18
19 unit agreement unless the corresponding working interest is 19
20 committed hereto. Joinder to the unit agreement by a working- 20
21 interest owner, at any time, must be accompanied by appropriate 21
22 joinder to the unit operating agreement, if more than one com- 22
23 mitted working-interest owner is involved, in order for the 23
24 interest to be regarded as committed to this unit agreement. 24
25 Except as may otherwise herein be provided, subsequent joinders 25
26 to this agreement shall be effective as of the first day of the 26
27 month following the filing with the Supervisor, the Land Commis- 27
28 sioner and the Conservation Commission of duly executed counter- 28
29 parts of all or any papers necessary to establish effective 29
30 commitment of any tract to this agreement unless objection to 29
31 such joinder is duly made within 60 days by the Supervisor or 31

1 Land Commissioner, provided, that as to State lands, all subse- 1
2 quent joinders must be approved by the Land Commissioner. 2

3 30. COUNTERPARTS. This agreement may be executed in any 3
4 number of counterparts no one of which needs to be executed by 4
5 all parties or may be ratified or consented to by separate in- 5
6 strument in writing specifically referring hereto and shall be 6
7 binding upon all those parties who have executed such a counter- 7
8 part, ratification, or consent hereto with the same force and 8
9 effect as if all such parties had signed the same document and 9
10 regardless of whether or not it is executed by all other parties 10
11 owning or claiming an interest in the lands within the above- 11
12 described unit area. 12

13 31. SURRENDER. Nothing in this agreement shall prohibit 13
14 the exercise by any working interest owner of the right to sur- 14
15 render vested in such party by any lease, sublease, or operating 15
16 agreement as to all or any part of the lands covered thereby, 16
17 provided that each party who will or might acquire such working 17
18 interest by such surrender or by forfeiture as hereafter set 18
19 forth, is bound by the terms of this agreement. 19

20 If as a result of any such surrender the working interest 20
21 rights as to such lands become vested in any party other than 21
22 the fee owner of the unitized substances, said party may forfeit 22
23 such rights and further benefits from operation hereunder as to 23
24 said land to the party next in the chain of title who shall be 24
25 and become the owner of such working interest. 25

26 If as the result of any such surrender or forfeiture work- 26
27 ing interest rights become vested in the fee owner of the 27
28 unitized substances, such owner may: 28

29 (1) Accept those working interest rights subject to this 29
30 agreement and the unit operating agreement; or 30

31 (2) Lease the portion of such land as is included in a 31

1 participating area established hereunder subject to 1
2 this agreement and the unit operating agreement. 2
3 (3) Provide for the independent operation of any part 3
4 of such land that are not then included within a partici- 4
5 pating area established hereunder. 5
6 If the fee owner of the unitized substances does not accept 6
7 the working interest rights subject to this agreement and the 7
8 unit operating agreement or lease such lands as above provided 8
9 within six (6) months after the surrendered or forfeited working 9
10 interest rights become vested in the fee owner, the benefits 10
11 and obligations of operations accruing to such lands under this 11
12 agreement and the unit operating agreement shall be shared by 12
13 the remaining owners of unitized working interests in accordance 13
14 with their respective working interest ownerships, and such 14
15 owners of working interests shall compensate the fee owner of 15
16 unitized substances in such lands by paying sums equal to the 16
17 rentals, minimum royalties, and royalties applicable to such 17
18 lands under the lease in effect when the lands were unitized. 18
19 An appropriate accounting and settlement shall be made for 19
20 all benefits accruing to or payments and expenditures made or 20
21 incurred on behalf of such surrendered or forfeited working 21
22 interest subsequent to the date of surrender or forfeiture, and 22
23 payment of any moneys found to be owing by such an accounting 23
24 shall be made as between the parties within thirty (30) days. 24
25 In the event no unit operating agreement is in existence and a 25
26 mutually acceptable agreement between the proper parties thereto 26
27 cannot be consummated, the Supervisor may prescribe such rea- 27
28 sonable and equitable agreement as he deems warranted under the 28
29 circumstances. 29
30 The exercise of any right vested in a working interest 30
31 owner to reassign such working interest to the party from whom 31

1 obtained shall be subject to the same conditions as set forth 1
2 in this section in regard to the exercise of a right to surrender.2
3 32. TAXES. The working interest owners shall render and 3
4 pay for their account and the account of the royalty owners all 4
5 valid taxes on or measured by the unitized substances in and 5
6 under or that may be produced, gathered and sold from the land 6
7 subject to this contract after the effective date of this agree- 7
8 ment, or upon the proceeds or net proceeds derived therefrom. 8
9 The working interest owners on each tract shall and may charge 9
10 the proper proportion of said taxes to the royalty owners having 10
11 interests in said tract, and may currently retain and deduct 11
12 sufficient of the unitized substances or derivative products, 12
13 or net proceeds thereof from the allocated share of each royalty 13
14 owner to secure reimbursement for the taxes so paid. No such 14
15 taxes shall be charged to the United States or the State of 15
16 New Mexico or to any lessor who has a contract with his lessee 16
17 which requires the lessee to pay such taxes. 17
18 33. NO PARTNERSHIP. It is expressly agreed that the 18
19 relation of the parties hereto is that of independent contrac- 19
20 tors and nothing in this agreement contained, expressed or 20
21 implied, nor any operations conducted hereunder, shall create 21
22 or be deemed to have created a partnership or association be- 22
23 tween the parties hereto or any of them. 23

OTHER WORKING INTEREST OWNERS (cont'd)

BASS ENTERPRISES PRODUCTION CO.

Date: _____

By: _____

ATTEST:

Address: 1211 Fort Worth National
Bank Building
Fort Worth, Texas

DELBASIN CORPORATION

Date: _____

By: _____

ATTEST:

Address: 1211 Fort Worth National
Bank Building
Fort Worth, Texas

Date: _____

PERRY R. BASS

Address: 1211 Fort Worth National
Bank Building
Fort Worth, Texas

Date: _____

GEORGE T. ABELL

Address: P. O. Box 430
Midland, Texas 79701

AMOCO PRODUCTION COMPANY

Date: _____

By: _____

ATTEST:

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

STATE OF TEXAS)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day
of _____, 1971, by _____,
_____ of _____,
a corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF TEXAS)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day
of _____, 1971, by _____,
_____ of _____,
a corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF TEXAS)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day
of _____, 1971, by _____.

My Commission Expires: _____

Notary Public

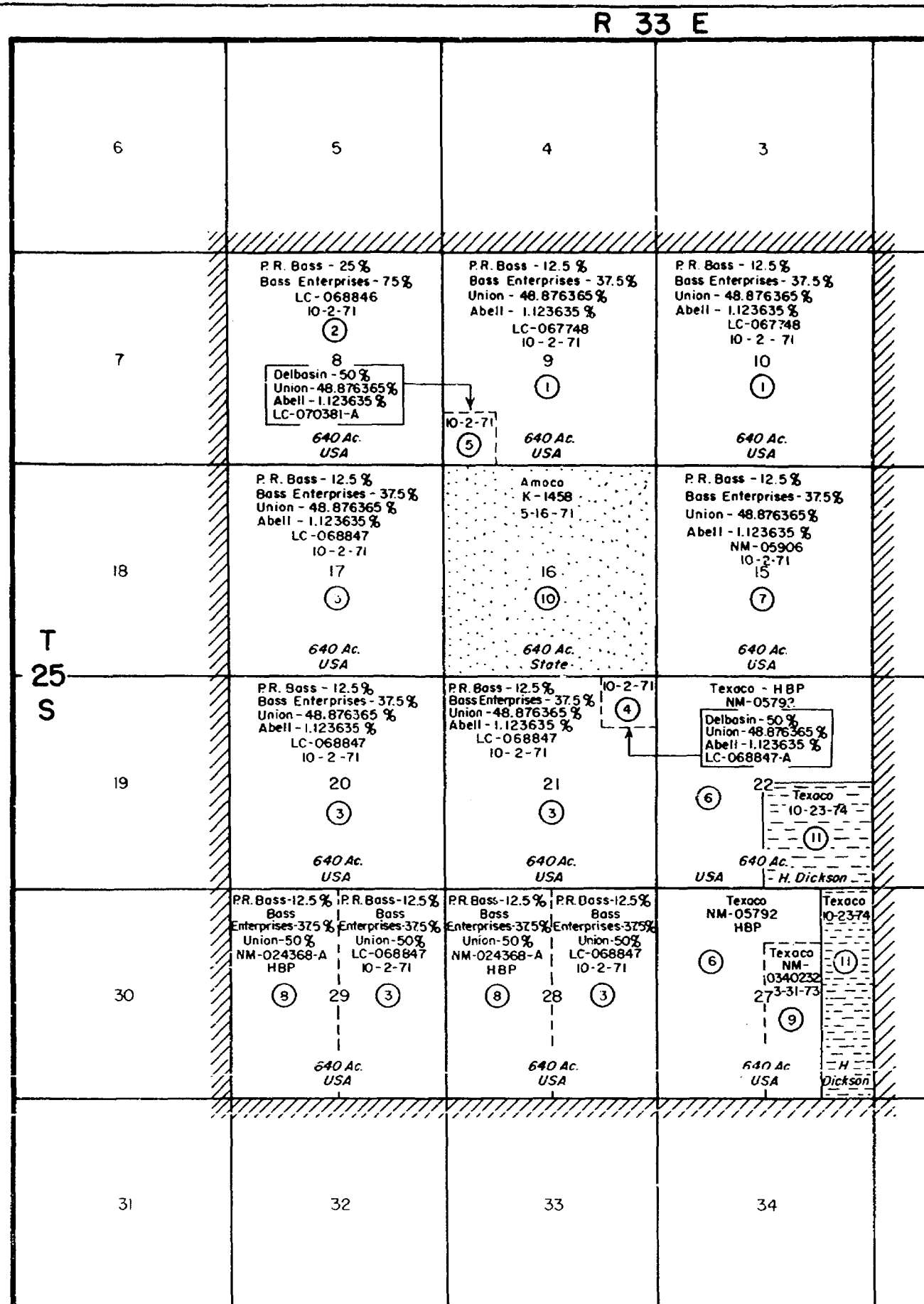


EXHIBIT "A"

LAND OWNERSHIP MAP - VACA DRAW UNIT

LEA COUNTY, NEW MEXICO

LEGEND

SCALE: 1" = 3000 FT.

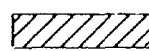
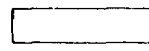
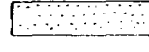
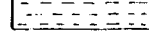
	UNIT OUTLINE		
	FEDERAL LAND	87.5000 %	6720 AC.
	STATE OF NEW MEXICO LAND	8.3333 %	640 AC.
	FEE LAND	4.1667 %	320 AC.
TOTALS		100.0000 %	7680 AC.

EXHIBIT "B"
VACA DRAW UNIT AREA, LEA COUNTY, NEW MEXICO
TWP. 25 SOUTH, RGE. 33 EAST

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS</u>							
1.	Sec. 9: E $\frac{1}{2}$, NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{2}$ SW $\frac{1}{4}$	1240	LC-067748 10-2-71	USA: All	Bass Enterprises Production Co. 37.5% Perry R. Bass 12.5% Union Oil Company of California 48.876365% George T. Abell 1.123635%	Martha Featherstone 0.5% Harvey E. Roelofs, Trustee for Olen F. Featherstone II, 2.5% Annie R. Bass Estate 0.5%	Bass Enterprises Prod. Co. 37.5% Perry R. Bass 12.5% Union Oil Co. of Calif. 48.876365% Geo. T. Abell 1.123635%
2.	Sec. 8: All	640	LC-068846 10-2-71	USA: All	Bass Enterprises Production Co. 75% Perry R. Bass 25%	Claribell Marshall \$250.00 per acre out of 1.5% Pearl O. Pipkin \$250.00 per acre out of 1.5% Annie R. Bass Estate 0.5%	Bass Enterprises Prod. Co. 75% Perry R. Bass 25%

EXHIBIT "B", CONT'D.

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS (Cont'd.)</u>							
3.	Sec. 17: All	2520	LC-068847 10-2-71	USA: All	AS TO SECTIONS 17, 20, AND W $\frac{1}{2}$, SE $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$ OF SECTION 21:	U.S. Marshall \$250.00 per acre out of 1.5% Pearl O. Pipkin	AS TO SECTIONS 17, 20, & W $\frac{1}{2}$, SE $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$ OF SECTION 21:
	Sec. 20: All				Bass Enterprises	\$250.00 per acre out of 1.5%	Bass Enterprises
	Sec. 21: W $\frac{1}{2}$, SE $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$				Production Co. 37.5%		Prod. Co. 37.5%
	Sec. 28: E $\frac{1}{2}$				Perry R. Bass 12.5%		Perry R. Bass 12.5%
	Sec. 29: E $\frac{1}{2}$				Union Oil Company of California 48.876365%		Union Oil Co. of Calif. 48.876365%
					Geo. T. Abell 1.123635%		Geo. T. Abell 1.123635%
					AS TO E/2 SECTION 28 AND E/2 OF SECTION 29:		AS TO E/2 SECTION 28 AND E/2 SECTION 29:
					Bass Enterprises		Bass Enterprises
					Production Co. 37.5%		Prod. Co. 37.5%
					Perry R. Bass 12.5%		Perry R. Bass 12.5%
					Union Oil Company of California 50%		Union Oil Co. of Calif. 50 %

EXHIBIT "B", CONT'D.

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS (Cont'd.)</u>							
4.	Sec. 21: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40	LC-068847-A 10-2-71	USA: All	Delbasin Corp. 50% Union Oil Company of California 48.876365% George T. Abell 1.123635%	U.S. Marshall \$250.00 per acre out of 1.5% Pearl O. Pipkin \$250.00 per acre out of 1.5% Annie R. Bass Estate 0.5%	Delbasin Corp. 50% Union Oil Co. of Calif. 48.876365% Geo. T. Abell 1.123635%
5.	Sec. 9: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40	LC-070381-A 10-2-71	USA: All	Delbasin Corp. 50% Union Oil Company of Calif. 48.876365% George T. Abell 1.123635%	Mary T. Muse 0.5% I.E. Tapp, Sole Devisee of Allie V. Tapp 0.3% Olen F. Featherstone 0.7% Harvey E. Roelofs, Trustee for Olen F. Featherstone, II 2%	Delbasin Corp. 50% Union Oil Co. of Calif. 48.876365% Geo. T. Abell 1.123635%
6.	Sec. 22: NE $\frac{1}{4}$, W $\frac{1}{2}$	840	NM-05792 HBP	USA: All	Texaco Inc.	D. Miller \$750.00 per acre out of 3%	Texaco Inc. 100%
	Sec. 27: W $\frac{1}{2}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$						

EXHIBIT "B", CONT'D.

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
FEDERAL LANDS (Cont'd.)							
7.	Sec. 15: All	640	NM-05906 10-2-71	USA: All	Bass Enterprises Production Co. 37.5% Perry R. Bass 12.5% Union Oil Company of Calif. 48.876365% George T. Abell 1.123635%	Harvey E. Roelofs, Trustee for Glen F. Featherstone, II 2.5% Martha Featherstone 0.5% Mary T. Muse 0.5%	Bass Enterprises Prod. Co. 37.5% Perry R. Bass 12.5% Union Oil Co. of Calif. 48.876365% Geo. T. Abell 1.123635%
8.	Sec. 28: W $\frac{1}{2}$ Sec. 29: W $\frac{1}{2}$	640	NM-024368-A HBP	USA: All	Bass Enterprises Production Co. 37.5% Perry R. Bass 12.5% Union Oil Company of California 50%	Union Oil Company of California 1.5% Jack O. McCall 70834% Clayton W. Williams, Jr. .3750% John L. May .3375% Howard W. Jennings .50% William M. Cotton .07916%	Bass Enterprises Prod. Co. 37.5% Perry R. Bass 12.5% Union Oil Co. of California 50%
9.	Sec. 27: W $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$	120	NM-0340232 3-31-73	USA: All	Texaco Inc.	Frances C. Fox \$1,000.00 per acre out of 6.25%	Texaco Inc. 100%
9 Federal Tracts 6720 Acres or 87.5% of Unit Area							

EXHIBIT "B", CONT'D.

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
<u>NEW MEXICO STATE LAND</u>							
10.	Sec. 16: All	640	K-1458 5-16-71	State of New Mexico: All	Amoco Production Company	None	Pan American 100%
<u>PATENTED LAND</u>							
1	State Tract	640 Acres or 8.3333%	of Unit Area				
11.	Sec. 22: SE $\frac{1}{4}$ Sec. 27: E $\frac{1}{2}$ E $\frac{1}{2}$	320	10-23-74	Harry Dickson: All	Texaco Inc.	None	Texaco Inc. 100%
1	Patented Tract	320 Acres or 4.1667%	of Unit Area				

TOTAL: 11 Tracts, 7680 acres in entire Unit Area.

DRAFT

GMH/dr
3-31-71

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 4518

Order No. R-4130

APPLICATION OF AMERICAN QUASAR PETROLEUM COMPANY OF NEW MEXICO
FOR APPROVAL OF THE VACA DRAW
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
March 31, 1971, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this day of April, 1971, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, American Quasar Petroleum Company of
New Mexico,
seeks approval of the Vaca Draw Unit Agreement
covering 7,680 acres, more or less, of State,
Federal lands
and Fee
described as follows:

Lea COUNTY, NEW MEXICO
TOWNSHIP 25 South, RANGE 33 East, NMPM

Sections 8, 9, and 10: all
~~Sections 11 through~~
Sections 15, 16, and 17: all
Sections 20, 21, and 22: all
Sections 27, 28, and 29: all

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Vaca Draw Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

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

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

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

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

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BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF AMERICAN QUASAR
PETROLEUM CO. OF NEW MEXICO FOR
APPROVAL OF A UNIT AGREEMENT AND
FOR APPROVAL OF AN UNORTHODOX GAS
WELL LOCATION, LEA COUNTY, NEW
MEXICO

Case No. 4518

A P P L I C A T I O N

Comes now AMERICAN QUASAR PETROLEUM CO. OF NEW MEXICO by its attorneys and applies for approval of the VACA DRAW UNIT Agreement and for approval of an unorthodox gas well location for the initial test well in said Unit, and in support of its application states:

1. The proposed Vaca Draw Unit comprises all of Sections 8, 9, 10, 15, 16, 17, 20, 21, 22, 27, 28 and 29, T. 25 S., R. 33 E., Lea County, New Mexico, comprising 7,680 acres, more or less, of Federal, State and fee lands.

2. The proposed Vaca Draw Unit is governed by the Vaca Draw Unit Agreement which designates American Quasar Petroleum Co. of New Mexico, 606 Vaughn Building, Midland, Texas 79701, as the unit operator. The Unit Agreement contemplates the drilling of an initial test well to a depth of 13,500 feet or to the Devonian Formation. The proposed unit is North of and adjacent to the Red Hills Unit, as contracted.

3. The initial test well for the proposed unit is projected as a gas well 660 feet from the North line and 760 feet from the East line, in the NE/4 NE/4 of Section 23, T. 25 S., R. 33 E., Lea County, New Mexico. Although this well is projected to 13,500 feet or to the Devonian Formation it is probable that production will be obtained in the Wolfcamp Formation. The proposed location ^{for} ~~from~~ the said well would be unorthodox under the special rules and regulations established

for the Red Hills-Wolfcamp Gas Pool by Order No. R-3073.

4. Applicant seeks approval of the proposed Unit Agreement and further seeks approval of the proposed unorthodox location for its initial test well therein. Approval of this application will prevent waste, protect correlative rights, prevent the drilling of unnecessary wells and enable the unit operator to achieve an optimum location for the initial test well for this unit.

WHEREFORE, applicant requests that this application be set for hearing before the Commission or one of its examiners and that the Commission enter its order approving the Vaca Draw Unit Agreement and the unorthodox location for the initial test well therein, all as set forth herein.

MONTGOMERY, FEDERICI, ANDREWS,
HANNAHS & MORRIS

BY: Richard S. Morris
Post Office Box 2307
Santa Fe, N.M. 87501

ATTORNEYS FOR AMERICAN QUASAR
PETROLEUM CO. OF NEW MEXICO

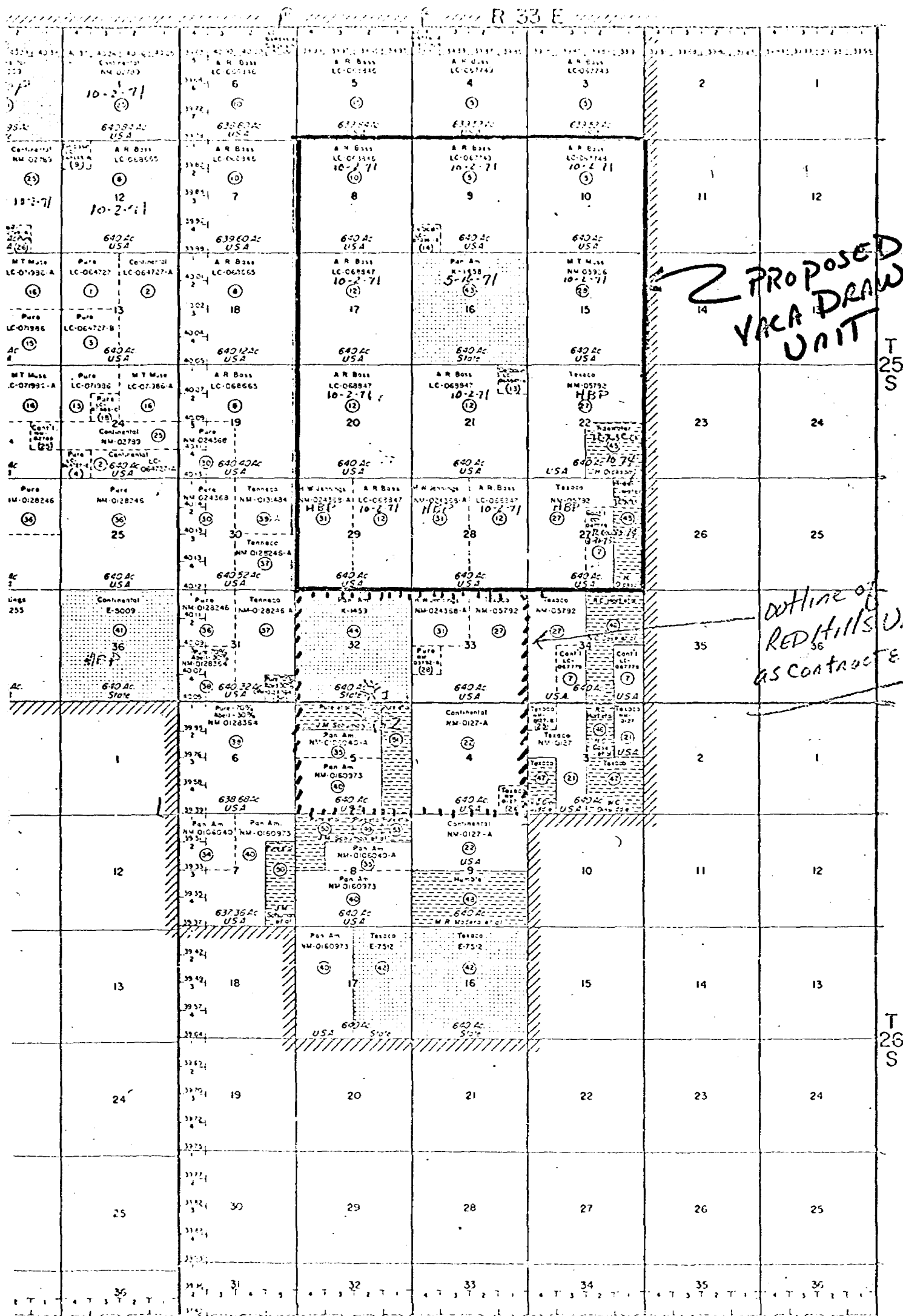


EXHIBIT "A"
LAND OWNERSHIP MAP - RED HILLS UNIT
LEA COUNTY, NEW MEXICO

LEGEND

Unit Outline	
Patent Land	81 52219 75 23475 52 Ac
State of New Mexico Land	12 22705 75 3523 95 Ac
Fee Land	6 21076 75 1574 65 Ac
TOTALS	100 00000 75 26745 43 Ac

Scale 1" = 1 Mile

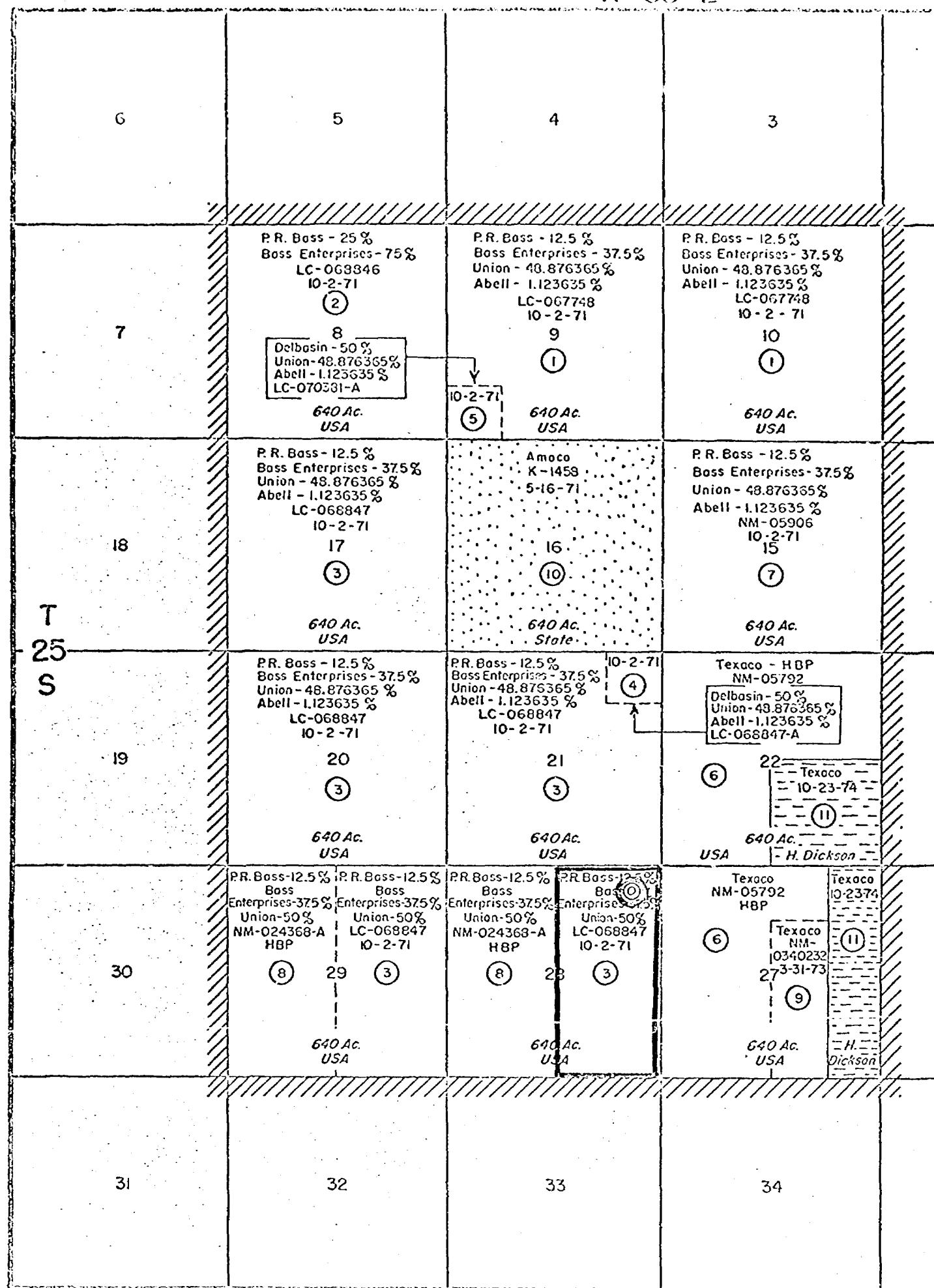


EXHIBIT "A" LAND OWNERSHIP MAP - VACA DRAW UNIT LEA COUNTY, NEW MEXICO

LEGEND

SCALE: 1"=3000 FT.

	UNIT OUTLINE	
	FEDERAL LAND	87.5000 % 6720 AC.
	STATE OF NEW MEXICO LAND	8.3333 % 640 AC.
	FEE LAND	4.1667 % 320 AC.

TOTALS 100.0000 % 10240 AC.

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF AMERICAN QUASAR
PETROLEUM CO. OF NEW MEXICO FOR
APPROVAL OF A UNIT AGREEMENT AND
FOR APPROVAL OF AN UNORTHODOX GAS
WELL LOCATION, LEA COUNTY, NEW
MEXICO

Case No. 4518

A P P L I C A T I O N

Comes now AMERICAN QUASAR PETROLEUM CO. OF NEW MEXICO by its attorneys and applies for approval of the VACA DRAW UNIT Agreement and for approval of an unorthodox gas well location for the initial test well in said Unit, and in support of its application states:

1. The proposed Vaca Draw Unit comprises all of Sections 8, 9, 10, 15, 16, 17, 20, 21, 22, 27, 28 and 29, T. 25 S., R. 33 E., Lea County, New Mexico, comprising 7,680 acres, more or less, of Federal, State and fee lands.

2. The proposed Vaca Draw Unit is governed by the Vaca Draw Unit Agreement which designates American Quasar Petroleum Co. of New Mexico, 606 Vaughn Building, Midland, Texas 79701, as the unit operator. The Unit Agreement contemplates the drilling of an initial test well to a depth of 13,500 feet or to the Devonian Formation. The proposed unit is North of and adjacent to the Red Hills Unit, as contracted.

3. The initial test well for the proposed unit is projected as a gas well 660 feet from the North line and 760 feet from the East line, in the NE/4 NE/4 of Section 23, T. 25 S., R. 33 E., Lea County, New Mexico. Although this well is projected to 13,500 feet or to the Devonian Formation it is probable that production will be obtained in the Wolfcamp Formation. The proposed location ^{for} ~~from~~ the said well would be ~~un~~orthodox under the special rules and regulations established

Case
4518

for the Red Hills-Wolfcamp Gas Pool by Order No. R-3073.

4. Applicant seeks approval of the proposed Unit Agreement and further seeks approval of the proposed unorthodox location for its initial test well therein. Approval of this application will prevent waste, protect correlative rights, prevent the drilling of unnecessary wells and enable the unit operator to achieve an optimum location for the initial test well for this unit.

WHEREFORE, applicant requests that this application be set for hearing before the Commission or one of its examiners and that the Commission enter its order approving the Vaca Draw Unit Agreement and the unorthodox location for the initial test well therein, all as set forth herein.

MONTGOMERY, FEDERICI, ANDREWS,
HANNAHS & MORRIS

BY: Richard S. Morris
Post Office Box 2307
Santa Fe, N.M. 87501

ATTORNEYS FOR AMERICAN QUASAR
PETROLEUM CO. OF NEW MEXICO

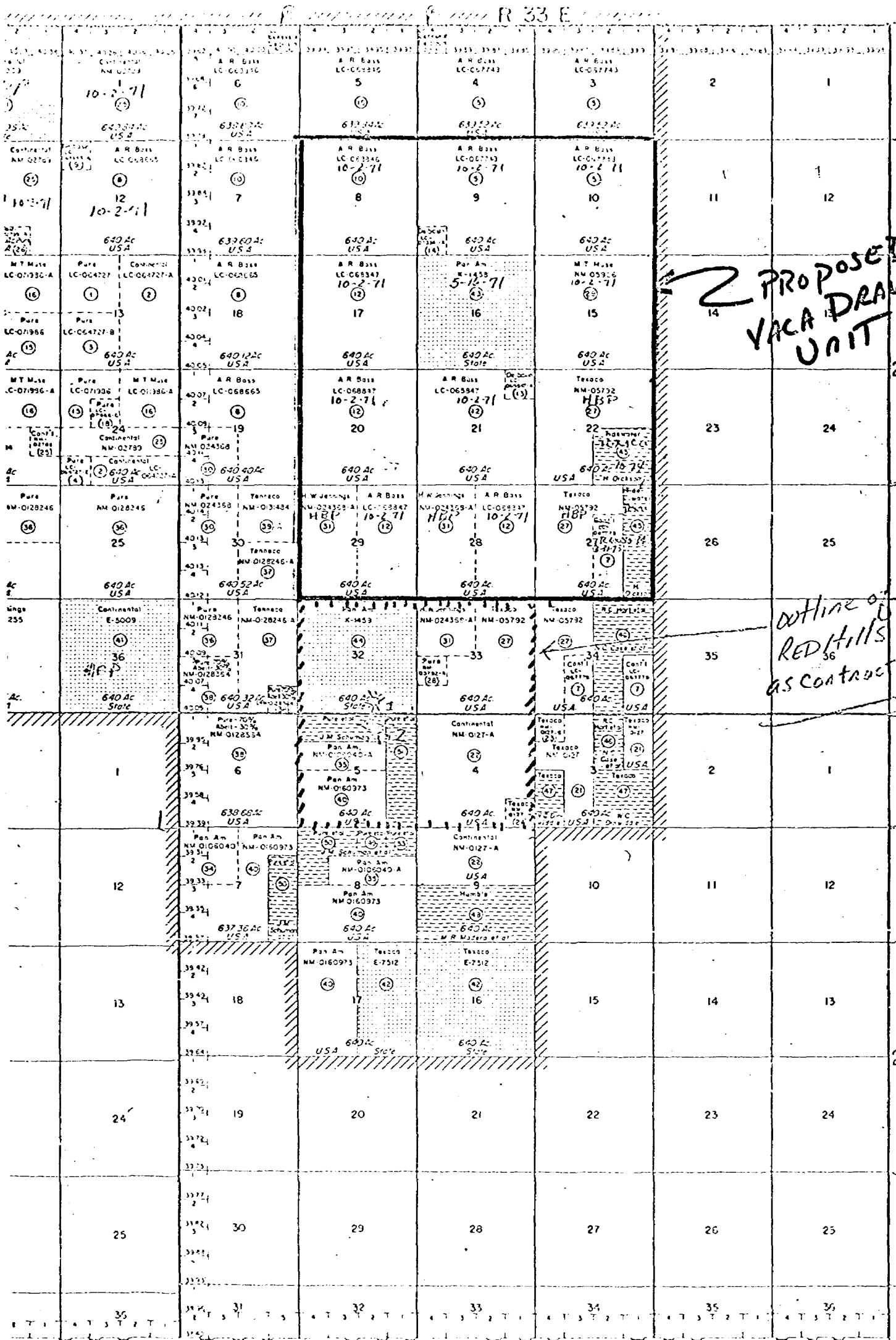


EXHIBIT A
LAND OWNERSHIP MAP - RED HILLS UNIT
LEA COUNTY, NEW MEXICO

Legend
 [] Unit Outline
 [] Federal Land 81 52210 23475 57 Ac
 [] State of New Mexico Land 12 22706 3500 96 Ac
 [] Fee Land 6 2476 1500 62 Ac
 TOTALS 100 00000 26475 43 Ac

Scale 1" = 1 Mile

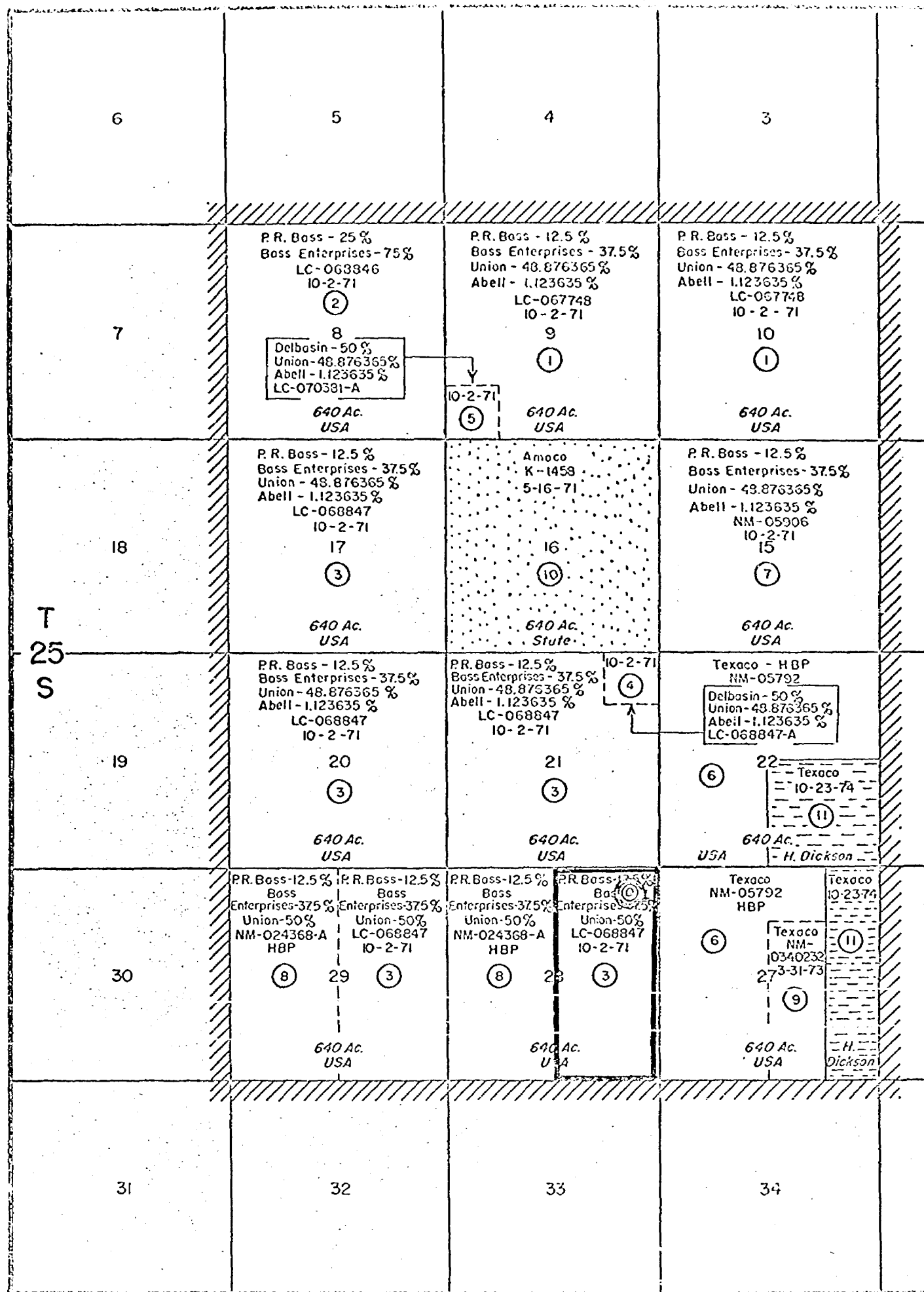
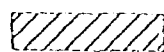


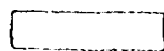
EXHIBIT "A" **LAND OWNERSHIP MAP - VACA DRAW UNIT** **LEA COUNTY, NEW MEXICO**

LEGEND

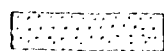
SCALE: 1" = 3000 FT.



UNIT OUTLINE



FEDERAL LAND



STATE OF NEW MEXICO LAND



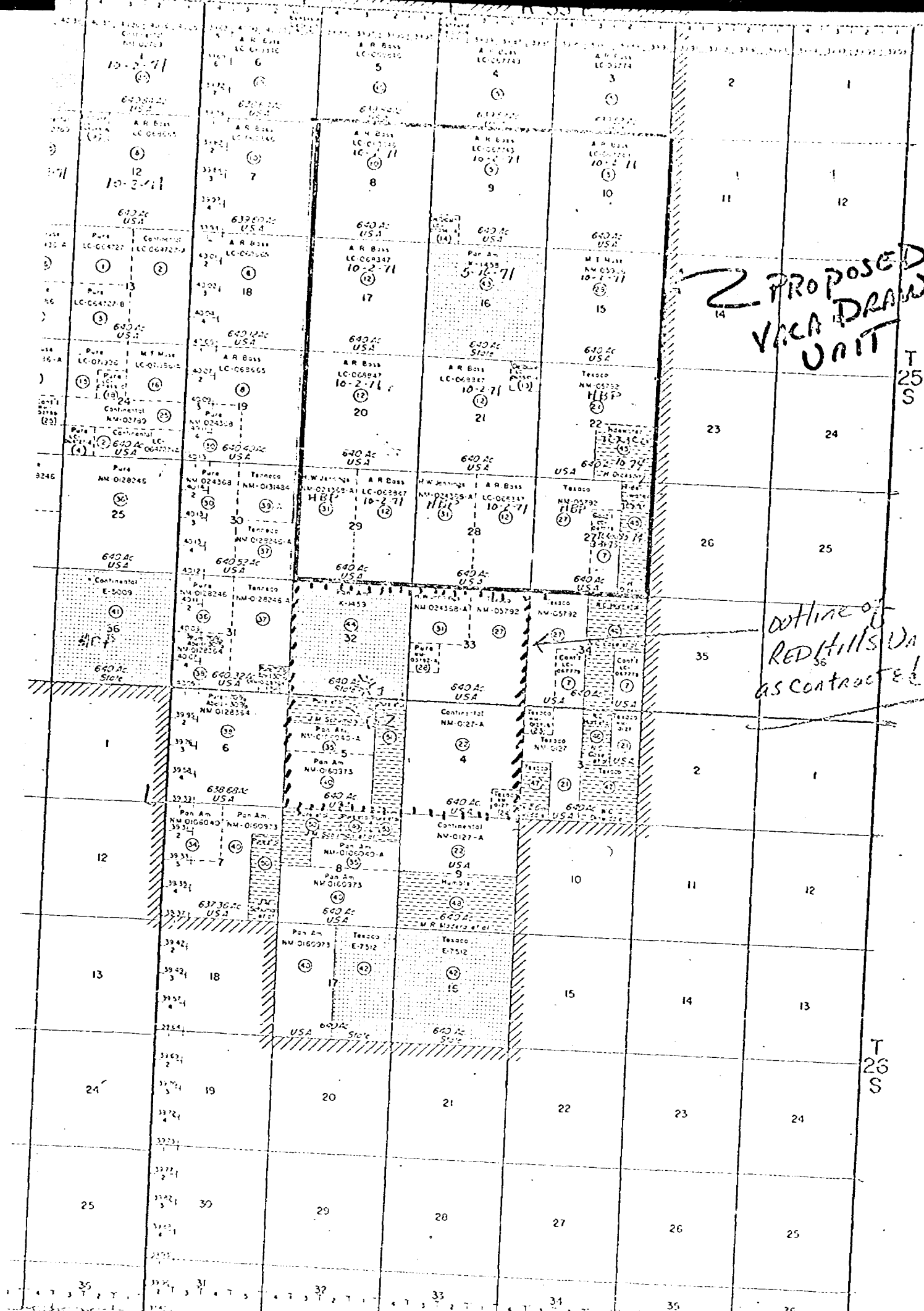
FEE LAND

87.5000 % ----- 6720 AC.

8.3333 % ----- 640 AC.

4.1667 % ----- 320 AC.

TOTALS ----- 100.0000 % ----- 7280 AC.



OWNERSHIP MAP - RED HILLS UNIT
LEA COUNTY, NEW MEXICO

LEGEND

U.S. Land 0.0000% 23,475.52 Ac
 Federal Land 12.2222% 3,500.00 Ac
 State of New Mexico Land 0.0000% 0.00 Ac
 Private Land 87.7778% 26,975.52 Ac
 TOTALS 100.0000% 53,951.04 Ac

Scale: 1" = 1 Mile

Case 4518

Filed 7-31-71

Rec. 7-31-71

Grant Com. Quays Pet.
for Vaca Draw Unit
Agreement.

Thos. D. [Signature]

CONSENT TO UNORTHODOX WELL LOCATION

TO: New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

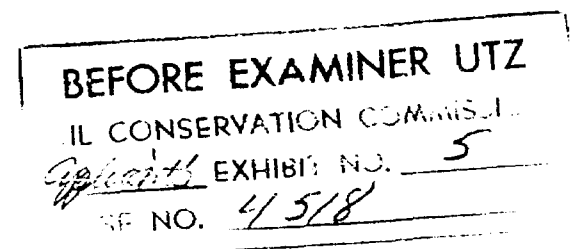
Reference is made to application of American Quasar Petroleum Co. of New Mexico for approval of an unorthodox gas well location 660 feet from the North line and 760 feet from the East line of Section 28, T. 25 S., R. 33 E., Lea County, New Mexico.

The undersigned, being the owner(s) of an oil and gas lease(s) offsetting the proposed unorthodox location, hereby consents to said unorthodox location.

TEXACO INC.

DATE: March 29, 1971

By: J. H. McElroy
Attorney-in-Fact



CONSENT TO UNORTHODOX WELL LOCATION

TO: New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

Reference is made to application of American Quasar Petroleum Co. of New Mexico for approval of an unorthodox gas well location 660 feet from the North line and 760 feet from the East line of Section 28, T. 25 S., R. 33 E., Lea County, New Mexico.

The undersigned, being the owner(s) of an oil and gas lease(s) offsetting the proposed unorthodox location, hereby consents to said unorthodox location.

Union Oil Company of California

DATE: 3/29/71

By John Hansen

Perry R. Bass

DATE: 3/29/71

By Bice Seetzer

Bass Enterprises Production Co.

DATE: 3/29/71

By Bice Seetzer

George T. Abell

DATE: 3/29/71

By George T. Abell

BEFORE EXAMINER UTZ

OIL CONSERVATION COMMISSION

EXHIBIT NO. 4

LEASE NO. 4518

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 31, 1971

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

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

CASE 4353: (Reopened)

In the matter of Case 4353 being reopened pursuant to the provisions of Order No. R-3963, which order established 160-acre spacing units for the Tres Papalotes-Pennsylvanian Pool, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on less than 160-acre spacing units.

CASE 4516: Application of Sun Oil Company for a unit agreement, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Pot Mesa Unit Area comprising 8,423 acres, more or less, of state and federal lands in Sections 2, 3, 7 through 11, and 15 through 22, Township 20 North, Range 6 West, McKinley County, New Mexico.

CASE 4517: Application of Midwest Oil Corporation for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Federal J Com Well No. 1 at an unorthodox gas well location 660 feet from the South and West lines of Section 21, Township 18 South, Range 24 East, North Antelope Sink-Morrow Gas Pool, Eddy County, New Mexico.

CASE 4518: Application of American Quasar Petroleum Company of New Mexico for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the approval of the Vaca Draw Unit Area comprising 7680 acres, more or less, of State, Federal, and fee lands in Township 25 South, Range 33 East, Lea County, New Mexico.

CASE 4519: Application of Major, Giebel & Forster for a non-standard unit, Lea County, New Mexico. Applicants, in the above-styled cause, the approval of an 80-acre non-standard oil proration unit comprising the SW/4 SW/4 of Section 29, and the SE/4 SE/4 of Section 30, all in Township 16 South, Range 36 East, East Shoe Bar-Devonian Pool, Lea County, New Mexico, to be dedicated to a well to be drilled in said SE/4 SE/4 of Section 30.



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

May 3, 1971

GOVERNOR
BRUCE KING
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Mr. Sumner Buell
Montgomery, Federici, Andrews,
Hannahs & Morris
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

Re: Case No. 4518
Order No. R-4130-A
Applicant:
American Quasar Petroleum Co.

Dear Sir:

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

Very truly yours,

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

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC _____
Aztec OCC _____

Other _____



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

GOVERNOR
BRUCE KING
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

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

April 6, 1971

Mr. Sumner Buell
Montgomery, Federici, Andrews,
Hannahs & Morris
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

Re: Case No. 4518
Order No. R-4130
Applicant:
American Quasar Petroleum Co.

DOCKET MAILED

Dear Sir:

4-16-71
~~Date~~

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

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
Artesia OCC _____
Aztec OCC _____

Other _____ Unit Division - State Land Office

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-4491 • ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

March 31, 1971

EXAMINER HEARING

IN THE MATTER OF:

Application of American Quesar
Petroleum Company of New Mexico
for Unit Agreement, Lea County,
New Mexico.

Case No. 4518

TRANSCRIPT OF HEARING

dearnley-meier

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS
 209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1 MR. UTZ: Case 4518.

2 MR. HATCH: Case 4518. Application of American
 3 Quasar Petroleum Company of New Mexico for Unit Agreement,
 4 Lea County, New Mexico.

5 I would like to call to your attention -- rather,
 6 I am kind of embarrassed to call the attention of the Examiner
 7 to the fact that the application was not only for unit
 8 agreement, but it was for a nonstandard location for the well,
 9 and it was very plainly stated in several places in the
 10 petition, but I did not get it advertised for that, so I think
 11 it would be advisable to let them go ahead and put on their
 12 testimony concerning the nonstandard location, and the case
 13 can be readvertised.

14 MR. BUELL: Mr. Examiner, I'm Sumner G. Buell of
 15 Montgomery, Federici, Andrews, Hannahs and Morris, appearing
 16 on behalf of American Quasar. We have two witnesses, Mr.
 17 White, and Mr. Henry.

18 MR. UTZ: Are there other appearances in this case?

19 MR. HENRY: W. J. Henry.

20 MR. UTZ: W. J. Henry? You're representing yourself?

21 MR. HENRY: No. American Quasar.

22 MR. BUELL: He's one of our witnesses.

23 MR. HENRY: Yes, sir.

24 MR. UTZ: Okay. Will you come up and be sworn?

25 (Witness is sworn.)

dearnley-meier

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS
 209 SIMMS BLDG., P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

E. B. WHITE, JR.

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

DIRECT EXAMINATION

BY MR. BUELL:

Q Would you state your name, please.

A E. B. White, Jr.

Q And by whom are you employed and in what capacity?

A I'm an independent landman.

Q And you are here appearing on behalf of American Quasar
 Petroleum of New Mexico?

A That's correct.

Q And where do you reside, Mr. White?

A Midland, Texas.

Q Mr. White, referring you to what has been marked as
 Exhibit 1, would you explain what this is?

A Exhibit 1 is the unit agreement for the development
 operation of the Baca draw unit area, and it is a
 standard form of unit agreement prescribed by the USGS,
 and the State Land Office of New Mexico.

Q And referring you to an attachment to that exhibit, that
 is marked as Exhibit A, would you describe what Exhibit A
 shows?

A Exhibit A shows the land and leases included within the
 unit area.

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1 Q And essentially what land is included within that area?

2 A By legal description?

3 Q More or less outline it. It's in there.

4 A Well, it is twelve sections and 25 South, 33 East, Lea
 5 County, New Mexico.

6 Q Have the various owners as shown on that exhibit con-
 7 sented to this unit?

8 A We have consented by eighty-three percent of the working
 9 interest owners in the unit area. The other sixteen and
 10 two-thirds is represented by Texaco, Incorporated, who
 11 is currently recommending their joining this unit.

12 Q I see. And have you obtained the consent of the state
 13 to this unit?

14 A The state has indicated their preliminary approval to
 15 approving the unit.

16 Q Is this unit going to be under the terms of the agreement
 17 expandable and contractable?

18 A That's correct.

19 MR. BUELL: I have nothing else of this witness.

20 CROSS EXAMINATION

21 BY MR. UTZ:

22 Q Now, these twelve sections are all even sections; is
 23 that correct?

24 A Yes, sir.

25 Q And they are all in 15 South, 33 East?

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1 A Yes, sir.

2 Q And in Section 8, 9, and 10, 15, 16, and 17, 20, 21,

3 22, 27, 28 and 29; is that correct?

4 A Correct.

5 MR. UTZ: Are there other questions of the witness?

6 You may be excused.

7 MR. BUELL: Next witness is Mr. Henry.

8 W. J. HENRY

9 called as a witness, having been first duly sworn, was

10 examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. BUELL:

13 Q Would you state your name, please.

14 A W. J. Henry.

15 Q Mr. Henry, by whom are you employed, and in what capacity?

16 A I am a consultant geologist.

17 Q And where do you reside, Mr. Henry?

18 A Midland, Texas.

19 Q Have you previously testified before the Commission, and

20 are your qualifications a matter of record?

21 A Yes, they are.

22 Q Are you familiar with what is sought in application in

23 this case 4518?

24 A Yes, I am.

25 Q And one of the things that is sought is an unorthodox

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1 location; is that correct?

2 A That's right.

3 Q Mr. Henry, referring you to what has been marked as
 4 Exhibit 2, would you indicate to the Commissioner what
 5 is shown on that exhibit? To the Examiner, excuse me.

6 A This map is a map contoured at near the top of the pay,
 7 which is a very poor reflector. And on this map, we
 8 show the Baca draw unit, Hashard, and the Red Hills unit,
 9 which is located on the south of this proposed unit,
 10 and heavy dashed lines -- which has been contracted, it
 11 shows our proposed unorthodox location in the Northeast
 12 Northeast of Section 28, Township 25 South, Range 33 East,
 13 which is in an optimum location on a deeper map.

14 Q Now, referring you to what has been marked as Exhibit 3,
 15 would you please explain that?

16 A Exhibit 3 is a structural map contoured on top of this
 17 Siluro-Devonian, which also has the Baca J proposed unit,
 18 Hashard, and the Red Hills contracted unit in heavy
 19 dashed lines on the south end.

20 Q Would you briefly describe what you expect to encounter
 21 in the Siluro-Devonian area?

22 A Yes. The number one Red Hills, commercial hydrocarbons,
 23 but in the Siluro-Devonian -- but it was sour gas, and
 24 it was not tested. I mean completed, from the zone at
 25 that time. Our proposed location in the Northeast

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- 1 Northeast of 28, we believe that will be approximately
- 2 250 feet structurally high to the number one Red Hills,
- 3 which is the only well that penetrated to the Siluro-
- 4 Devonian.
- 5 Q Is the proposed location the optimum locations for this
- 6 well, geologically speaking?
- 7 A Yes, this is the highest point on the structure.
- 8 Q And this is a test well, exploratory well?
- 9 A Yes. This is an exploratory well, yes.
- 10 Q Do you have any estimate as to the cost of a well in this
- 11 area?
- 12 A Yes. We estimate from \$800,000 to one million dollars
- 13 to drill a Siluro-Devonian test.
- 14 Q All right. Mr. Henry, referring you to Exhibit 4 and 5,
- 15 will you, for the record, state what those exhibits are?
- 16 A Yes. That is the original consent to the unorthodox
- 17 well locations by the participants and all the offset
- 18 operators which are in the unit.
- 19 Q This is all offset interest owners or operators to your
- 20 proposed well location?
- 21 A To the proposed well location, yes.
- 22 Q Mr. Henry, in your opinion, would the granting of this
- 23 application as to the unit, and as to the unorthodox
- 24 location, prevent waste and protect correlative rights?
- 25 A Yes, it will.

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1 Q And were Exhibits 2 and 3 prepared by you or under your
 2 supervision?

3 A Yes, they were.

4 MR. BUELL: At this time, Mr. Examiner, I would
 5 move the introduction of Exhibits 1, 2, 3, 4 and 5 into
 6 evidence in this case.

7 MR. UTZ: Without objection, Exhibits 1 through 5
 8 will be entered into the record of this case.

9 (Whereupon, Applicant's Exhibits
 10 1 through 5 were duly admitted
 into evidence.)

11 MR. BUELL: I have no other questions.

12 CROSS EXAMINATION

13 BY MR. UTZ:

14 Q Mr. Henry, what is the location of your well?

15 A It will be 760 from the east line, 660 from the north
 16 line. There is a shallow Delaware dry hole there in the
 17 Northeast Northeast of 28.

18 Q 660 from the north?

19 A And 760 from the east.

20 Q 760 from the east?

21 A From the east, yes.

22 Q Now, the reason you want this nonstandard location is
 23 for structural reasons?

24 A Yes, sir. Our plan is to check our structural
 25 position when we drill to the Pennsylvanian, and if our

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1 structural position is satisfactory at that depth,
2 we are going to the Siluro-Devonian.

3 MR. HATCH: This would actually be, then, an
4 application for nonstandard location in either the Wolf Camp
5 or the Devonian?

6 THE WITNESS: Pennsylvanian or Devonian.

7 MR. UTZ: Are there other questions of the witness?
8 Witness may be excused. Statements in the case?

9 MR. BUELL: I have nothing further.

10 MR. UTZ: Case will be taken under advisement.
11 We will take a ten-minute recess.

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I N D E X

WITNESS:

PAGE

E. B. WHITE, JR.

Direct Examination by Mr. Buell

3

Cross Examination by Mr. Utz

4

W. J. HENRY

Direct Examination by Mr. Buell

5

Cross Examination by Mr. Utz

8

EXHIBIT

MARKED

OFFERED AND
ADMITTED

Applicant's Exhibits 1 - 5

8

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1 STATE OF NEW MEXICO)
2 COUNTY OF BERNALILLO) SS

3 I, LINDA MALONE, Court Reporter in and for the County of
4 Bernalillo, State of New Mexico, do hereby certify that the
5 foregoing and attached Transcript of Hearing before the
6 New Mexico Oil Conservation Commission was reported by me and
7 that the same is a true and correct record of the said
8 proceedings, to the best of my knowledge, skill and ability.

9
10 Linda Malone
11 Court Reporter

22 This is to certify that the foregoing is
23 a true and correct copy of the proceedings as
24 reported by me on Jan. 31, 1971.
25 Linda Malone

dearnley-meier reporting service, inc.

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209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-4491 • ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

March 31, 1971

EXAMINER HEARING

IN THE MATTER OF:

Application of American Quesar
Petroleum Company of New Mexico
for Unit Agreement, Lea County,
New Mexico.

Case No. 4518

TRANSCRIPT OF HEARING

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1 MR. UTZ: Case 4518.

2 MR. HATCH: Case 4518. Application of American
3 Quasar Petroleum Company of New Mexico for Unit Agreement,
4 Lea County, New Mexico.

5 I would like to call to your attention -- rather,
6 I am kind of embarrassed to call the attention of the Examiner
7 to the fact that the application was not only for unit
8 agreement, but it was for a nonstandard location for the well,
9 and it was very plainly stated in several places in the
10 petition, but I did not get it advertised for that, so I think
11 it would be advisable to let them go ahead and put on their
12 testimony concerning the nonstandard location, and the case
13 can be readvertised.

14 MR. BUELL: Mr. Examiner, I'm Sumner G. Buell of
15 Montgomery, Federici, Andrews, Hannahs and Morris, appearing
16 on behalf of American Quasar. We have two witnesses, Mr.
17 White, and Mr. Henry.

18 MR. UTZ: Are there other appearances in this case?

19 MR. HENRY: W. J. Henry.

20 MR. UTZ: W. J. Henry? You're representing yourself?

21 MR. HENRY: No. American Quasar.

22 MR. BUELL: He's one of our witnesses.

23 MR. HENRY: Yes, sir.

24 MR. UTZ: Okay. Will you come up and be sworn?

25 (Witness is sworn.)

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1 E. B. WHITE, JR.

2 called as a witness, having been first duly sworn, was
 3 examined and testified as follows:

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5 BY MR. BUELL:

6 Q Would you state your name, please.

7 A E. B. White, Jr.

8 Q And by whom are you employed and in what capacity?

9 A I'm an independent landman.

10 Q And you are here appearing on behalf of American Quasar
 11 Petroleum of New Mexico?

12 A That's correct.

13 Q And where do you reside, Mr. White?

14 A Midland, Texas.

15 Q Mr. White, referring you to what has been marked as
 16 Exhibit 1, would you explain what this is?

17 A Exhibit 1 is the unit agreement for the development
 18 operation of the Baca draw unit area, and it is a
 19 standard form of unit agreement prescribed by the USGS,
 20 and the State Land Office of New Mexico.

21 Q And referring you to an attachment to that exhibit, that
 22 is marked as Exhibit A, would you describe what Exhibit A
 23 shows?

24 A Exhibit A shows the land and leases included within the
 25 unit area.

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1 Q And essentially what land is included within that area?

2 A By legal description?

3 Q More or less outline it. It's in there.

4 A Well, it is twelve sections and 25 South, 33 East, Lea
 5 County, New Mexico.

6 Q Have the various owners as shown on that exhibit con-
 7 sented to this unit?

8 A We have consented by eighty-three percent of the working
 9 interest owners in the unit area. The other sixteen and
 10 two-thirds is represented by Texaco, Incorporated, who
 11 is currently recommending their joining this unit.

12 Q I see. And have you obtained the consent of the state
 13 to this unit?

14 A The state has indicated their preliminary approval to
 15 approving the unit.

16 Q Is this unit going to be under the terms of the agreement
 17 expandable and contractable?

18 A That's correct.

19 MR. BUELL: I have nothing else of this witness.

20 CROSS EXAMINATION

21 BY MR. UTZ:

22 Q Now, these twelve sections are all even sections; is
 23 that correct?

24 A Yes, sir.

25 Q And they are all in 15 South, 33 East?

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1 A Yes, sir.

2 Q And in Section 8, 9, and 10, 15, 16, and 17, 20, 21,

3 22, 27, 28 and 29; is that correct?

4 A Correct.

5 MR. UTZ: Are there other questions of the witness?

6 You may be excused.

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18 A Midland, Texas.

19 Q Have you previously testified before the Commission, and

20 are your qualifications a matter of record?

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23 this case 4518?

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25 Q And one of the things that is sought is an unorthodox

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1 location; is that correct?

2 A That's right.

3 Q Mr. Henry, referring you to what has been marked as
 4 Exhibit 2, would you indicate to the Commissioner what
 5 is shown on that exhibit? To the Examiner, excuse me.

6 A This map is a map contoured at near the top of the pay,
 7 which is a very poor reflector. And on this map, we
 8 show the Baca draw unit, Hashard, and the Red Hills unit,
 9 which is located on the south of this proposed unit,
 10 and heavy dashed lines -- which has been contracted, it
 11 shows our proposed unorthodox location in the Northeast
 12 Northeast of Section 28, Township 25 South, Range 33 East,
 13 which is in an optimum location on a deeper map.

14 Q Now, referring you to what has been marked as Exhibit 3,
 15 would you please explain that?

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 17 Siluro-Devonian, which also has the Baca J proposed unit,
 18 Hashard, and the Red Hills contracted unit in heavy
 19 dashed lines on the south end.

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 21 in the Siluro-Devonian area?

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 23 but in the Siluro-Devonian -- but it was sour gas, and
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 25 that time. Our proposed location in the Northeast

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- 1 Northeast of 28, we believe that will be approximately
- 2 250 feet structurally high to the number one Red Hills,
- 3 which is the only well that penetrated to the Siluro-
- 4 Devonian.
- 5 Q Is the proposed location the optimum locations for this
- 6 well, geologically speaking?
- 7 A Yes, this is the highest point on the structure.
- 8 Q And this is a test well, exploratory well?
- 9 A Yes. This is an exploratory well, yes.
- 10 Q Do you have any estimate as to the cost of a well in this
- 11 area?
- 12 A Yes. We estimate from \$800,000 to one million dollars
- 13 to drill a Siluro-Devonian test.
- 14 Q All right. Mr. Henry, referring you to Exhibit 4 and 5,
- 15 will you, for the record, state what those exhibits are?
- 16 A Yes. That is the original consent to the unorthodox
- 17 well locations by the participants and all the offset
- 18 operators which are in the unit.
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- 20 proposed well location?
- 21 A To the proposed well location, yes.
- 22 Q Mr. Henry, in your opinion, would the granting of this
- 23 application as to the unit, and as to the unorthodox
- 24 location, prevent waste and protect correlative rights.
- 25 A Yes, it will.

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1 Q And were Exhibits 2 and 3 prepared by you or under your
2 supervision?

3 A Yes, they were.

4 MR. BUELL: At this time, Mr. Examiner, I would
5 move the introduction of Exhibits 1, 2, 3, 4 and 5 into
6 evidence in this case.

7 MR. UTZ: Without objection, Exhibits 1 through 5
8 will be entered into the record of this case.

9 (Whereupon, Applicant's Exhibits
10 1 through 5 were duly admitted
into evidence.)

11 MR. BUELL: I have no other questions.

12 CROSS EXAMINATION

13 BY MR. UTZ:

14 Q Mr. Henry, what is the location of your well?

15 A It will be 760 from the east line, 660 from the north
16 line. There is a shallow Delaware dry hole there in the
17 Northeast Northeast of 28.

18 Q 660 from the north?

19 A And 760 from the east.

20 Q 760 from the east?

21 A From the east, yes.

22 Q Now, the reason you want this nonstandard location is
23 for structural reasons?

24 A Yes, sir. Our plan is to check our structural
25 position when we drill to the Pennsylvanian, and if our

1 structural position is satisfactory at that depth,
2 we are going to the Siluro-Devonian.

3 MR. HATCH: This would actually be, then, an
4 application for nonstandard location in either the Wolf Camp
5 or the Devonian?

6 THE WITNESS: Pennsylvanian or Devonian.

7 MR. UTZ: Are there other questions of the witness?
8 Witness may be excused. Statements in the case?

9 MR. BUELL: I have nothing further.

10 MR. UTZ: Case will be taken under advisement.
11 We will take a ten-minute recess.

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1	<u>I N D E X</u>		
2	<u>WITNESS:</u>		<u>PAGE</u>
3	E. B. WHITE, JR.		
4	Direct Examination by Mr. Buell		3
5	Cross Examination by Mr. Utz		4
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7	Direct Examination by Mr. Buell		5
8	Cross Examination by Mr. Utz		8
9			
10			
11	<u>EXHIBIT</u>	<u>MARKED</u>	<u>OFFERED AND ADMITTED</u>
12	Applicant's Exhibits 1 - 5		8
13			
14			
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16			
17			
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1 STATE OF NEW MEXICO)
2 COUNTY OF BERNALILLO) SS

3 I, LINDA MALONE, Court Reporter in and for the County of
4 Bernalillo, State of New Mexico, do hereby certify that the
5 foregoing and attached Transcript of Hearing before the
6 New Mexico Oil Conservation Commission was reported by me and
7 that the same is a true and correct record of the said
8 proceedings, to the best of my knowledge, skill and ability.

Linda Malone
Court Reporter

I do hereby certify that the foregoing is
a correct record of the proceedings of
the New Mexico Oil Conservation Commission
held at Santa Fe, New Mexico, on May 3, 1971.
Michael W. [Signature]
Secretary, New Mexico Oil Conservation Commission

DRAFT

GMH/dr

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 4518

Order No. R- 4130-A

APPLICATION OF AMERICAN QUASAR
PETROLEUM COMPANY OF NEW MEXICO
FOR AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 31, 1971,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this May day of April, 1971, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, American Quasar Petroleum Company of
New Mexico, is the operator of the Vaca Draw Unit Area, Lea County,
New Mexico, approved by Commission Order No. R-4130, dated
April 6, 1971.

(3) That the applicant seeks authority to drill an explora-
tory gas well at an unorthodox location within said unit area
at an unorthodox location 660 feet from the North line and 760
feet from the East line of Section 28, Township 25 South, Range 33

East, to test the Devonian, Pennsylvanian, and Wolfcamp formations within one mile of the Red Hills Field with the primary objective being the Devonian formation.

(4) That a well drilled at the proposed location should encounter the Devonian formation structurally higher than a well drilled at a standard location.

(5) That the proposed unorthodox gas well location will not crowd acreage belonging to any other operator.

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of gas underlying said unit area, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the applicant, American Quasar Petroleum Company of New Mexico, is hereby authorized to drill an exploratory gas well to the Devonian, Pennsylvanian, and Wolfcamp formations at an unorthodox location 660 feet from the North line and 760 feet from the East line of Section 28, Township 25 South, Range 33 East, NMPM, Lea County, New Mexico.

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

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

Case 4518

Recd 4-28-71

Rec. 4-28-71

Supt. Am. Drilling approval
of their NS in the Boca
Drum unit. Said exploration
well to be drilled 660/W, and
760/E lines of sec. 28-25-33
Possible producing zones are
Hevi Penny, W.C. fnd.

Thud

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF AMERICAN QUASAR
PETROLEUM CO. OF NEW MEXICO FOR
APPROVAL OF A UNIT AGREEMENT AND
FOR APPROVAL OF AN UNORTHODOX GAS
WELL LOCATION, LEA COUNTY, NEW
MEXICO

Case No. 4518

A P P L I C A T I O N

Comes now AMERICAN QUASAR PETROLEUM CO. OF NEW MEXICO by its attorneys and applies for approval of the VACA DRAW UNIT Agreement and for approval of an unorthodox gas well location for the initial test well in said Unit, and in support of its application states:

1. The proposed Vaca Draw Unit comprises all of Sections 8, 9, 10, 15, 16, 17, 20, 21, 22, 27, 28 and 29, T. 25 S., R. 33 E., Lea County, New Mexico, comprising 7,680 acres, more or less, of Federal, State and fee lands.

2. The proposed Vaca Draw Unit is governed by the Vaca Draw Unit Agreement which designates American Quasar Petroleum Co. of New Mexico, 606 Vaughn Building, Midland, Texas 79701, as the unit operator. The Unit Agreement contemplates the drilling of an initial test well to a depth of 13,500 feet or to the Devonian Formation. The proposed unit is North of and adjacent to the Red Hills Unit, as contracted.

3. The initial test well for the proposed unit is projected as a gas well 660 feet from the North line and 760 feet from the East line, in the NE/4 NE/4 of Section 23, T. 25 S., R. 33 E., Lea County, New Mexico. Although this well is projected to 13,500 feet or to the Devonian Formation it is probable that production will be obtained in the Wolfcamp Formation. The proposed location ^{for} ~~from~~ the said well would be unorthodox under the special rules and regulations established

DOCKET MAILED

Date _____

DOCKET MAILED

Date _____

*for H-28-11
H-28-11*

for the Red Hills-Wolfcamp Gas Pool by Order No. R-3073.

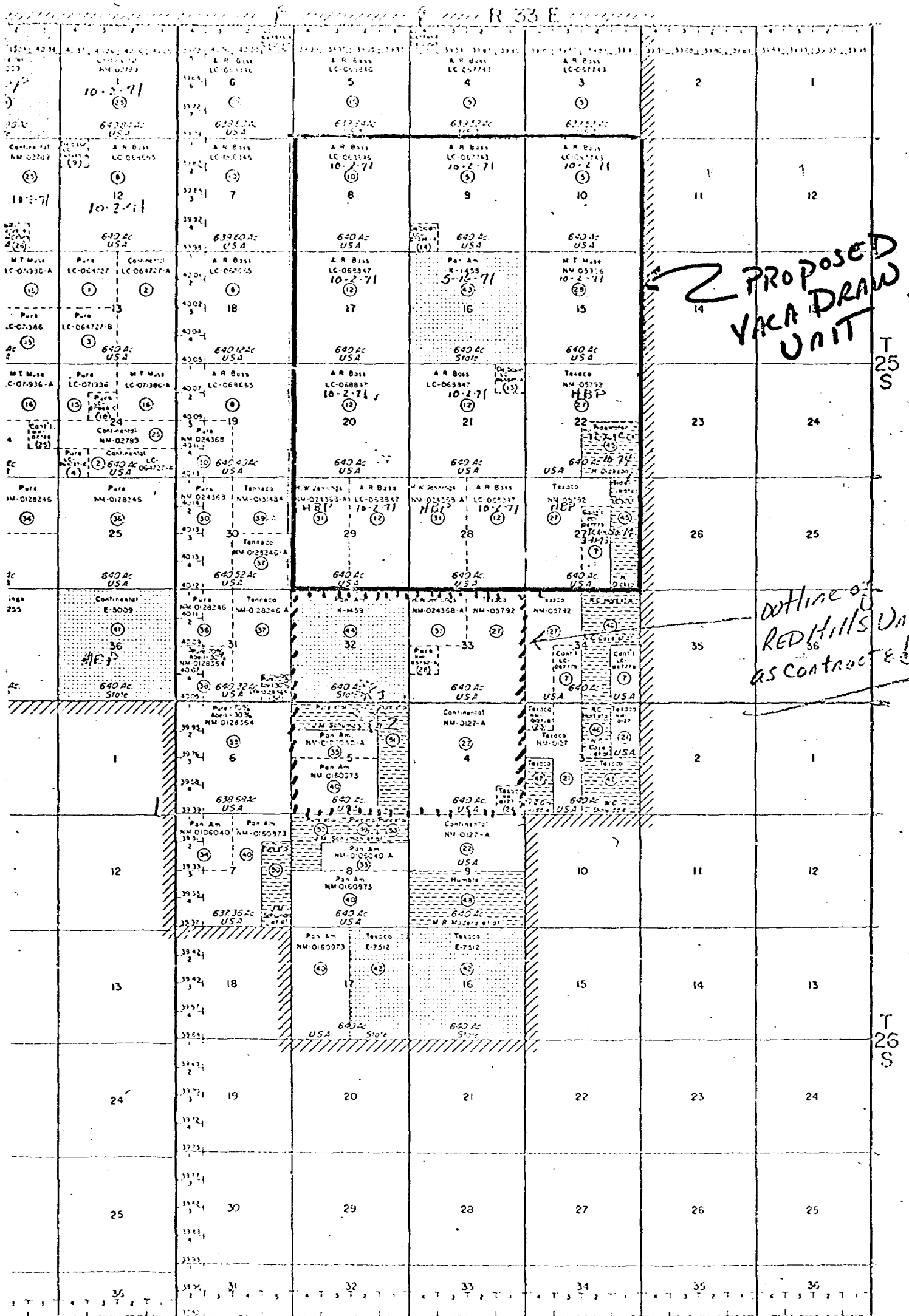
4. Applicant seeks approval of the proposed Unit Agreement and further seeks approval of the proposed unorthodox location for its initial test well therein. Approval of this application will prevent waste, protect correlative rights, prevent the drilling of unnecessary wells and enable the unit operator to achieve an optimum location for the initial test well for this unit.

WHEREFORE, applicant requests that this application be set for hearing before the Commission or one of its examiners and that the Commission enter its order approving the Vaca Draw Unit Agreement and the unorthodox location for the initial test well therein, all as set forth herein.

MONTGOMERY, FEDERICI, ANDREWS,
HANNAHS & MORRIS

BY: Richard S. Morris
Post Office Box 2307
Santa Fe, N.M. 87501

ATTORNEYS FOR AMERICAN QUASAR
PETROLEUM CO. OF NEW MEXICO



LEGEND

1. Unit Office

2. Fee Land

3. State of New Mexico Land

4. Fee Land

TOTALS - 1000.00 AC. 20.00 AC. 40.00 AC.

Scale 1" = 1 Mile

0.00 4.5 18

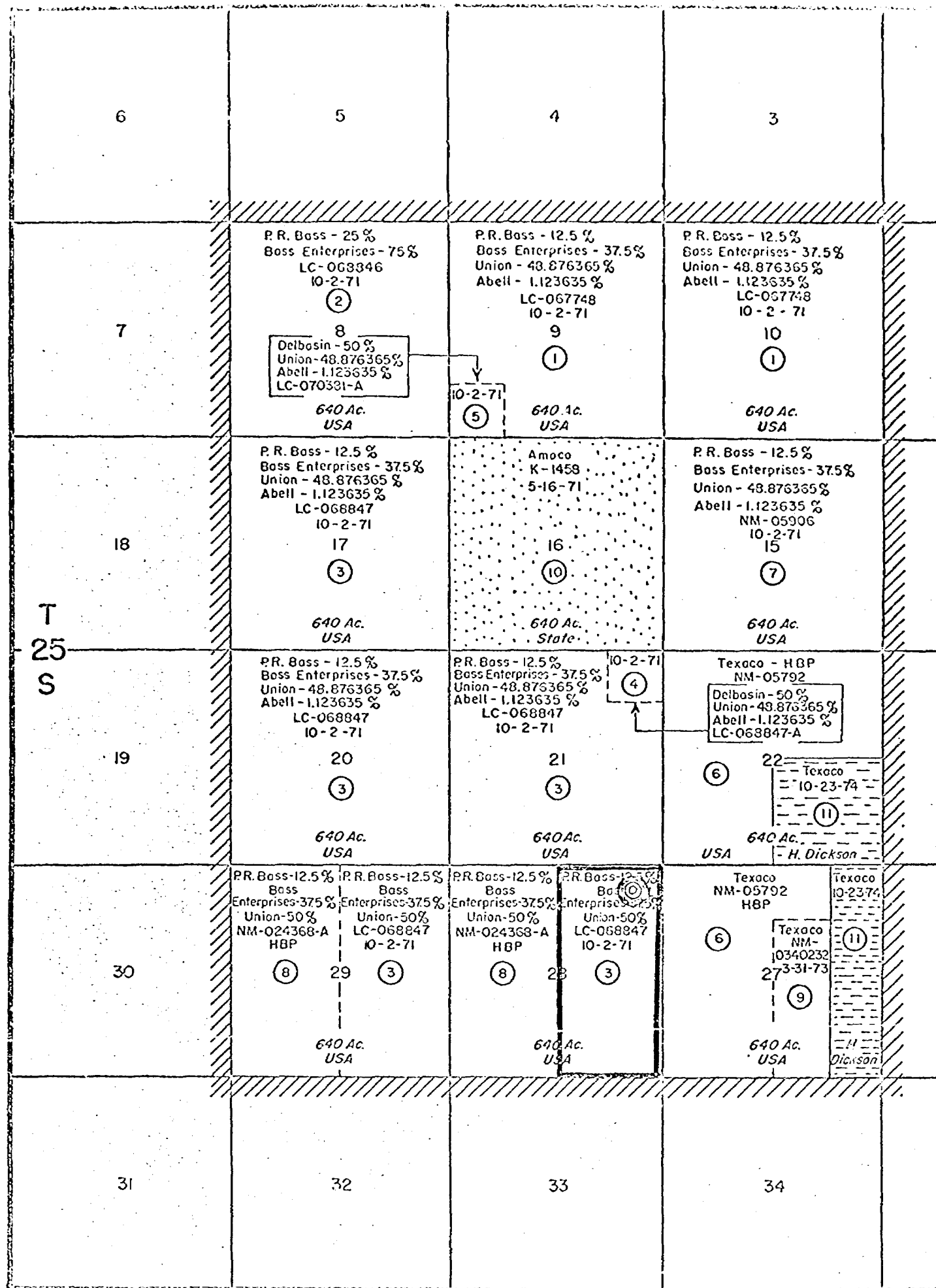


EXHIBIT "A"

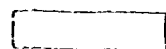
LAND OWNERSHIP MAP - VACA DRAW UNIT LEA COUNTY, NEW MEXICO

LEGEND

SCALE: 1" = 3000 FT.



UNIT OUTLINE



FEDERAL LAND



STATE OF NEW MEXICO LAND



FREE LAND

87.5000 % ----- 6720 AC.

8.3333 % ----- 640 AC.

4.1667 % ----- 320 AC.

TOTALS ----- 100.0000 % ----- 7680 AC.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 4518
Order No. R-4130

APPLICATION OF AMERICAN QUASAR
PETROLEUM COMPANY OF NEW MEXICO
FOR APPROVAL OF THE VACA DRAW UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 31, 1971,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 6th day of April, 1971, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being fully
advised in the premises,

FINDS:

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

(2) That the applicant, American Quasar Petroleum Company
of New Mexico, seeks approval of the Vaca Draw Unit Agreement
covering 7,680 acres, more or less, of State, Federal and Fee
lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 25 SOUTH, RANGE 33 EAST, NMPM
Sections 8, 9, and 10: All
Sections 15, 16, and 17: All
Sections 20, 21, and 22: All
Sections 27, 28, and 29: All

(3) That approval of the proposed unit agreement should

-2-

CASE NO. 4518
Order No. R-4130

promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

- (1) That the Vaca Draw Unit Agreement is hereby approved.
- (2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure, provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.
- (3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.
- (4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.
- (5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

-3-

CASE NO. 4518

Order No. R-4130

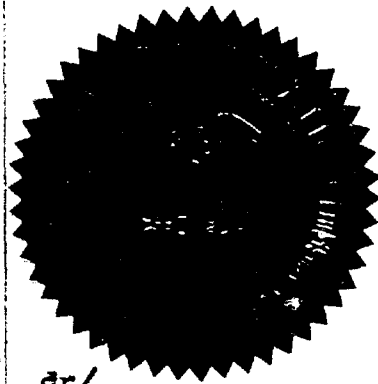
DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Bruce King
BRUCE KING, Chairman

Alex J. Armijo
ALEX J. ARMILJO, Member

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



dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 4518
Order No. R-4130-A

APPLICATION OF AMERICAN QUASAR
PETROLEUM COMPANY OF NEW MEXICO
FOR AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION

This cause came on for hearing at 9 a.m. on March 31, 1971,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 3rd day of May, 1971, the Commission, a
quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being fully
advised in the premises,

FINDS:

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

(2) That the applicant, American Quasar Petroleum Company
of New Mexico, is the operator of the Vaca Draw Unit Area, Lea
County, New Mexico, approved by Commission Order No. R-4130,
dated April 6, 1971.

(3) That the applicant seeks authority to drill an explora-
tory gas well at an unorthodox location within said unit area
at an unorthodox location 660 feet from the North line and 760
feet from the East line of Section 28, Township 25 South, Range 33
East, to test the Devonian, Pennsylvanian, and Wolfcamp formations
within one mile of the Red Hills Field with the primary objective
being the Devonian formation.

-2-

CASE NO. 4518
Order No. R-4130-A

(4) That a well drilled at the proposed location should encounter the Devonian formation structurally higher than a well drilled at a standard location.

(5) That the proposed unorthodox gas well location will not crowd acreage belonging to any other operator.

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of gas underlying said unit area, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.


IT IS THEREFORE ORDERED:


(1) That the applicant, American Quasar Petroleum Company of New Mexico, is hereby authorized to drill an exploratory gas well to the Devonian, Pennsylvanian, and Wolfcamp formations at an unorthodox location 660 feet from the North line and 760 feet from the East line of Section 28, Township 25 South, Range 33 East, NMPM, Lea County, New Mexico.

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

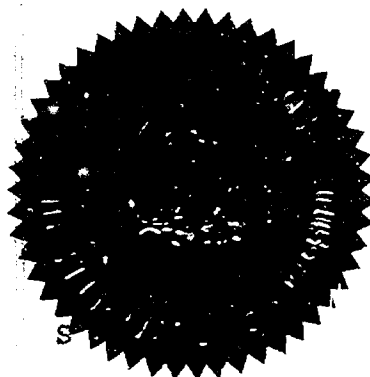
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


ALEX J. ARMILLO, Member


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



dr/

RATIFICATION OF AND JOINDER IN
UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
FOR THE
VACA DRAW UNIT AREA
LEA COUNTY, NEW MEXICO

In consideration of the execution of the Unit Agreement and the Unit Operating Agreement for the Vaca Draw Unit Area, Lea County, New Mexico, by American Quasar Petroleum Co. of New Mexico, as the Unit Operator, and other working interest owners in said area, each of which agreements is dated as of March 10, 1971, the undersigned owner or owners of lands, interests in lands, oil and gas leases, interests in leases or working interests in production located in said Vaca Draw Unit Area and described as subject to said agreements, hereby severally, each to the extent of his or its particular ownership or interest, consent to the inclusion of said lands or leases or other interests within the Unit Area and approve and adopt the terms of said agreements as applicable to said lands, leases or other interests, and hereby ratify, join in and adopt said agreements and all of the terms and provisions thereof as though they were the original signatory parties thereto, and hereby commit said lands, leases or other interests to said agreements and hereby assume all of the rights and obligations incident thereto under said agreements, further acknowledging receipt of a copy of each of said agreements.

Date: September 29, 1971

TEXACO Inc.

ATTEST:

APPROVED AS TO
Terms RM
Form JLP
Acctg. [Signature]

By

J. H. McElroy
Attorney-in-Fact

Address: P. O. Box 3109

Midland, Texas 79701

STATE OF TEXAS)
) ss
COUNTY OF Midland)

The foregoing instrument was acknowledged before me this 29th day of September, 1971, by J. H. McElroy, Attorney-in-Fact of TEXACO Inc., a corporation, on behalf of said corporation.

My Commission Expires:
6-1-73

[Signature]
Notary Public of
Midland County, Texas

STATE OF TEXAS)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1971, by _____.

My Commission Expires: _____

Notary Public

RATIFICATION OF AND JOINDER IN
UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
FOR THE
VACA DRAW UNIT AREA
LEA COUNTY, NEW MEXICO

In consideration of the execution of the Unit Agreement and the Unit Operating Agreement for the Vaca Draw Unit Area, Lea County, New Mexico, by American Quasar Petroleum Co. of New Mexico, as the Unit Operator, and other working interest owners in said area, each of which agreements is dated as of March 10, 1971, the undersigned owner or owners of lands, interests in lands, oil and gas leases, interests in leases or working interests in production located in said Vaca Draw Unit Area and described as subject to said agreements, hereby severally, each to the extent of his or its particular ownership or interest, consent to the inclusion of said lands or leases or other interests within the Unit Area and approve and adopt the terms of said agreements as applicable to said lands, leases or other interests, and hereby ratify, join in and adopt said agreements and all of the terms and provisions thereof as though they were the original signatory parties thereto, and hereby commit said lands, leases or other interests to said agreements and hereby assume all of the rights and obligations incident thereto under said agreements, further acknowledging receipt of a copy of each of said agreements.

Date: 9-17-71

George T. Abell
George T. Abell

ATTEST:

Gladys H. Abell
Gladys H. Abell
Address: Box 430
Midland, Texas 79701

STATE OF TEXAS)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 1971, by _____, of _____, a corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 17th day of September, 1971, by George T. Abell and Gladys H. Abell, his wife,

My Commission Expires: Sept 1 1973

Dolores DeArmon
Notary Public Dolores DeArmon

RATIFICATION OF AND JOINDER IN
UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
FOR THE
VACA DRAW UNIT AREA
LEA COUNTY, NEW MEXICO

In consideration of the execution of the Unit Agreement and the Unit Operating Agreement for the Vaca Draw Unit Area, Lea County, New Mexico, by American Quasar Petroleum Co. of New Mexico, as the Unit Operator, and other working interest owners in said area, each of which agreements is dated as of March 10, 1971, the undersigned owner or owners of lands, interests in lands, oil and gas leases, interests in leases or working interests in production located in said Vaca Draw Unit Area and described as subject to said agreements, hereby severally, each to the extent of his or its particular ownership or interest, consent to the inclusion of said lands or leases or other interests within the Unit Area and approve and adopt the terms of said agreements as applicable to said lands, leases or other interests, and hereby ratify, join in and adopt said agreements and all of the terms and provisions thereof as though they were the original signatory parties thereto, and hereby commit said lands, leases or other interests to said agreements and hereby assume all of the rights and obligations incident thereto under said agreements, further acknowledging receipt of a copy of each of said agreements.

Date: 9-13-71

BASS ENTERPRISES PRODUCTION CO.

By E. W. Sampson

ATTEST:

Marguerite Wright
Secretary

Address: 1211 Fort Worth National

Bank Bldg., Fort Worth, Tex.

STATE OF TEXAS)
) ss
COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this 13 day of September, 1971, by E. W. Sampson, President of Bass Enterprises Production Co., a Texas corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1973

Beggy Jordan
Notary Public

STATE OF TEXAS)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1971, by _____.

My Commission Expires:

Notary Public

RATIFICATION OF AND JOINDER IN
UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
FOR THE
VACA DRAW UNIT AREA
LEA COUNTY, NEW MEXICO

In consideration of the execution of the Unit Agreement and the Unit Operating Agreement for the Vaca Draw Unit Area, Lea County, New Mexico, by American Quasar Petroleum Co. of New Mexico, as the Unit Operator, and other working interest owners in said area, each of which agreements is dated as of March 10, 1971, the undersigned owner or owners of lands, interests in lands, oil and gas leases, interests in leases or working interests in production located in said Vaca Draw Unit Area and described as subject to said agreements, hereby severally, each to the extent of his or its particular ownership or interest, consent to the inclusion of said lands or leases or other interests within the Unit Area and approve and adopt the terms of said agreements as applicable to said lands, leases or other interests, and hereby ratify, join in and adopt said agreements and all of the terms and provisions thereof as though they were the original signatory parties thereto, and hereby commit said lands, leases or other interests to said agreements and hereby assume all of the rights and obligations incident thereto under said agreements, further acknowledging receipt of a copy of each of said agreements.

Date: 9-13-71

Perry R. Bass
PERRY R. BASS

ATTEST:

Nancy Lee Bass
NANCY LEE BASS

Address: 1211 Fort Worth National

Bank Bldg., Fort Worth, Tex.

STATE OF TEXAS)
) ss
COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this ____ day of _____, 1971, by _____, of _____, a corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF TEXAS)
) ss
COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this 13 day of September, 1971, by Perry R. Bass and Nancy Lee Bass, his wife.

My Commission Expires: June 1, 1973

Perry R. Bass
Notary Public

RATIFICATION OF AND JOINDER IN
UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
FOR THE
VACA DRAW UNIT AREA
LEA COUNTY, NEW MEXICO

In consideration of the execution of the Unit Agreement and the Unit Operating Agreement for the Vaca Draw Unit Area, Lea County, New Mexico, by American Quasar Petroleum Co. of New Mexico, as the Unit Operator, and other working interest owners in said area, each of which agreements is dated as of March 10, 1971, the undersigned owner or owners of lands, interests in lands, oil and gas leases, interests in leases or working interests in production located in said Vaca Draw Unit Area and described as subject to said agreements, hereby severally, each to the extent of his or its particular ownership or interest, consent to the inclusion of said lands or leases or other interests within the Unit Area and approve and adopt the terms of said agreements as applicable to said lands, leases or other interests, and hereby ratify, join in and adopt said agreements and all of the terms and provisions thereof as though they were the original signatory parties thereto, and hereby commit said lands, leases or other interests to said agreements and hereby assume all of the rights and obligations incident thereto under said agreements, further acknowledging receipt of a copy of each of said agreements.

Date: 9-13-71

DELBASIN CORPORATION

ATTEST:

W. P. Simpson
Secretary

By E. W. Simpson

Address: 1211 Fort Worth National

Bank Bldg., Fort Worth, Tex

STATE OF TEXAS)
) ss
COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this 13 day of September, 1971, by E. W. Simpson, Vice-President of Delbasin Corporation, a corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1973

Reggie Jordan
Notary Public

STATE OF TEXAS)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1971, by _____.

My Commission Expires:

Notary Public

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

Index

<u>Section</u>	<u>Title</u>	<u>Page</u>
	PRELIMINARY RECITALS	1
1	ENABLING ACT AND REGULATIONS	2
2	UNIT AREA	2
3	UNITIZED LAND AND SUBSTANCES	6
4	UNIT OPERATOR	6
5	RESIGNATION OR REMOVAL OF UNIT OPERATOR	6
6	SUCCESSOR UNIT OPERATOR	8
7	ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT	9
8	RIGHTS AND OBLIGATIONS OF UNIT OPERATOR	9
9	DRILLING TO DISCOVERY	10
10	PLAN OF FURTHER DEVELOPMENT AND OPERATION	11
11	PARTICIPATION AFTER DISCOVERY	13
12	ALLOCATION OF PRODUCTION	15
13	DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS	16
14	ROYALTY SETTLEMENT	17
15	RENTAL SETTLEMENT	19
16	CONSERVATION	20
17	DRAINAGE	20
18	LEASES AND CONTRACTS CONFORMED AND EXTENDED	20
19	COVENANTS RUN WITH LAND	24
20	EFFECTIVE DATE AND TERM	24
21	RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION	26
22	CONFLICT OF SUPERVISION	26
23	APPEARANCES	27
24	NOTICES	28
25	NO WAIVER OF CERTAIN RIGHTS	28
26	UNAVOIDABLE DELAY	28
27	NON-DISCRIMINATION	29
28	LOSS OF TITLE	29
29	NON-JOINDER AND SUBSEQUENT JOINDER	29
30	COUNTERPARTS	31
31	SURRENDER	31
32	TAXES	33
33	NO PARTNERSHIP	33

Exhibits

EXHIBIT "A" - MAP OF UNIT AREA
EXHIBIT "B" - SCHEDULE OF OWNERSHIP IN LANDS

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
VACA DRAW UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

NO. _____

1 THIS AGREEMENT, entered into as of the 10th day of 1
2 March, 1971, by and between the parties subscribing, rati- 2
3 fying, or consenting hereto, and herein referred to as the 3
4 "parties hereto,"

5 W I T N E S S E T H: 5

6 WHEREAS, the parties hereto are the owners of working, 6
7 royalty, or other oil and gas interests in the unit area subject 7
8 to this agreement; and 8

9 WHEREAS, the Mineral Leasing Act of February 25, 1920, 9
10 41 Stat. 437, as amended, 30 U. S. C. Secs. 181 et seq., author- 10
11 izes Federal lessees and their representatives to unite with 11
12 each other, or jointly or separately with others, in collec- 12
13 tively adopting and operating a cooperative or unit plan of 13
14 development or operation of any oil or gas pool, field, or like 14
15 area, or any part thereof for the purpose of more properly con- 15
16 serving the natural resources thereof whenever determined and 16
17 certified by the Secretary of the Interior to be necessary or 17
18 advisable in the public interest; and 18

19 WHEREAS, the Commissioner of Public Lands of the State 19
20 of New Mexico is authorized by an Act of the Legislature (Sec. 20
21 7-11-39 N.M. Statutes 1953 Annotated) to consent to or approve 21
22 this agreement on behalf of the State of New Mexico, in so far 22
23 as it covers and includes lands and mineral interests of the 23
24 State of New Mexico; and 24

1 WHEREAS, the Oil Conservation Commission of the State 1
2 of New Mexico is authorized by an Act of the Legislature (Chapter 2
3 72, Laws of 1935, as amended by Chapter 193, Laws of 1937, 3
4 Chapter 166, Laws of 1941, and Chapter 168, Laws of 1949) to 4
5 approve this agreement and the conservation provisions hereof; 5
6 and 6

7 WHEREAS, the parties hereto hold sufficient interests in 7
8 the Vaca Draw Unit Area covering the land hereinafter described 8
9 to give reasonably effective control of operations therein; and 9

10 WHEREAS, it is the purpose of the parties hereto to 10
11 conserve natural resources, prevent waste, and secure other ben- 11
12 efits obtainable through development and operation of the area 12
13 subject to this agreement under the terms, conditions, and limita- 13
14 tions herein set forth; 14

15 NOW, THEREFORE, in consideration of the premises and the 15
16 promises herein contained, the parties hereto commit to this 16
17 agreement their respective interests in the below-defined unit 17
18 area, and agree severally among themselves as follows: 18

19 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of 19
20 February 25, 1920, as amended, supra, and all valid pertinent 20
21 regulations, including operating and unit plan regulations, here- 21
22 tofore issued thereunder or valid, pertinent, and reasonable 22
23 regulations hereafter issued thereunder are accepted and made a 23
24 part of this agreement as to Federal lands, provided such regula- 24
25 tions are not inconsistent with the terms of this agreement; and 25
26 as to State of New Mexico lands, the oil and gas operating regu- 26
27 lations in effect as of the effective date hereof governing 27
28 drilling and producing operations, not inconsistent with the terms 28
29 hereof or the laws of the State of New Mexico are hereby accepted 29
30 and made a part of this agreement. 30

31 2. UNIT AREA. The area specified on the map attached hereto 31

1 marked Exhibit "A" is hereby designated and recognized as consti- 1
2 tuting the unit area, containing 7,680 acres, more or less. 2

3 Exhibit "A" shows, in addition to the boundary of the unit 3
4 area, the boundaries and identity of tracts and leases in said 4
5 area to the extent known to the Unit Operator. Exhibit "B" 5
6 attached hereto is a schedule showing to the extent known to the 6
7 Unit Operator the acreage, percentage, and kind of ownership of 7
8 oil and gas interests in all land in the unit area. However, 8
9 nothing herein or in said schedule or map shall be construed as a 9
10 representation by any party hereto as to the ownership of any 10
11 interest other than such interest or interests as are shown in 11
12 said map or schedule as owned by such party. Exhibits "A" and "B" 12
13 shall be revised by the Unit Operator whenever changes in the unit 13
14 area render such revision necessary, or when requested by the Oil 14
15 and Gas Supervisor, hereinafter referred to as "Supervisor", or 15
16 when requested by the Commissioner of Public Lands of The State 16
17 of New Mexico, hereinafter referred to as "Land Commissioner", and 17
18 not less than five (5) copies of the revised exhibits shall be 18
19 filed with the Supervisor, and two (2) copies thereof shall be 19
20 filed with The Land Commissioner and one (1) copy with The New 20
21 Mexico Oil Conservation Commission, hereinafter referred to as 21
22 "Conservation Commission". 22

23 The above-described unit area shall when practicable be 23
24 expanded to include therein any additional lands or shall be con- 24
25 tracted to exclude lands whenever such expansion or contraction 25
26 is deemed to be necessary or advisable to conform with the pur- 26
27 poses of this agreement. Such expansion or contraction shall be 27
28 effected in the following manner: 28

29 (a) Unit Operator, on its own motion or on demand of the 29
30 Director of the Geological Survey, hereinafter referred to as 30
31 "Director", or on demand of The Land Commissioner, but only after 31

1 preliminary concurrence by the Director and The Land Commis- 1
2 sioner, shall prepare a notice of proposed expansion or contrac- 2
3 tion describing the contemplated changes in the boundaries of 3
4 the unit area, the reasons therefor, and the proposed effective 4
5 date thereof, preferably the first day of a month subsequent to 5
6 the date of notice. 6

7 (b) Said notice shall be delivered to the Supervisor, the 7
8 Land Commissioner and the Conservation Commission and copies 8
9 thereof mailed to the last known address of each working interest 9
10 owner, lessee, and lessor whose interests are affected, advising 10
11 that 30 days will be allowed for submission to the Unit Operator 11
12 of any objections. 12

13 (c) Upon expiration of the 30-day period provided in the 13
14 preceding item (b) hereof, Unit Operator shall file with the 14
15 Supervisor, Land Commissioner and Conservation Commission evi- 15
16 dence of mailing of the notice of expansion or contraction and 16
17 a copy of any objections thereto which have been filed with the 17
18 Unit Operator, together with an application in sufficient number, 18
19 for approval of such expansion or contraction and with appro- 19
20 priate joinders. 20

21 (d) After due consideration of all pertinent information, 21
22 the expansion or contraction shall, upon approval by the Super- 22
23 visor, the Land Commissioner and the Conservation Commission, 23
24 become effective as of the date prescribed in the notice thereof. 24

25 (e) All legal subdivisions of lands (i.e., 40 acres by 25
26 Government survey or its nearest lot or tract equivalent; in 26
27 instances of irregular surveys unusually large lots or tracts 27
28 shall be considered in multiples of 40 acres or the nearest 28
29 aliquot equivalent thereof), no parts of which are entitled to 29
30 be in a participating area on or before the fifth anniversary of 30
31 the effective date of the first initial participating area 31

1 established under this unit agreement, shall be eliminated 1
2 automatically from this agreement, effective as of said fifth 2
3 anniversary, and such lands shall no longer be a part of the 3
4 unit area and shall no longer be subject to this agreement, 4
5 unless diligent drilling operations are in progress on unitized 5
6 lands not entitled to participation on said fifth anniversary, 6
7 in which event all such lands shall remain subject hereto for so 7
8 long as such drilling operations are continued diligently, with 8
9 not more than 90 days' time elapsing between the completion of 9
10 one such well and the commencement of the next such well. All 10
11 legal subdivisions of lands not entitled to be in a partici- 11
12 pating area within 10 years after the effective date of the 12
13 first initial participating area approved under this agreement 13
14 shall be automatically eliminated from this agreement as of 14
15 said tenth anniversary. All lands proved productive by dili- 15
16 gent drilling operations after the aforesaid 5-year period shall 16
17 become participating in the same manner as during said 5-year 17
18 period. However, when such diligent drilling operations cease, 18
19 all nonparticipating lands shall be automatically eliminated 19
20 effective as of the 91st day thereafter. The unit operator 20
21 shall within 90 days after the effective date of any elimina- 21
22 tion hereunder, describe the area so eliminated to the satis- 22
23 faction of the Supervisor and the Land Commissioner and promptly 23
24 notify all parties in interest. 24

25 If conditions warrant extension of the 10-year period 25
26 specified in this subsection 2(e), a single extension of not 26
27 to exceed 2 years may be accomplished by consent of the owners 27
28 of 90% of the working interests in the current nonparticipating 28
29 unitized lands and the owners of 60% of the basic royalty 29
30 interests (exclusive of the basic royalty interests of the 30
31 United States) in nonparticipating unitized lands with approval 31

1 of the Director and the Land Commissioner, provided such exten- 1
2 sion application is submitted to the Director and the Land 2
3 Commissioner not later than 60 days prior to the expiration of 3
4 said 10-year period. 4

5 Any expansion of the unit area pursuant to this section 5
6 which embraces lands theretofore eliminated pursuant to this 6
7 subsection 2(e) shall not be considered automatic commitment or 7
8 recommitment of such lands. 8

9 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land com- 9
10 mitted to this agreement shall constitute land referred to here- 10
11 in as "unitized land" or "land subject to this agreement". All 11
12 oil and gas in any and all formations of the unitized land are 12
13 unitized under the terms of this agreement and herein are called 13
14 "unitized substances". 14

15 4. UNIT OPERATOR. American Quasar Petroleum 15
Co. of New Mexico is 15
16 hereby designated as Unit Operator and by signature hereto as 16
17 Unit Operator agrees and consents to accept the duties and obli- 17
18 gations of Unit Operator for the discovery, development, and 18
19 production of unitized substances as herein provided. Whenever 19
20 reference is made herein to the Unit Operator, such reference 20
21 means the Unit Operator acting in that capacity and not as an 21
22 owner of interest in unitized substances, and the term "working 22
23 interest owner" when used herein shall include or refer to Unit 23
24 Operator as the owner of a working interest when such an inter- 24
25 est is owned by it. 25

26 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Opera- 26
27 tor shall have the right to resign at any time prior to the 27
28 establishment of a participating area or areas hereunder, but 28
29 such resignation shall not become effective so as to release 29
30 Unit Operator from the duties and obligations of Unit Operator 30
31 and terminate Unit Operator's rights as such for a period of 31

1 six months after notice of intention to resign has been served 1
2 by Unit Operator on all working interest owners, the Supervisor, 2
3 the Land Commissioner and Conservation Commission, and until all 3
4 wells then drilled hereunder are placed in a satisfactory condi- 4
5 tion for suspension or abandonment whichever is required by the 5
6 Supervisor as to Federal lands and by the Conservation Commission 6
7 as to State lands unless a new Unit Operator shall have been 7
8 selected and approved and shall have taken over and assumed the 8
9 duties and obligations of Unit Operator prior to the expiration 9
10 of said period. 10

11 Unit Operator shall have the right to resign in like manner 11
12 and subject to like limitations as above provided at any time a 12
13 participating area established hereunder is in existence, but, 13
14 in all instances of resignation or removal, until a successor 14
15 unit operator is selected and approved as hereinafter provided, 15
16 the working interest owners shall be jointly responsible for 16
17 performance of the duties of unit operator, and shall not later 17
18 than 30 days before such resignation or removal becomes effective 18
19 appoint a common agent to represent them in any action to be 19
20 taken hereunder. 20

21 The resignation of Unit Operator shall not release Unit 21
22 Operator from any liability for any default by it hereunder 22
23 occurring prior to the effective date of its resignation. 23

24 The Unit Operator may, upon default or failure in the per- 24
25 formance of its duties or obligations hereunder, be subject to 25
26 removal by the same percentage vote of the owners of working 26
27 interests as herein provided for the selection of a new Unit 27
28 Operator. Such removal shall be effective upon notice thereof 28
29 to the Supervisor and The Land Commissioner. 29

30 The resignation or removal of Unit Operator under this 30
31 agreement shall not terminate its right, title, or interest as 31

1 the owner of a working interest or other interest in unitized 1
2 substances, but upon the resignation or removal of Unit Operator 2
3 becoming effective, such Unit Operator shall deliver possession 3
4 of all wells, equipment, materials, and appurtenances used in 4
5 conducting the unit operations to the new duly qualified succes- 5
6 sor Unit Operator or to the common agent, if no such new Unit 6
7 Operator is elected, to be used for the purpose of conducting 7
8 unit operations hereunder. Nothing herein shall be construed as 8
9 authorizing removal of any material, equipment and appurtenances 9
10 needed for the preservation of any wells. 10

11 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator 11
12 shall tender his or its resignation as Unit Operator or shall be 12
13 removed as hereinabove provided, or a change of Unit Operator 13
14 is negotiated by working interest owners, the owners of the 14
15 working interests in the participating area or areas according 15
16 to their respective acreage interests in such participating area 16
17 or areas, or, until a participating area shall have been estab- 17
18 lished, the owners of the working interests according to their 18
19 respective acreage interests in all unitized land, shall by 19
20 majority vote select a successor Unit Operator: Provided, That, 20
21 if a majority but less than 75 per cent of the working interests 21
22 qualified to vote are owned by one party to this agreement, a 22
23 concurring vote of one or more additional working interest owners 23
24 shall be required to select a new operator. Such selection shall 24
25 not become effective until 25

26 (a) a Unit Operator so selected shall accept in writing 26
27 the duties and responsibilities of Unit Operator, and 27

28 (b) the selection shall have been approved by the Super- 28
29 visor and the Land Commissioner. 29

30 If no successor Unit Operator is selected and qualified as 30
31 herein provided, the Director and the Land Commissioner at their 31

1 election may declare this unit agreement terminated. 1

2 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If 2

3 the Unit Operator is not the sole owner of working interests, 3

4 costs and expenses incurred by Unit Operator in conducting unit 4

5 operations hereunder shall be paid and apportioned among and 5

6 borne by the owners of working interests, all in accordance with 6

7 the agreement or agreements entered into by and between the Unit 7

8 Operator and the owners of working interests, whether one or more, 8

9 separately or collectively. Any agreement or agreements entered 9

10 into between the working interest owners and the Unit Operator as 10

11 provided in this section, whether one or more, are herein re- 11

12 ferred to as the "unit operating agreement". Such unit operating 12

13 agreement shall also provide the manner in which the working 13

14 interest owners shall be entitled to receive their respective 14

15 proportionate and allocated share of the benefits accruing hereto 15

16 in conformity with their underlying operating agreements, leases, 16

17 or other independent contracts, and such other rights and obliga- 17

18 tions as between Unit Operator and the working interest owners as 18

19 may be agreed upon by Unit Operator and the working interest 19

20 owners; however, no such unit operating agreement shall be deemed 20

21 either to modify any of the terms and conditions of this unit 21

22 agreement or to relieve the Unit Operator of any right or obliga- 22

23 tion established under this unit agreement, and in case of any 23

24 inconsistency or conflict between this unit agreement and the 24

25 unit operating agreement, this unit agreement shall govern. Three 25

26 true copies of any unit operating agreement executed pursuant to 26

27 this section should be filed with the Supervisor and one (1) true 27

28 copy with the Land Commissioner, prior to approval of this unit 28

29 agreement. 29

30 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as 30

31 otherwise specifically provided herein, the exclusive right, 31

1 privilege, and duty of exercising any and all rights of the par- 1
2 ties hereto which are necessary or convenient for prospecting for, 2
3 producing, storing, allocating, and distributing the unitized 3
4 substances are hereby delegated to and shall be exercised by the 4
5 Unit Operator as herein provided. Acceptable evidence of title 5
6 to said rights shall be deposited with said Unit Operator and, 6
7 together with this agreement, shall constitute and define the 7
8 rights, privileges, and obligations of Unit Operator. Nothing 8
9 herein, however, shall be construed to transfer title to any land 9
10 or to any lease or operating agreement, it being understood that 10
11 under this agreement the Unit Operator, in its capacity as Unit 11
12 Operator, shall exercise the rights of possession and use vested 12
13 in the parties hereto only for the purposes herein specified. 13
14 9. DRILLING TO DISCOVERY. Within 6 months after the 14
15 effective date hereof, the Unit Operator shall begin to drill an 15
16 adequate test well at a location approved by the Supervisor if 16
17 on Federal land or by the Land Commissioner if on State land, or 17
18 by the Conservation Commission if on privately owned land, unless 18
19 on such effective date a well is being drilled conformably with 19
20 the terms hereof, and thereafter continue such drilling dili- 20
21 gently until the Pennsylvanian (Atoka) formation has been tested 21
22 or until at a lesser depth unitized substances shall be discov- 22
23 ered which can be produced in paying quantities (to wit: quanti- 23
24 ties sufficient to repay the costs of drilling, completing, and 24
25 producing operations, with a reasonable profit) or the Unit 25
26 Operator shall at any time establish to the satisfaction of the 26
27 Supervisor if on Federal land, of the Land Commissioner if on 27
28 State land, or of the Conservation Commission if on privately 28
29 owned land, that further drilling of said well would be unwar- 29
30 ranted or impracticable, provided, however, that Unit Operator 30
31 shall not in any event be required to drill said well to a depth 31

1 in excess of 15,000 feet. Until the discovery of a deposit of 1
2 unitized substances capable of being produced in paying quantities, 2
3 the Unit Operator shall continue drilling one well at a time, 3
4 allowing not more than 6 months between the completion of one 4
5 well and the beginning of the next well, until a well capable of 5
6 producing unitized substances in paying quantities is completed 6
7 to the satisfaction of said Supervisor if it be on Federal land 7
8 or of the Land Commissioner if on State land or of the Conserva- 8
9 tion Commission if on privately owned land, or until it is 9
10 reasonably proved that the unitized land is incapable of produc- 10
11 ing unitized substances in paying quantities in the formations 11
12 drilled hereunder. Nothing in this section shall be deemed to 12
13 limit the right of the Unit Operator to resign as provided in 13
14 Section 5, hereof, or as requiring Unit Operator to commence or 14
15 continue any drilling during the period pending such resignation 15
16 becoming effective in order to comply with the requirements of 16
17 this section. The Supervisor and Land Commissioner may modify 17
18 the drilling requirements of this section by granting reasonable 18
19 extensions of time when, in their opinion, such action is war- 19
20 ranted. 20

21 Upon failure to commence any well provided for in this 21
22 section within the time allowed, including any extension of time 22
23 granted by the Supervisor and the Land Commissioner, this agree- 23
24 ment will automatically terminate; upon failure to continue 24
25 drilling diligently any well commenced hereunder, the Supervisor 25
26 may, after 15-days notice to the Unit Operator, declare this unit 26
27 agreement terminated. 27

28 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 28
29 months after completion of a well capable of producing unitized 29
30 substances in paying quantities, the Unit Operator shall submit 30
31 for the approval of the Supervisor and the Land Commissioner an 31

1 acceptable plan of development and operation for the unitized 1
2 land which, when approved by the Supervisor and Land Commissioner, 2
3 shall constitute the further drilling and operating obligations of 3
4 the Unit Operator under this agreement for the period specified 4
5 therein. Thereafter, from time to time before the expiration of 5
6 any existing plan, the Unit Operator shall submit for the approval 6
7 of the Supervisor and Land Commissioner a plan for an additional 7
8 specified period for the development and operation of the unitized 8
9 land. 9

10 Any plan submitted pursuant to this section shall provide 10
11 for the exploration of the unitized area and for the diligent 11
12 drilling necessary for determination of the area or areas thereof 12
13 capable of producing unitized substances in paying quantities in 13
14 each and every productive formation and shall be as complete and 14
15 adequate as the Supervisor and Land Commissioner may determine to 15
16 be necessary for timely development and proper conservation of 16
17 the oil and gas resources of the unitized area and shall: 17

18 (a) specify the number and locations of any wells to be 18
19 drilled and the proposed order and time for such drilling; 19

20 (b) to the extent practicable specify the operating 20
21 practices regarded as necessary and advisable for proper 21
22 conservation of natural resources. 22

23 Separate plans may be submitted for separate productive zones, 23
24 subject to the approval of the Supervisor and the Land Commis- 24
25 sioner. 25

26 Plans shall be modified or supplemented when necessary to 26
27 meet changed conditions or to protect the interests of all par- 27
28 ties to this agreement. Reasonable diligence shall be exercised 28
29 in complying with the obligations of the approved plan of devel- 29
30 opment. The Supervisor and Land Commissioner are authorized to 30
31 grant a reasonable extension of the 6-month period herein 31

1 prescribed for submission of an initial plan of development where 1
2 such action is justified because of unusual conditions or circum- 2
3 stances. After completion hereunder of a well capable of produc- 3
4 ing any unitized substance in paying quantities, no further wells, 4
5 except such as may be necessary to afford protection against oper- 5
6 ations not under this agreement and such as may be specifically ap- 6
7 proved by the Supervisor and Land Commissioner, shall be drilled 7
8 except in accordance with a plan of development approved as herein 8
9 provided. 9

10 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well 10
11 capable of producing unitized substances in paying quantities or 11
12 as soon thereafter as required by the Supervisor and Land Com- 12
13 missioner, the Unit Operator shall submit for approval by the 13
14 Supervisor and the Land Commissioner, a schedule, based on sub- 14
15 divisions of the public-land survey or aliquot parts thereof, of 15
16 all land then regarded as reasonably proved to be productive in 16
17 paying quantities; all lands in said schedule on approval of the 17
18 Supervisor and the Land Commissioner to constitute a participat- 18
19 ing area, effective as of the date of completion of such well or 19
20 the effective date of this unit agreement, whichever is later. 20
21 The acreages of both Federal and non-Federal lands shall be based 21
22 upon appropriate computations from the courses and distances shown 22
23 on the last approved public-land survey as of the effective date of 23
24 each initial participating area. Said schedule shall also set 24
25 forth the percentage of unitized substances to be allocated as 25
26 herein provided to each tract in the participating area so estab- 26
27 lished, and shall govern the allocation of production commencing 27
28 with the effective date of the participating area. A separate 28
29 participating area shall be established for each separate pool or 29
30 deposit of unitized substances or for any group thereof which is 30
31 produced as a single pool or zone, and any two or more participat- 31
32 ing areas so established may be combined into one, on approval of 32

1 the Supervisor and the Land Commissioner. When production from 1
2 two or more participating areas, so established, is subsequently 2
3 found to be from a common pool or deposit said participating areas 3
4 shall be combined into one effective as of such appropriate date 4
5 as may be approved or prescribed by the Supervisor and the Land 5
6 Commissioner. The participating area or areas so established shall 6
7 be revised from time to time, subject to like approval, to include 7
8 additional land then regarded as reasonably proved to be produc- 8
9 tive in paying quantities or necessary for unit operations, or to 9
10 exclude land then regarded as reasonably proved not to be produc- 10
11 tive in paying quantities and the schedule of allocation percent- 11
12 ages shall be revised accordingly. The effective date of any re- 12
13 vision shall be the first of the month in which is obtained the 13
14 knowledge or information on which such revision is predicated, 14
15 provided, however, that a more appropriate effective date may be 15
16 used if justified by the Unit Operator and approved by the Super- 16
17 visor and the Land Commissioner. No land shall be excluded from 17
18 a participating area on account of depletion of the unitized sub- 18
19 stances, except that any participating area established under the 19
20 provisions of this unit agreement shall terminate automatically 20
21 whenever all completions in the formation on which the partici- 21
22 pating area is based are abandoned. 22

23 It is the intent of this section that a participating area 23
24 shall represent the area known or reasonably estimated to be pro- 24
25 ductive in paying quantities; but, regardless of any revision of 25
26 the participating area, nothing herein contained shall be con- 26
27 strued as requiring any retroactive adjustment for production ob- 27
28 tained prior to the effective date of the revision of the partici- 28
29 pating area. 29

30 In the absence of agreement at any time between the Unit 30
31 Operator and the Supervisor and the Land Commissioner as to the 31

1 proper definition or redefinition of a participating area, or until 1
2 a participating area has, or areas have, been established as pro- 2
3 vided herein, the portion of all payments affected thereby shall 3
4 be impounded in a manner mutually acceptable to the owners of work- 4
5 ing interests and the Supervisor and the Land Commissioner. Royal- 5
6 ties due the United States and the State of New Mexico shall be de- 6
7 termined by the Supervisor and the Land Commissioner, respectively, 7
8 and the amounts thereof shall be deposited, as directed by the 8
9 Supervisor and the Land Commissioner to be held as unearned monies 9
10 until a participating area is finally approved and then applied as 10
11 earned or returned in accordance with a determination of the sums 11
12 due as Federal royalty and State of New Mexico royalty, respec- 12
13 tively, on the basis of such approved participating area. 13

14 Whenever it is determined subject to the approval of the 14
15 Supervisor, as to wells drilled on Federal land and of the Land 15
16 Commissioner as to wells drilled on State land and of the Conser- 16
17 vation Commission as to wells drilled on privately owned land, 17
18 that a well drilled under this agreement is not capable of pro- 18
19 duction in paying quantities and inclusion of the land on which 19
20 it is situated in a participating area is unwarranted, production 20
21 from such well shall, for the purpose of settlement among all par- 21
22 ties other than working interest owners, be allocated to the land 22
23 on which the well is located unless such land is already within 23
24 the participating area established for the pool or deposit from 24
25 which such production is obtained. Settlement for working inter- 25
26 est benefits from such a well shall be made as provided in the unit 26
27 operating agreement.

28 12. ALLOCATION OF PRODUCTION. All unitized substances pro- 28
29 duced from each participating area established under this agree- 29
30 ment, except any part thereof used in conformity with good operat- 30
31 ing practices within the unitized area for drilling, operating, 31

1 camp and other production or development purposes, for repressur- 1
2 ing or recycling in accordance with a plan of development ap- 2
3 proved by the Supervisor, the Land Commissioner and the Conserva- 3
4 tion Commission, or unavoidably lost, shall be deemed to be pro- 4
5 duced equally on an acreage basis from the several tracts of unit- 5
6 ized land of the participating area established for such produc- 6
7 tion and, for the purpose of determining any benefits accruing 7
8 under this agreement, each such tract of unitized land shall have 8
9 allocated to it such percentage of said production as the number 9
10 of acres of such tract included in said participating area bears 10
11 to the total acres of unitized land in said participating area, 11
12 except that allocation of production hereunder for purposes other 12
13 than for settlement of the royalty, overriding royalty, or payment 13
14 out of production obligations of the respective working interest 14
15 owners, shall be on the basis prescribed in the unit operating 15
16 agreement whether in conformity with the basis of allocation here- 16
17 in set forth or otherwise. It is hereby agreed that production of 17
18 unitized substances from a participating area shall be allocated 18
19 as provided herein regardless of whether any wells are drilled on 19
20 any particular part or tract of said participating area. If any 20
21 gas produced from one participating area is used for repressuring 21
22 or recycling purposes in another participating area, the first gas 22
23 withdrawn from such last-mentioned participating area for sale dur- 23
24 ing the life of this agreement shall be considered to be the gas 24
25 so transferred until an amount equal to that transferred shall be 25
26 so produced for sale and such gas shall be allocated to the par- 26
27 ticipating area from which initially produced as such area was 27
28 last defined at the time of such final production. 28

29 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR 29
30 FORMATIONS. 30
31 Any party hereto owning or controlling the working interest in any 31
unitized land having thereon a regular well location may with the 31

1 approval of the Supervisor as to Federal land, the Land Commis- 1
2 sioner as to State land, and the Conservation Commission as to 2
3 privately owned land, at such party's sole risk, costs, and 3
4 expense, drill a well to test any formation for which a partici- 4
5 pating area has not been established or to test any formation 5
6 for which a participating area has been established if such 6
7 location is not within said participating area, unless within 7
8 90 days of receipt of notice from said party of his intention to 8
9 drill the well the Unit Operator elects and commences to drill 9
10 such a well in like manner as other wells are drilled by the 10
11 Unit Operator under this agreement. 11

12 If any well drilled as aforesaid by a working interest 12
13 owner results in production such that the land upon which it is 13
14 situated may properly be included in a participating area, such 14
15 participating area shall be established or enlarged as provided 15
16 in this agreement and the well shall thereafter be operated by 16
17 the Unit Operator in accordance with the terms of this agree- 17
18 ment and the unit operating agreement. 18

19 If any well drilled as aforesaid by a working interest 19
20 owner obtains production in quantities insufficient to justify 20
21 the inclusion of the land upon which such well is situated in 21
22 a participating area, such well may be operated and produced by 22
23 the party drilling the same subject to the conservation require- 23
24 ments of this agreement. The royalties in amount or value of 24
25 production from any such well shall be paid as specified in the 25
26 underlying lease and agreements affected. 26

27 14. ROYALTY SETTLEMENT. The United States, the State of 27
28 New Mexico and any royalty owner who, is entitled to take in 28
29 kind a share of the substances now unitized hereunder shall 29
30 hereafter be entitled to the right to take in kind its share 30
31 of the unitized substances, and Unit Operator, or the working 31

1 interest owner in case of the operation of a well by a working 1
2 interest owner as herein provided for in special cases, shall 2
3 make deliveries of such royalty share taken in kind in conform- 3
4 ity with the applicable contracts, laws, and regulations. Set- 4
5 tlement for royalty interest not taken in kind shall be made by 5
6 working interest owners responsible therefor under existing con- 6
7 tracts, laws and regulations, or by the Unit Operator on or 7
8 before the last day of each month for unitized substances pro- 8
9 duced during the preceding calendar month; provided, however, 9
10 that nothing herein contained shall operate to relieve the les- 10
11 sees of any land from their respective lease obligations for the 11
12 payment of any royalties due under their leases. 12

13 If gas obtained from lands not subject to this agreement 13
14 is introduced into any participating area hereunder, for use in 14
15 repressuring, stimulation of production, or increasing ultimate 15
16 recovery, in conformity with a plan of operations approved by 16
17 the Supervisor, the Land Commissioner and the Conservation 17
18 Commission, a like amount of gas, after settlement as herein 18
19 provided for any gas transferred from any other participating 19
20 area and with appropriate deduction for loss from any cause, may 20
21 be withdrawn from the formation into which the gas is intro- 21
22 duced, royalty free as to dry gas, but not as to any products 22
23 which may be extracted therefrom; provided that such withdrawal 23
24 shall be at such time as may be provided in the approved plan 24
25 of operations or as may otherwise be consented to by the Super- 25
26 visor, the Land Commissioner and the Conservation Commission, as 26
27 conforming to good petroleum engineering practice; and provided 27
28 further, that such right of withdrawal shall terminate on the 28
29 termination of this unit agreement. 29

30 Royalty due the United States shall be computed as pro- 30
31 vided in the operating regulations and paid in value or delivered 31

1 in kind as to all unitized substances on the basis of the 1
2 amounts thereof allocated to unitized Federal land as provided 2
3 herein at the rates specified in the respective Federal leases, 3
4 or at such lower rate or rates as may be authorized by law or 4
5 regulation; provided, that for leases on which the royalty rate 5
6 depends on the daily average production per well, said average 6
7 production shall be determined in accordance with the operating 7
8 regulations as though each participating area were a single 8
9 consolidated lease.

10 Royalty due the State of New Mexico shall be computed and 10
11 paid on the basis of the amounts allocated to unitized State 11
12 land as provided herein at the rate specified in the State oil 12
13 and gas lease. 13

14 Royalty due on account of privately owned lands shall be 14
15 computed and paid on the basis of all unitized substances allo- 15
16 cated to such lands. 16

17 15. RENTAL SETTLEMENT. Rental or minimum royalties due 17
18 on leases committed hereto shall be paid by working interest 18
19 owners responsible therefor under existing contracts, laws, and 19
20 regulations, provided that nothing herein contained shall op- 20
21 erate to relieve the lessees of any land from their respective 21
22 lease obligations for the payment of any rental or minimum 22
23 royalty due under their leases. Rental or minimum royalty for 23
24 lands of the United States subject to this agreement shall be 24
25 paid at the rate specified in the respective leases from the 25
26 United States unless such rental or minimum royalty is waived, 26
27 suspended, or reduced by law or by approval of the Secretary or 27
28 his duly authorized representative. 28

29 Rentals on State of New Mexico lands subject to this agree- 29
30 ment shall be paid at the rates specified in the respective 30
31 leases. 31

1 With respect to any lease on non-Federal land containing 1
2 provisions which would terminate such lease unless drilling 2
3 operations are commenced upon the land covered thereby within 3
4 the time therein specified or rentals are paid for the privilege 4
5 of deferring such drilling operations, the rentals required 5
6 thereby shall, notwithstanding any other provision of this agree- 6
7 ment, be deemed to accrue and become payable during the term 7
8 thereof as extended by this agreement and until the required 8
9 drilling operations are commenced upon the land covered thereby 9
10 or until some portion of such land is included within a partici- 10
11 pating area. 11

12 16. CONSERVATION. Operations hereunder and production of 12
13 unitized substances shall be conducted to provide for the most 13
14 economical and efficient recovery of said substances without 14
15 waste, as defined by or pursuant to State or Federal law or 15
16 regulation. 16

17 17. DRAINAGE. The Unit Operator shall take such measures 17
18 as the Supervisor and Land Commissioner deems appropriate and 18
19 adequate to prevent drainage of unitized substances from uni- 19
20 tized land by wells on land not subject to this agreement. 20

21 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The 21
22 terms, conditions, and provisions of all leases, subleases, and 22
23 other contracts relating to exploration, drilling, development, 23
24 or operation for oil or gas on lands committed to this agreement 24
25 are hereby expressly modified and amended to the extent neces- 25
26 sary to make the same conform to the provisions hereof, but 26
27 otherwise to remain in full force and effect; and the parties 27
28 hereto hereby consent that the Secretary as to Federal leases 28
29 and the Land Commissioner as to State leases, shall and each by 29
30 his approval hereof, or by the approval hereof by his duly 30
31 authorized representative, does hereby establish, alter, change 31

1 or revoke the drilling, producing, rental, minimum royalty, and 1
2 royalty requirements of Federal and State leases committed hereto 2
3 and the regulations in respect thereto to conform said require- 3
4 ments to the provisions of this agreement, and, without limiting 4
5 the generality of the foregoing, all leases, subleases, and con- 5
6 tracts are particularly modified in accordance with the follow- 6
7 ing: 7

8 (a) The development and operation of lands subject to 8
9 this agreement under the terms hereof shall be deemed 9
10 full performance of all obligations for development and 10
11 operation with respect to each and every separately 11
12 owned tract subject to this agreement, regardless of 12
13 whether there is any development of any particular tract 13
14 of the unit area. 14

15 (b) Drilling and producing operations performed here- 15
16 under upon any tract of unitized lands will be accepted 16
17 and deemed to be performed upon and for the benefit of 17
18 each and every tract of unitized land, and no lease 18
19 shall be deemed to expire by reason of failure to drill 19
20 or produce wells situated on the land therein embraced. 20

21 (c) Suspension of drilling or producing operations on 21
22 all unitized lands pursuant to direction or consent of 22
23 the Secretary and the Land Commissioner or their duly 23
24 authorized representatives shall be deemed to constitute 24
25 such suspension pursuant to such direction or consent as 25
26 to each and every tract of unitized land. A suspension 26
27 of drilling or producing operations limited to specified 27
28 lands shall be applicable only to such lands. 28

29 (d) Each lease, sublease or contract relating to the 29
30 exploration, drilling, development or operation for oil 30
31 or gas of lands other than those of the United States and 31

1	the State of New Mexico committed to this agreement,	1
2	which, by its terms might expire prior to the termination	2
3	of this agreement, is hereby extended beyond any such	3
4	terms so provided therein so that it shall be continued	4
5	in full force and effect for and during the term of this	5
6	agreement.	6
7	(e) Any Federal lease for a fixed term of twenty (20)	7
8	years or any renewal thereof or any part of such lease	8
9	which is made subject to this agreement shall continue	9
10	in force beyond the term provided therein until the	10
11	termination hereof. Any other Federal lease committed	11
12	hereto shall continue in force beyond the term so pro-	12
13	vided therein or by law as to the land committed so long	13
14	as such lease remains subject hereto, provided that pro-	14
15	duction is had in paying quantities under this unit	15
16	agreement prior to the expiration date of the term of	16
17	such lease, or in the event actual drilling operations	17
18	are commenced on unitized land, in accordance with the	18
19	provisions of this agreement, prior to the end of the	19
20	primary term of such lease and are being diligently	20
21	prosecuted at that time, such lease shall be extended	21
22	for two years and so long thereafter as oil or gas is	22
23	produced in paying quantities in accordance with the	23
24	provisions of the Mineral Leasing Act Revision of 1960.	24
25	(f) Each sublease or contract relating to the operation	25
26	and development of unitized substances from lands of the	26
27	United States committed to this agreement, which by its	27
28	terms would expire prior to the time at which the under-	28
29	lying lease, as extended by the immediately preceding	29
30	paragraph, will expire, is hereby extended beyond any	30
31	such term so provided therein so that it shall be continued	31

1 in full force and effect for and during the term of the 1
2 underlying lease as such term is herein extended. 2
3 (g) Any lease embracing lands of the State of New Mexico 3
4 which is made subject to this agreement, shall continue 4
5 in force beyond the term provided therein as to lands 5
6 committed hereto with the termination hereof. 6
7 (h) The segregation of any Federal lease committed to 7
8 this agreement is governed by the following provision 8
9 in the fourth paragraph of Sec. 17(j) of the Mineral Leas- 9
10 ing Act, as amended by the Act of September 2, 1960 (74 10
11 Stat. 781-784): "Any (Federal) lease heretofore or 11
12 hereafter committed to any such (unit) plan embracing 12
13 lands that are in part within and in part outside of the 13
14 area covered by any such plan shall be segregated into 14
15 separate leases as to the lands committed and the lands 15
16 not committed as of the effective date of the unitiza- 16
17 tion: Provided, however, That any such lease as to the 17
18 non-unitized portion shall continue in force and effect 18
19 for the term thereof but for not less than two years 19
20 from the date of such segregation and so long thereafter 20
21 as oil or gas is produced in paying quantities." 21
22 (i) Any lease embracing lands of the State of New Mex- 22
23 ico having only a portion of its land committed hereto, 23
24 shall be segregated as to the portion committed and the 24
25 portion not committed, and the provisions of such lease 25
26 shall apply separately to such segregated portions com- 26
27 mencing as of the effective date hereof; provided, how- 27
28 ever, notwithstanding any of the provisions of this 28
29 agreement to the contrary any lease embracing lands of 29
30 the State of New Mexico having only a portion of its 30
31 lands committed hereto shall continue in full force and 31

1 effect beyond the term provided therein as to all lands 1
2 embraced in such lease, if oil or gas is discovered and 2
3 is capable of being produced in paying quantities from 3
4 some part of the lands embraced in such lease at the ex- 4
5 piration of the secondary term of such lease; or if, at 5
6 the expiration of the secondary term, the Lessee of the 6
7 Unit Operator is then engaged in bona fide drilling or 7
8 re-working operations on some part of the lands embraced 8
9 in such lease, the same, as to all lands embraced therein, 9
10 shall remain in full force and effect so long as such 10
11 operations are being diligently prosecuted, and if they 11
12 result in the production of oil or gas, said lease shall 12
13 continue in full force and effect as to all of the lands 13
14 embraced therein, so long thereafter as oil or gas in 14
15 paying quantities is being produced from any portion of 15
16 said lands. 16

17 19. COVENANTS RUN WITH LAND. The covenants herein shall 17
18 be construed to be covenants running with the land with respect 18
19 to the interest of the parties hereto and their successors in 19
20 interest until this agreement terminates, and any grant, trans- 20
21 fer, or conveyance, of interest in land or leases subject hereto 21
22 shall be and hereby is conditioned upon the assumption of all 22
23 privileges and obligations hereunder by the grantee, transferee, 23
24 or other successor in interest. No assignment or transfer of 24
25 any working interest, royalty, or other interest subject hereto 25
26 shall be binding upon Unit Operator until the first day of the 26
27 calendar month after Unit Operator is furnished with the orig- 27
28 inal, photostatic, or certified copy of the instrument of 28
29 transfer. 29

30 20. EFFECTIVE DATE AND TERM. This agreement shall be- 30
31 come effective upon approval by the Secretary and the Land 31
32 Commissioner or their duly authorized representative and shall 32

1 terminate five (5) years from said effective date unless 1
 2 (a) such date of expiration is extended by the 2
 3 Director and the Land Commissioner, or 3
 4 (b) it is reasonably determined prior to the expiration 4
 5 of the fixed term or any extension thereof that the 5
 6 unitized land is incapable of production of unitized 6
 7 substances in paying quantities in the formations tested 7
 8 hereunder and after notice of intention to terminate the 8
 9 agreement on such ground is given by the Unit Operator to 9
 10 all parties in interest at their last known addresses, the 10
 11 agreement is terminated with the approval of the Super- 11
 12 visor and Land Commissioner, or 12
 13 (c) a valuable discovery of unitized substances has 13
 14 been made or accepted on unitized land during said initial 14
 15 term or any extension thereof, in which event the agree- 15
 16 ment shall remain in effect for such term and so long as 16
 17 unitized substances can be produced in quantities suffi- 17
 18 cient to pay for the cost of producing same from wells on 18
 19 unitized land within any participating area established 19
 20 hereunder and, should production cease, so long thereafter 20
 21 as diligent operations are in progress for the restoration 21
 22 of production or discovery of new production and so long 22
 23 thereafter as unitized substances so discovered can be 23
 24 produced as aforesaid, or 24
 25 (d) it is terminated as heretofore provided in this 25
 26 agreement. 26
 27 This agreement may be terminated at any time by not less than 27
 28 75 per centum, on an acreage basis, of the working interest 28
 29 owners signatory hereto, with the approval of the Supervisor 29
 30 and Land Commissioner; notice of any such approval to be given 30
 31 by the Unit Operator to all parties hereto. 31

1 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The 1
2 Director is hereby vested with authority to alter or modify from 2
3 time to time in his discretion the quantity and rate of produc- 3
4 tion under this agreement when such quantity and rate is not 4
5 fixed pursuant to Federal or State law or does not conform to 5
6 any state-wide voluntary conservation or allocation program, 6
7 which is established, recognized, and generally adhered to by 7
8 the majority of operators in such State, such authority being 8
9 hereby limited to alteration or modification in the public 9
10 interest, the purpose thereof and the public interest to be 10
11 served thereby to be stated in the order of alteration or modi- 11
12 fication. Without regard to the foregoing, the Director is 12
13 also hereby vested with authority to alter or modify from time 13
14 to time in his discretion the rate of prospecting and develop- 14
15 ment and the quantity and rate of production under this agree- 15
16 ment when such alteration or modification is in the interest 16
17 of attaining the conservation objectives stated in this agree- 17
18 ment and is not in violation of any applicable Federal or State 18
19 law; provided, further, that no such alteration or modification 19
20 shall be effective as to any land of the State of New Mexico, 20
21 as to the rate of prospecting and developing in the absence of 21
22 the specific written approval thereof by the Commissioner and 22
23 as to any lands of the State of New Mexico or privately owned 23
24 lands subject to this agreement as to the quantity and rate of 24
25 production in the absence of specific written approval thereof 25
26 by the Commission. 26

27 Powers in this section vested in the Director shall only 27
28 be exercised after notice to Unit Operator and opportunity for 28
29 hearing to be held not less than 15 days from notice. 29

30 22. CONFLICT OF SUPERVISION. Neither the Unit Operator 30
31 nor the working interest owners nor any of them shall be subject 31

1 to any forfeiture, termination or expiration of any rights here- 1
2 under or under any leases or contracts subject hereto, or to any 2
3 penalty or liability on account of delay or failure in whole or 3
4 in part to comply with any applicable provision thereof to the 4
5 extent that the Unit Operator, working interest owners or any of 5
6 them are hindered, delayed or prevented from complying therewith 6
7 by reason of failure of the Unit Operator to obtain in the exer- 7
8 cise of due diligence, the concurrence of proper representatives 8
9 of the United States and proper representatives of the State of 9
10 New Mexico in and about any matters or thing concerning which it 10
11 is required herein that such concurrence be obtained. The par- 11
12 ties hereto, including the Conservation Commission, agree that 12
13 all powers and authority vested in the Conservation Commission 13
14 in and by any provisions of this agreement are vested in the 14
15 Conservation Commission and shall be exercised by it pursuant to 15
16 the provisions of the laws of the State of New Mexico and sub- 16
17 ject in any case to appeal or judicial review as may now or 17
18 hereafter be provided by the laws of the State of New Mexico. 18
19 23. APPEARANCES. Unit Operator shall, after notice to 19
20 other parties affected, have the right to appear for and on 20
21 behalf of any and all interests affected hereby before the 21
22 Department of the Interior, the Commissioner of Public Lands of 22
23 the State of New Mexico and the New Mexico Oil Conservation 23
24 Commission and to appeal from orders issued under the regula- 24
25 tions of said Department, the Conservation Commission or Land 25
26 Commissioner or to apply for relief from any of said regulations 26
27 or in any proceedings relative to operations before the Depart- 27
28 ment of the Interior, the Land Commissioner, or Conservation 28
29 Commission or any other legally constituted authority; provided, 29
30 however, that any other interested party shall also have the 30
31 right at his own expense to be heard in any such proceeding. 31

1 24. NOTICES. All notices, demands or statements required 1
2 hereunder to be given or rendered to the parties hereto shall 2
3 be deemed fully given if given in writing and personally deliv- 3
4 ered to the party or sent by postpaid registered or certified 4
5 mail, addressed to such party or parties at their respective 5
6 addresses set forth in connection with the signatures hereto or 6
7 to the ratification or consent hereof or to such other address 7
8 as any such party may have furnished in writing to party sending 8
9 the notice, demand or statement. 9

10 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agree- 10
11 ment contained shall be construed as a waiver by any party 11
12 hereto of the right to assert any legal or constitutional right 12
13 or defense as to the validity or invalidity of any law of the 13
14 State wherein said unitized lands are located, or of the United 14
15 States, or regulations issued thereunder in any way affecting 15
16 such party, or as a waiver by any such party of any right beyond 16
17 his or its authority to waive. 17

18 26. UNAVOIDABLE DELAY. All obligations under this agree- 18
19 ment requiring the Unit Operator to commence or continue drill- 19
20 ing or to operate on or produce unitized substances from any of 20
21 the lands covered by this agreement shall be suspended while 21
22 the Unit Operator, despite the exercise of due care and dili- 22
23 gence, is prevented from complying with such obligations, in 23
24 whole or in part, by strikes, acts of God, Federal, State, or 24
25 municipal law or agencies, unavoidable accidents, uncontrollable 25
26 delays in transportation, inability to obtain necessary mate- 26
27 rials in open market, or other matters beyond the reasonable 27
28 control of the Unit Operator whether similar to matters herein 28
29 enumerated or not. No unit obligation which is suspended under 29
30 this section shall become due less than thirty (30) days after 30
31 it has been determined that the suspension is no longer 31

1 applicable. Determination of creditable "Unavoidable Delay" 1
2 time shall be made by the unit operator subject to approval of 2
3 the Supervisor and the Land Commissioner. 3

4 27. NONDISCRIMINATION. In connection with the performance 4
5 of work under this agreement, the operator agrees to comply with 5
6 all the provisions of section 202 (1) to (7) inclusive of Exe- 6
7 cutive Order 11246 (30 F.R. 12319), which are hereby incorporated 7
8 by reference in this agreement. 8

9 28. LOSS OF TITLE. In the event title to any tract of 9
10 unitized land shall fail and the true owner cannot be induced to 10
11 join in this unit agreement, such tract shall be automatically 11
12 regarded as not committed hereto and there shall be such re- 12
13 adjustment of future costs and benefits as may be required on 13
14 account of the loss of such title. In the event of a dispute as 14
15 to title as to any royalty, working interest, or other interests 15
16 subject thereto, payment or delivery on account thereof may be 16
17 withheld without liability for interest until the dispute is 17
18 finally settled; provided, that, as to Federal and State land or 18
19 leases, no payments of funds due the United States or the State 19
20 of New Mexico should be withheld, but such funds of the United 20
21 States shall be deposited as directed by the Supervisor and such 21
22 funds of the State of New Mexico shall be deposited as directed 22
23 by the Land Commissioner to be held as unearned money pending 23
24 final settlement of the title dispute, and then applied as 24
25 earned or returned in accordance with such final settlement. 25

26 Unit Operator as such is relieved from any responsibility 26
27 for any defect or failure of any title hereunder. 27

28 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of 28
29 any substantial interest in a tract within the unit area fails 29
30 or refuses to subscribe or consent to this agreement, the owner 30
31 of the working interest in that tract may withdraw said tract 31

1 from this agreement by written notice delivered to the Super- 1
2 visor and the Land Commissioner, and the Unit Operator prior to 2
3 the approval of this agreement by the Supervisor. Any oil or gas 3
4 interests in lands within the unit area not committed hereto 4
5 prior to submission of this agreement for final approval may 5
6 thereafter be committed hereto by the owner or owners thereof 6
7 subscribing or consenting to this agreement, and, if the interest 7
8 is a working interest, by the owner of such interest also sub- 8
9 scribing to the unit operating agreement. After operations are 9
10 commenced hereunder, the right of subsequent joinder, as pro- 10
11 vided in this section, by a working interest owner is subject to 11
12 such requirements or approvals, if any, pertaining to such 12
13 joinder, as may be provided for in the unit operating agreement. 13
14 After final approval hereof, joinder by a non-working interest 14
15 owner must be consented to in writing by the working interest 15
16 owner committed hereto and responsible for the payment of any 16
17 benefits that may accrue hereunder in behalf of such non-working 17
18 interest. A non-working interest may not be committed to this 18
19 unit agreement unless the corresponding working interest is 19
20 committed hereto. Joinder to the unit agreement by a working- 20
21 interest owner, at any time, must be accompanied by appropriate 21
22 joinder to the unit operating agreement, if more than one com- 22
23 mitted working-interest owner is involved, in order for the 23
24 interest to be regarded as committed to this unit agreement. 24
25 Except as may otherwise herein be provided, subsequent joinders 25
26 to this agreement shall be effective as of the first day of the 26
27 month following the filing with the Supervisor, the Land Commis- 27
28 sioner and the Conservation Commission of duly executed counter- 28
29 parts of all or any papers necessary to establish effective 29
30 commitment of any tract to this agreement unless objection to 29
31 such joinder is duly made within 60 days by the Supervisor or 31

1 Land Commissioner, provided, that as to State lands, all subse- 1
2 quent joinders must be approved by the Land Commissioner. 2

3 30. COUNTERPARTS. This agreement may be executed in any 3
4 number of counterparts no one of which needs to be executed by 4
5 all parties or may be ratified or consented to by separate in- 5
6 strument in writing specifically referring hereto and shall be 6
7 binding upon all those parties who have executed such a counter- 7
8 part, ratification, or consent hereto with the same force and 8
9 effect as if all such parties had signed the same document and 9
10 regardless of whether or not it is executed by all other parties 10
11 owning or claiming an interest in the lands within the above- 11
12 described unit area. 12

13 31. SURRENDER. Nothing in this agreement shall prohibit 13
14 the exercise by any working interest owner of the right to sur- 14
15 render vested in such party by any lease, sublease, or operating 15
16 agreement as to all or any part of the lands covered thereby, 16
17 provided that each party who will or might acquire such working 17
18 interest by such surrender or by forfeiture as hereafter set 18
19 forth, is bound by the terms of this agreement. 19

20 If as a result of any such surrender the working interest 20
21 rights as to such lands become vested in any party other than 21
22 the fee owner of the unitized substances, said party may forfeit 22
23 such rights and further benefits from operation hereunder as to 23
24 said land to the party next in the chain of title who shall be 24
25 and become the owner of such working interest. 25

26 If as the result of any such surrender or forfeiture work- 26
27 ing interest rights become vested in the fee owner of the 27
28 unitized substances, such owner may: 28

29 (1) Accept those working interest rights subject to this 29
30 agreement and the unit operating agreement; or 30

31 (2) Lease the portion of such land as is included in a 31

1 participating area established hereunder subject to 1
2 this agreement and the unit operating agreement. 2
3 (3) Provide for the independent operation of any part 3
4 of such land that are not then included within a partici- 4
5 pating area established hereunder. 5
6 If the fee owner of the unitized substances does not accept 6
7 the working interest rights subject to this agreement and the 7
8 unit operating agreement or lease such lands as above provided 8
9 within six (6) months after the surrendered or forfeited working 9
10 interest rights become vested in the fee owner, the benefits 10
11 and obligations of operations accruing to such lands under this 11
12 agreement and the unit operating agreement shall be shared by 12
13 the remaining owners of unitized working interests in accordance 13
14 with their respective working interest ownerships, and such 14
15 owners of working interests shall compensate the fee owner of 15
16 unitized substances in such lands by paying sums equal to the 16
17 rentals, minimum royalties, and royalties applicable to such 17
18 lands under the lease in effect when the lands were unitized. 18
19 An appropriate accounting and settlement shall be made for 19
20 all benefits accruing to or payments and expenditures made or 20
21 incurred on behalf of such surrendered or forfeited working 21
22 interest subsequent to the date of surrender or forfeiture, and 22
23 payment of any moneys found to be owing by such an accounting 23
24 shall be made as between the parties within thirty (30) days. 24
25 In the event no unit operating agreement is in existence and a 25
26 mutually acceptable agreement between the proper parties thereto 26
27 cannot be consummated, the Supervisor may prescribe such rea- 27
28 sonable and equitable agreement as he deems warranted under the 28
29 circumstances. 29
30 The exercise of any right vested in a working interest 30
31 owner to reassign such working interest to the party from whom 31

1 obtained shall be subject to the same conditions as set forth 1
2 in this section in regard to the exercise of a right to surrender.2

3 32. TAXES. The working interest owners shall render and 3
4 pay for their account and the account of the royalty owners all 4
5 valid taxes on or measured by the unitized substances in and 5
6 under or that may be produced, gathered and sold from the land 6
7 subject to this contract after the effective date of this agree- 7
8 ment, or upon the proceeds or net proceeds derived therefrom. 8
9 The working interest owners on each tract shall and may charge 9
10 the proper proportion of said taxes to the royalty owners having 10
11 interests in said tract, and may currently retain and deduct 11
12 sufficient of the unitized substances or derivative products, 12
13 or net proceeds thereof from the allocated share of each royalty 13
14 owner to secure reimbursement for the taxes so paid. No such 14
15 taxes shall be charged to the United States or the State of 15
16 New Mexico or to any lessor who has a contract with his lessee 16
17 which requires the lessee to pay such taxes. 17

18 33. NO PARTNERSHIP. It is expressly agreed that the 18
19 relation of the parties hereto is that of independent contrac- 19
20 tors and nothing in this agreement contained, expressed or 20
21 implied, nor any operations conducted hereunder, shall create 21
22 or be deemed to have created a partnership or association be- 22
23 tween the parties hereto or any of them. 23

1 IN WITNESS WHEREOF, the parties hereto have caused this 1
2 agreement to be executed and have set opposite their respective 2
3 names the date of execution. 3

UNIT OPERATOR AND WORKING INTEREST OWNER

AMERICAN QUASAR PETROLEUM CO.
OF NEW MEXICO

Date: Sept. 10, 1971

By: Jed Collins Jr.

ATTEST:

Ainta Miller
Asst. Secretary

Address: 606 Vaughn Building
Midland, Texas 79701

OTHER WORKING INTEREST OWNERS

UNION OIL COMPANY OF CALIFORNIA

Date: Sept. 14, 1971

By: John Hanson
Attorney in fact

Address: P. O. Box 3100
Midland, Texas 79701

TEXACO INC.

Date: _____

By: _____

Address: P. O. Box 1270
Midland, Texas 79701

OTHER WORKING INTEREST OWNERS (cont'd)

BASS ENTERPRISES PRODUCTION CO.

Date: _____

By: _____

ATTEST:

Address: 1211 Fort Worth National
Bank Building,
Fort Worth, Texas

DELBASIN CORPORATION

Date: _____

By: _____

ATTEST:

Address: 1211 Fort Worth National
Bank Building,
Fort Worth, Texas

Date: _____

PERRY R. BASS

Address: 1211 Fort Worth National
Bank Building,
Fort Worth, Texas

Date: _____

GEORGE T. ABELL

Address: P. O. Box 430
Midland, Texas

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 10th day
of September, 1971, by Ted Collins, Jr.,
President of American Quasar Petroleum Co. of New Mexico,
a corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1973

Brenda Ward
Notary Public

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 14th day
of September, 1971, by JOHN HANSEN,
Attorney in fact of Union Oil Company of California,
a corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1973

Alice Monroe
Notary Public **ALICE MONROE**

STATE OF TEXAS)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1971, by _____.

My Commission Expires:

Notary Public

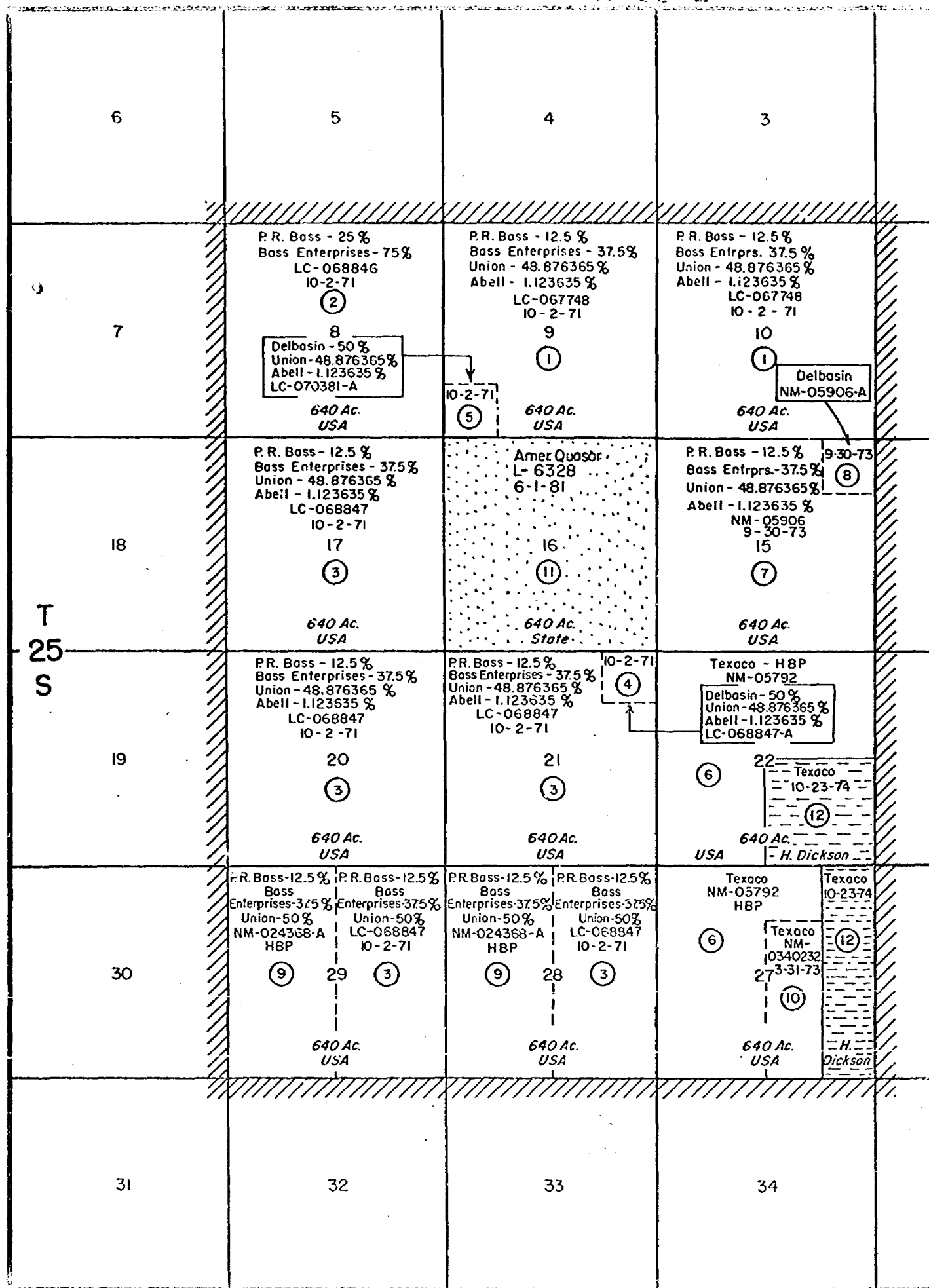


EXHIBIT "A" LAND OWNERSHIP MAP - VACA DRAW UNIT LEA COUNTY, NEW MEXICO

LEGEND

SCALE: 1" = 3000 FT.

	UNIT OUTLINE	
	FEDERAL LAND	87.5000 % ----- 6720 AC.
	STATE OF NEW MEXICO LAND	8.3333 % ----- 640 AC.
	FEE LAND	4.1667 % ----- 320 AC.
	TOTALS	100.0000 % ----- 7680 AC.

EXHIBIT "B"
VACA DRAW UNIT AREA, LEA COUNTY, NEW MEXICO
TWP. 25 SOUTH, RGE. 33 EAST

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS</u>							
1.	Sec. 9: E $\frac{1}{2}$, NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$	1240	LC-067748 10-2-71	USA: All	Bass Enterprises Production Co. 37.5% Perry R. Bass 12.5% Union Oil Company of California 48.876365% George T. Abell 1.123635%	Martha Featherstone 0.5% Harvey E. Roelofs, Trustee for Glen F. Featherstone II, 2.5% Annie R. Bass Estate 0.5%	Bass Enterprises Prod. Co. 37.5% Perry R. Bass 12.5% Union Oil Co. of Calif. 48.876365% Geo. T. Abell 1.123635%
2.	Sec. 8: All	640	LC-068846 10-2-71	USA: All	Bass Enterprises Production Co. 75% Perry R. Bass 25%	Claribell Marshall \$250.00 per acre out of 1.5% Pearl O. Pipkin \$250.00 per acre out of 1.5% Annie R. Bass Estate 0.5%	Bass Enterprises Prod. Co. Perry R. Bass

EXHIBIT "B", CONT'D.

Section	Description Of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee Of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
FEDERAL LANDS (Cont'd.)							
3.	Sec. 17: All	2520	LC-068847 10-2-71	USA: All	AS TO SECTIONS 17, 20, AND W $\frac{1}{2}$, SE $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$ OF SECTION 21: Bass Enterprises Production Co. 37.5% Perry R. Bass 12.5% Union Oil Company of California 48.876365% Geo. T. Abell 1.123635%	U.S. Marshall \$250.00 per acre out of 1.5% Pearl O. Pipkin \$250.00 per acre out of 1.5% Annie R. Bass Estate 0.5%	AS TO SECTIONS 17, 20, & W $\frac{1}{2}$, SE $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$ OF SECTION 21: Bass Enterprises Prod. Co. 37.5% Perry R. Bass 12.5% Union Oil Co. of Calif. 48.876365 Geo. T. Abell 1.123635
	Sec. 20: All				AS TO E/2 SECTION 28 AND E/2 OF SECTION 29: Bass Enterprises Production Co. 37.5% Perry R. Bass 12.5% Union Oil Company of California 50%		AS TO E/2 SECTION 28 AND E/2 SECTION 29: Bass Enterprises Prod. Co. 37.5% Perry R. Bass 12.5% Union Oil Co. of Calif. 50%
	Sec. 21: W $\frac{1}{2}$, SE $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$						
	Sec. 28: E $\frac{1}{2}$						
	Sec. 29: E $\frac{1}{2}$						

EXHIBIT "B", CONT'D.

Section No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS (Cont'd.)</u>							
Sec. 21:	NE $\frac{1}{4}$ NE $\frac{1}{4}$	40	LC-068847-A 10-2-71	USA: All	Delbasin Corp. 50% Union Oil Company of California 48.876365% George T. Abell 1.123635%	U.S. Marshall \$250.00 per acre out of 1.5% Pearl O. Pipkin \$250.00 per acre out of 1.5% Annie R. Bass Estate 0.5%	Delbasin Corp. 50% Union Oil Co. of Calif. 48.876365% Geo. T. Abell 1.123635%
Sec. 9:	SW $\frac{1}{4}$ SW $\frac{1}{4}$	40	LC-070381-A 10-2-71	USA: All	Delbasin Corp. 50% Union Oil Company of Calif. 48.876365% George T. Abell 1.123635%	Mary T. Muse 0.5% I.E. Tapp, Sole Devisee of Allie V. Tapp 0.3% Olen F. Featherstone 0.7% Harvey E. Roelofs, Trustee for Olen F. Featherstone, II 2%	Delbasin Corp. 50% Union Oil Co. of Calif. 48.876365% Geo. T. Abell 1.123635%
Sec. 22:	NE $\frac{1}{4}$, W $\frac{1}{2}$	840	NM-05792 HBP	USA: All	Texaco Inc.	D. Miller \$750.00 per acre out of 3%	Texaco Inc. 100%
Sec. 27:	W $\frac{1}{2}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$						

EXHIBIT "B", CONT'D.

Section of Land	Description	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
FEDERAL LANDS (Cont'd.)							
7.	Sec. 15: W½, SE¼ SW¼NE¼ NW¼NE¼	600	NM-05906 9-30-73	USA: All	Bass Enterprises Production Co. 37.5% Perry R. Bass 12.5% Union Oil Company of Calif. 48.876365% George T. Abell 1.123635%	Harvey E. Roelofs, Trustee for Olen F. Featherstone, II 2.5% Martha Featherstone 0.5% Mary T. Muse 0.5%	Bass Enterprises Prod. Co. 37.5% Perry R. Bass 12.5% Union Oil Co. of Calif. 48.876365% George T. Abell 1.123635%
8.	Sec. 15: NE¼NE¼	40	NM-05906-A 9-30-73	USA: All	Delbasin Corp.	Harvey E. Roelofs, Trustee for Olen F. Featherstone, II 2.5% Martha Featherstone 0.5% Mary T. Muse 0.5%	Delbasin Corp. 100%
9.	Sec. 28: W¼ Sec. 29: W¼	640	NM-024368-A HBP	USA: All	Bass Enterprises Production Co. 37.5% Perry R. Bass 12.5% Union Oil Company of California 50%	Union Oil Company of California 1.5% Jack O. McCall .63334% Clayton W. Williams, Jr. .3750% John L. May .3375% Howard W. Jennings .50% William M. Cotton .07916% Kenneth Newton .0750%	Bass Enterprises Prod. Co. 37.5% Perry R. Bass 12.5% Union Oil Co. of California 50%
10.	Sec. 27: W½SE¼ SW¼NE¼	120	NM-0340232 3-31-73	USA: All	Texaco Inc.	Frances C. Fox \$1,000.00 per acre out of 6.25%	Texaco Inc. 100%

EXHIBIT "B", CONT'D.

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
FEDERAL LANDS (Cont'd.)							
10	Federal Tracts	6720 Acres	or 87.5%	of Unit Area			
<u>NEW MEXICO STATE LAND</u>							
11.	Sec. 16: All	640	L-6328 6-1-81	State of New Mexico: All	American Quasar Petro- leum Co. of New Mexico	one	Amer. Quasar Geo. T. Abell 75%
1 State Tract 640 Acres or 8.3333% of Unit Area							
<u>PATENTED LAND</u>							
12.	Sec. 22: SE 1/4 Sec. 27: E 1/2	320	10-23-74	Harry Dickson: All	Texaco Inc.	None	Texaco Inc. 100%
1 Patented Tract 320 Acres or 4.1667% of Unit Area							
Total: 12 Tracts, 7680 acres in entire Unit Area.							

4518
E. B. WHITE, JR.

P. O. BOX 1026
MIDLAND, TEXAS 79701
October 5, 1971

OFFICE PHONE
682-4434

RESIDENCE PHONE
683-1593

New Mexico Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501
Attention: Mr. A. L. Porter, Jr.

Re. Vaca Draw Unit, Lea County, New Mexico (Case No. 4518 - Order
No. R-4130)

Gentlemen:

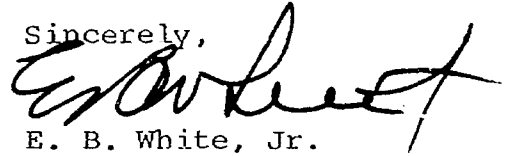
In connection with the captioned, enclosed are the following:

1. Certificate of Approval of U. S. G. S.
2. Certificate of Approval of Commissioner of Public Lands,
State of New Mexico
3. Unit Agreement executed by the Unit Operator and a working
interest owner.
4. Ratifications and Joinders of all other working interest
owners and lessees of record in the captioned unit.

Please advise if you require anything additional.

EBW:w
encls

Sincerely,



E. B. White, Jr.

CERTIFICATION--DETERMINATION

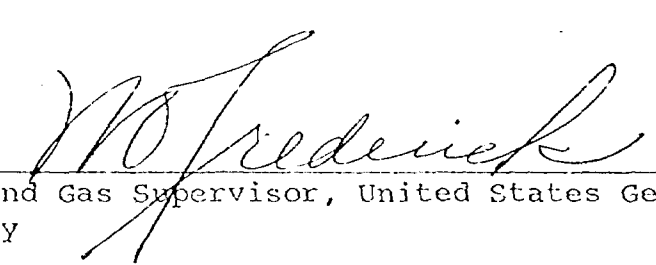
Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey (33 F. R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the Vaca Draw Unit Area, State of New Mexico.

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

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

Dated September 30, 1971.



Oil and Gas Supervisor, United States Geological
Survey

CONTRACT NUMBER 14-08-0001-11593



NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

VACA DRAW UNIT AGREEMENT

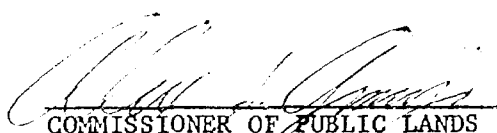
LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated March 10, 1971, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 30th. day of September, 19 71.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

RECEIVED

SEP 30 1971

U.S. GEOLOGICAL SURVEY

September 30, 1971

Mr. E. B. White, Jr.
P. O. Box 1026
Midland, Texas 79701

Re: Vaca Draw Unit Agreement
Lea County, New Mexico

Dear Mr. White:

The Commissioner of Public Lands has this date approved your Vaca Draw Unit, Lea County, New Mexico, subject to like approval by the United States Geological Survey.

Enclosed are five (5) Certificates of Approval.

This unit agreement becomes effective upon approval by the United States Geological Survey, therefore, please furnish us a copy of their Certificate of Determination so that we may finish processing this unit.

Very truly yours,

Ray D. Graham, Director
Oil and Gas

AJA/RDG/s
encls.

cc: USGS-Roswell, New Mexico
OCC-Santa Fe, New Mexico ✓



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

Mr. E. S. White, Jr.
P.O. Box 102
Midland, Texas 79701

76 SEP 8 1970
SEP 3 - 1970

Dear Mr. White:

Your application of August 14, filed with the Acting Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Vaca Draw unit area embracing 7,480 acres, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended. The proposed unit area is comprised of 6,720 acres (87.5 percent) of Federal land, 640 acres (8.3 percent) of State of New Mexico land, and 320 acres (4.2 percent) of fee land.

The land outlined on your plat marked "Exhibit A, Vaca Draw Unit", is hereby designated as a logical unit area. The unit agreement submitted for the area designated should be identical to the Form of Agreement for Unproved Areas (1948 reprint), modified to include appropriate language required for State of New Mexico lands and should provide for the drilling of the initial well to test formations in the Atoka series of Pennsylvanian age or to a maximum depth of 15,000 feet.

In the absence of any other type of land requiring special provisions, or any objections not now apparent, a duly executed agreement identical to the 1948 reprint, modified as outlined above, and approved by the appropriate officials of the State of New Mexico, will be approved if submitted in approvable status within a reasonable period of time. However, the right is reserved to deny approval of any executed agreement, which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

Please include the latest status of all acreage when the executed agreement is submitted for final approval. The format of the sample exhibits attached to the 1948 reprint of the standard form should be followed closely in the preparation of exhibits A and B.

Since the unit area contains State of New Mexico lands we are sending a copy of this letter to the State Land Commissioner in Santa Fe. Please contact the State of New Mexico before soliciting joiners, regardless of prior contacts with or clearances from the State.

Sincerely yours

W. A. Radlinski

Acting Director

cc:

Roswell (2)

ELM. Santa Fe (w/cy Ex. A)

Com. of Pub. Lands, Santa Fe (w/cy Ex. A)

NRDCC, Santa Fe ✓

Daniel:ds:8-21-70

SERIALS:

Las Cruces	067748
	068846
	068847
	068847-A
	070381-A
New Mexico	05792
	05906
	024368-A
	0340232



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Drawer 1857
Roswell, New Mexico 88201

RECEIVED September 30, 1971

OCT - 6 1971
OIL CONSERVATION COMM.
SANTA FE

Mr. E. B. White, Jr.
P.O. Box 1026
Midland, Texas 79701

Dear Mr. White:

The Vaca Draw unit agreement, Lea County, New Mexico, was approved on September 30, 1971. This agreement has been designated No. 14-08-0001-11593 and is effective as of the date of approval.

Enclosed is one copy of the approved unit agreement. We request that you furnish the State of New Mexico and any other interested principals with appropriate evidence of this approval.

Sincerely yours,

N. O. FREDERICK
Regional Oil and Gas Supervisor

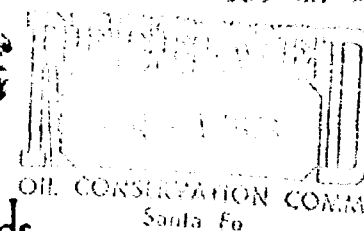
cc:
Washington (w/approved agmt.)
BLM, Santa Fe (w/approved agmt.)
Hobbs (w/approved agmt.)
BMC, Roswell (ltr. only)
Com. Pub. Lands, Santa Fe (ltr. only)
NIOCC, Santa Fe (ltr. only)

State of New Mexico

Y. L. PHONE
505-427-2748



Commissioner of Public Lands



ALEX J. ARMIJO
COMMISSIONER

May 31, 1973

P. O. BOX 1148
SANTA FE, NEW MEXICO

REGISTERED MAIL

American Quasar Petroleum Company of New Mexico
606 Vaughn Building
Midland, Texas 79701

Re: Vaca Draw Unit
TERMINATION
Lag County, New Mexico

ATTENTION: Mr. Ted Collings, Jr.

Gentlemen:

This is to advise you that you have failed to comply with Section 9 of the Unit Agreement for the Vaca Draw Unit. Therefore, we concur with the United States Geological Survey that the Vaca Draw Unit has automatically terminated as of May 12, 1973, which is the date your second test well was due to be commenced.

Please notify all interested parties of this action.

Very truly yours,

RAY D. GRAHAM, Director
Oil and Gas Department

AJA/RDG/s
cc:

USGS-Roswell, New Mexico
OCC- Santa Fe, New Mexico ✓



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

May 23, 1973

In Reply Refer To:
Gillham/Engr

American Quasar Petroleum Company of New Mexico
Attention: Mr. Ted Collings, Jr.
606 Vaughn Building
Midland, Texas 79701

Gentlemen:

The Vaca Draw unit agreement, Lea County, New Mexico, was approved September 30, 1971, by the Regional Oil and Gas Supervisor, effective as of the date of approval. The term of such agreement is contingent upon the unit operator drilling one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well until a well capable of producing unitized substances in paying quantities is completed.

Our records show that the second test well was due to be commenced May 12, 1973. Inasmuch as such well was not commenced, the Vaca Draw unit agreement is considered to have terminated automatically as of May 12, 1973, pursuant to Section 9 of the agreement.

Sincerely yours,

(ORIG. SENT BY AIR)

CARL C. TRAYWICK
Acting Area Oil and Gas Supervisor

cc:
Washington (thru Denver)
BLM, Santa Fe
Hobbs
Com. Pub. Lands, Santa Fe
✓ NMCC, Santa Fe
Area Geologist, Roswell

Note to BLM: All committed Federal leases within the Vaca Draw unit area should be considered for two-year extensions pursuant to 43 CFR 3107.5, as applicable.

JAGillham:ds

Unit Name VACA DRAW UNIT (Exploratory)
 Operator American Quasar Petroleum Company
 County Lea

44018

DATE	OCC CASE NO. 4518	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	SEMI-ANNUAL FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO. R-4130	9-30-71	7,680.00	640.00	6,720.00	320.00	Yes	5 yrs.
Commissioner	April 6, 1971							

UNIT AREA

TOWNSHIP 25 SOUTH, RANGE 33 EAST, NMPM

Sections 8, 9, and 10: All
 Sections 15, 16, and 17: All
 Sections 20, 21 and 22: All
 Sections 27, 28, and 29: All

TERMINATED
 5-12-73
 CB

Unit Name VACA DRAW UNIT (EXPLORATORY)
Operator American Quasar Petroleum Company
County Lea

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
11	L-6328	C.S.	16	25S	33E	A11	9-10-71	640.00		American Quasar Petroleum Company