

CASE No.
4973

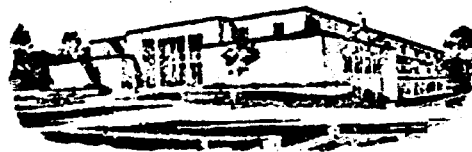
Application,
Transcripts,
Small Exhibits

ETC.



ALEX J. ARMIJO
COMMISSIONER

State of New Mexico

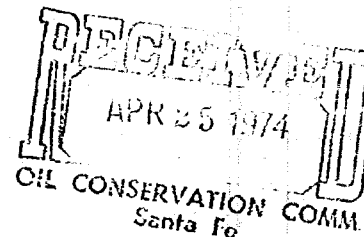


Commissioner of Public Lands

April 23, 1974

TELEPHONE

505-827-2748



P. O. BOX 1148
SANTA FE, NEW MEXICO

Mr. Clayton W. Williams, Jr.
P. O. Box 1621
Ft. Stockton, Texas 79735

Re: Badger Unit
TERMINATION
Eddy County, New Mexico

Dear Mr. Williams:

The Badger Unit Agreement states that the term of such agreement is contingent upon the unit operator drilling one well at a time, allowing not more than six months time 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.

Your second test well was due to be commenced March 17, 1974. Since the second test well was not commenced, the Badger unit agreement has terminated automatically as per Section 9 of the unit agreement.

The effective date of such termination to be as of March 17, 1974.

Very truly yours,

RAY D. GRAHAM, Director
Oil and Gas Department

AJA/RDG/s
cc:

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

4973

Unit Name BADGER UNIT (EXPLORATORY)
Operator Clayton W. Williams, Jr.
County Eddy

4973 oce

| DATE APPROVED | OCC CASE NO. 4973 OCC ORDER NO. R-4543 | EFFECTIVE DATE | TOTAL ACREAGE | STATE | FEDERAL | INDIAN-FEE | S |
|-------------------------------|---|-------------------|------------------|--------|----------|------------|---|
| Commissioner June 25, 1973 | June 4, 1973 | June 28, 1973 | 10,158.32 | 640.00 | 9,518.32 | -0- | |

UNIT AREA

TOWNSHIP 22 SOUTH, RANGE 31 EAST, NMPM

Sections 3 through 5: A11
Section 8: E/2 and N/2NW/4
Sections 9 through 16: A11
Section 17: NE/4
Sections 21 through 24: A11

Unit Name BADGER UNIT (EXPLORATORY)
Operator Clayton W. Williams, Jr.
County Eddy

4973 *occ*
T

6/25/73

| OCC CASE NO. 4973 OCC ORDER NO. R-4543 | EFFECTIVE DATE | TOTAL ACREAGE | STATE | FEDERAL | INDIAN-FEE | SEGREGATION CLAUSE | TERM |
|---|-------------------|------------------|--------|----------|------------|-----------------------|--------|
| June 4, 1973 | June 28, 1973 | 10,158.32 | 640.00 | 9,518.32 | -0- | Yes | 5 yrs. |

PTH. RANGE 31 EAST, NMPM

rough 5: A11
E/2 and N/2NW/4
rough 16: A11
NE/4
rough 24: A11

| | |
|-----------|----------------------------------|
| Unit Name | <u>BADGER UNIT (EXPLORATORY)</u> |
| Operator | <u>Clayton W. Williams, Jr.</u> |
| County | <u>Eddy</u> |

| STATE TRACT NO. | LEASE NO. | INSTI- TUTION | SEC. | TWP. | RGE. | SUBSECTION | RATIFIED DATE | ACRES | ACREAGE NOT RATIFIED | |
|--------------------|--------------|------------------|------|------|------|---------------------------------------|----------------------|--------|----------------------------|-----|
| 16 | K-4044 | C.S. | 16 | 22S | 31E | NE/4NW/4, N/2NE/4, S/2N/2, and S/2 | 6/27/73 | 600.00 | | Sur |
| 17 | L-3651 | C.S. | 16 | 22S | 31E | NW/4NW/4 | <u>NOT COMMITTED</u> | | 40.00 | De |

| | |
|-----------|----------------------------------|
| Unit Name | <u>BADGER UNIT (EXPLORATORY)</u> |
| Operator | <u>Clayton W. Williams, Jr.</u> |
| County | <u>Eddy</u> |

| LEASE NO. | INSTI- TUTION | SEC. | TWP. | RGE. | SUBSECTION | RATIFIED DATE | ACRES | ACREAGE NOT RATIFIED | LESSEE |
|--------------|------------------|------|------|------|---------------------------------------|----------------------|--------|----------------------------|-----------------|
| 4044 | C.S. | 16 | 22S | 31E | NE/4NW/4, N/2NE/4, S/2N/2, and S/2 | 6/27/73 | 600.00 | | Sun Oil Company |
| 3651 | C.S. | 16 | 22S | 31E | NW/4NW/4 | <u>NOT COMMITTED</u> | | 40.00 | Del-Lea, Inc. |

Unit Name BADGER UNIT (EXPLORATORY)
Operator Clayton W. Williams, Jr.
County Eddy

497

| DATE APPROVED | OCC CASE NO. 4973 OCC ORDER NO. R-4543 | EFFECTIVE DATE | TOTAL ACREAGE | STATE | FEDERAL | INDIAN-FEE |
|-------------------------------|---|-------------------|------------------|--------|----------|------------|
| Commissioner June 25, 1973 | June 4, 1973 | June 28, 1973 | 10,158.32 | 640.00 | 9,518.32 | -0- |

UNIT AREA

TOWNSHIP 22 SOUTH, RANGE 31 EAST, NMPM

Sections 3 through 5: A11
Section 8: E/2 and N/2NW/4
Sections 9 through 16: A11
Section 17: NE/4
Sections 21 through 24: A11

TERMINATED
Eh: 3-17-74

Unit Name BADGER UNIT (EXPLORATORY)
Operator Clayton W. Williams, Jr.
County Eddy

6/25/73

4973

| OCC CASE NO. 4973 OCC ORDER NO. R-4543 | EFFECTIVE DATE | TOTAL ACREAGE | STATE | FEDERAL | INDIAN-FEE | SEGREGATION CLAUSE | TERM |
|---|-------------------|------------------|--------|----------|------------|-----------------------|--------|
| June 4, 1973 | June 28, 1973 | 10,158.32 | 640.00 | 9,518.32 | -0- | Yes | 5 yrs. |

RANGE 31 EAST, NMPM

gh 5: A11
and N/2NW/4
gh 16: A11
gh 24: A11

TERMINATED
EH: 3-17-74

| | |
|-----------|----------------------------------|
| Unit Name | <u>BADGER UNIT (EXPLORATORY)</u> |
| Operator | <u>Clayton W. Williams, Jr.</u> |
| County | <u>Eddy</u> |

| STATE TRACT NO. | LEASE NO. | INSTI- TUTION | SEC. | TWP. | RGE. | SUBSECTION | RATIFIED DATE | ACRES | ACREAGE NOT RATIFIED |
|--------------------|--------------|------------------|------|------|------|---------------------------------------|----------------------|--------|----------------------------|
| 16 | K-4044 | C.S. | 16 | 22S | 31E | NE/4NW/4, N/2NE/4, S/2N/2, and S/2 | 6/27/73 | 600.00 | |
| 17 | L-3651 | C.S. | 16 | 22S | 31E | NW/4NW/4 | <u>NOT COMMITTED</u> | | 40.00 |

TERMINATED
Eh: 3-17-74

| | |
|-----------|----------------------------------|
| Unit Name | <u>BADGER UNIT (EXPLORATORY)</u> |
| Operator | <u>Clayton W. Williams, Jr.</u> |
| County | <u>Eddy</u> |

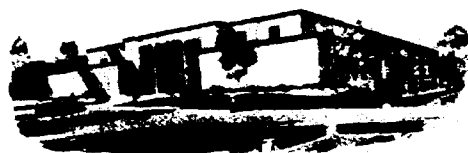
| LEASE D. | INSTI- TUTION | SEC. | TWP. | RGE. | SUBSECTION | RATIFIED DATE | ACRES | ACREAGE NOT RATIFIED | LESSEE |
|-------------|------------------|------|------|------|---------------------------------------|----------------------|--------|----------------------------|-----------------|
| 4044 | C.S. | 16 | 22S | 31E | NE/4NW/4, N/2NE/4, S/2N/2, and S/2 | 6/27/73 | 600.00 | | Sun Oil Company |
| 3651 | C.S. | 16 | 22S | 31E | NW/4NW/4 | <u>NOT COMMITTED</u> | | 40.00 | Del-Lea, Inc. |

TERMINATED
 EW: 3-17-74



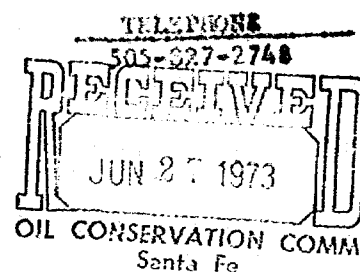
ALEX J. ARMijo
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

June 25, 1973



P. O. BOX 1148
SANTA FE, NEW MEXICO

Griffin, Ross & Burnett, Inc.
2102 Wilco Building
Midland, Texas 79701

4973
Re: File No. 2217
Proposed Badger Unit Agreement
Eddy County, New Mexico

ATTENTION: Mr. Kenneth H. Griffin

Gentlemen:

The Commissioner of Public Lands has this date approved your Badger Unit, Eddy County, New Mexico. This approval is subject to like approval by the United States Geological Survey.

Enclosed are five (5) Certificates of Approval.

Please advise this office when the United States Geological Survey has approved this unit and the effective date so that we may finish processing the unit.

Very truly yours,

RAY D. GRAMM, Director
Oil and Gas Department

AM/ESG/s
encls.
cc:

WGS-Roswell, New Mexico
OCC- Santa Fe, New Mexico



OIL CONSERVATION COMMISSION

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

**GOVERNOR
BRUCE KING
CHAIRMAN**

**LAND COMMISSIONER
ALEX J. ARMUJO
MEMBER**

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

June 4, 1973

Mr. Paul Eaton
Hinkle, Bondurant, Cox & Eaton
Attorneys at Law
Post Office Box 10
Roswell, New Mexico 88201

Re: Case No. 4973
Order No. R-4543
Applicant:
Clayton W. Williams, Jr.

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

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC

Other Unit Division - State Land Office

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. 4973
Order No. R-4543

APPLICATION OF CLAYTON W. WILLIAMS,
JR. FOR APPROVAL OF THE BADGER
UNIT AGREEMENT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
May 23, 1973, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this 4th day of June, 1973, 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, Clayton W. Williams, Jr., seeks
approval of the Badger Unit Agreement covering 10,158.32 acres,
more or less, of State and Federal lands described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 22 SOUTH, RANGE 31 EAST, NMPM
Sections 3 through 5: All
Section 8: E/2 and N/2 NW/4
Sections 9 through 16: All
Section 17: NE/4
Sections 21 through 24: All

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

IT IS THEREFORE ORDERED:

(1) That the Badger Unit Agreement is hereby approved.

-2-

Case No. 4973
Order No. R-4543

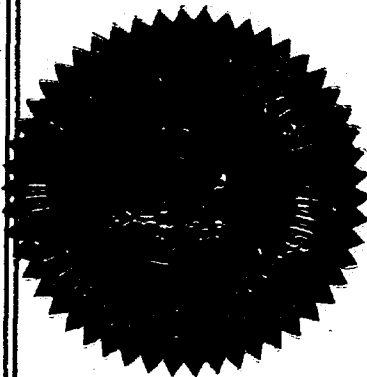
(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered 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.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. Trujillo
I. R. TRUJILLO, Chairman

Alex J. Armijo
ALEX J. ARMIJO, Member

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

S E A L

dr/

DRAFT

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. 4973

Order No. R-4543

APPLICATION OF CLAYTON W. WILLIAMS, JR.
FOR APPROVAL OF THE BADGER
UNIT AGREEMENT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
May 23, 1963, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this day of ~~May~~ June, 1963, 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, Clayton W. Williams, Jr.,
seeks approval of the Badger Unit Agreement
covering 10,158.32 acres, more or less, of State and
Federal lands
described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 22 SOUTH RANGE 31 EAST, NMPM

- ✓ SECTIONS 3 ~~THROUGH~~ through 5: A 11
- ~~SECTION 4: ALL~~
- ~~SECTION 5: ALL~~
- ✓ SECTION 8: E/2 AND N/2 NW/4
- ✓ SECTION 9 ~~ALL~~ through 16: A 11
- ~~SECTION 10: ALL~~
- ~~SECTION 11: ALL~~
- ~~SECTION 12: ALL~~
- ~~SECTION 13: ALL~~
- ~~SECTION 14: ALL~~
- ~~SECTION 15: ALL~~
- ~~SECTION 16: ALL~~
- ~~SECTION 17: NE/4~~

- ✓ SECTIONS 21 ~~THROUGH~~ through 24: A 11
- ~~SECTION 22: ALL~~
- ~~SECTION 23: ALL~~
- ~~SECTION 24: 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 BADGER 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.

Case 4973
Lead 4-23-73
Rec. 4-24-73

Grant Clayton B. Williams Jr.
a joint agreement approval
for the Badger Hunt

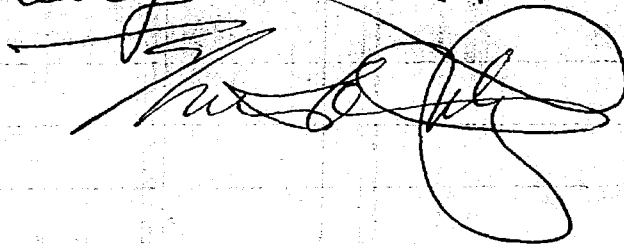


EXHIBIT "B"

BADGER UNIT AREA
T-22-S, R-31-E, N.M.P.M.
Eddy County, New Mexico

BEECHER MINER UTZ
OIL CONSERVATION COMMISSION

EXHIBIT NO. 2CASE NO. 4973Submitted by C.W. Williams, Jr.Hearing Date 5-23-73

| TRACT NO. | | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE |
|-----------|--|--|-----------------|---|------------------------------------|------------------|---|
| 1 | Section 24: | All | 640.00 | NM-0371670 4-30-73 Extended by Drilling | USA | 12.5 | Getty Oil Company Cities Service Oil Company Lawrence C. Harris Production Payment \$750/acre out of 5.00% |
| 2 | Section 11: | E/2 NW/4, S/2 NE/4, N/2 SW/4, S/2 SE/4, Section 12: NE/4 NW/4, S/2 NW/4, E/2 SW/4, E/2 SE/4, Section 13: NW/4 NW/4, SE/4 NW/4, NW/4 NE/4, SE/4 NE/4, NW/4 SW/4, SE/4 SW/4, NW/4 SE/4, SE/4 SE/4 | 920.00 | NM-0403961 6-30-73 | USA | 12.5 | Cities Service Oil Company Donald E. Cooper: 5.00% |
| 3 | Section 23: | E/2 SE/4 | 80.00 | NM-0417385 8-31-73 | USA | 12.5 | Mary L. Kirk None |
| 4 | Section 22: Section 23: | S/2 N/2, SW/4, W/2 SE/4 | 880.00 | NM-0417385A 8-31-73 | USA | 12.5 | Sun Oil Company Mark L. Kirk: 5.00% |
| 5 | Section 9: Section 10: Section 11: | All All NW/4 NW/4 | 1,320.00 | NM-0417506 8-31-73 | USA | 12.5 | The Superior Oil Company Morris W. Newman & Robert J. Newman Production Payment \$750/acre out of 5.00% |

EXHIBIT "B"

BADGER UNIT AREA
T-22-S, R-31-E, N.M.P.M.
Eddy County, New Mexico

BEECHER & MINER UTZ
OIL CONSERVATION COMMISSION

EXHIBIT NO. 2CASE NO. 4973Submitted by C.W. Williams, Jr.Hearing Date 5-23-73

| OF | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE |
|--|--------------------|---|---------------------------------------|--|--|------------------------------------|
| 111 | 640.00 | NM-0371670 4-30-73 Extended by Drilling | USA 12.5 | Getty Oil Company Cities Service Oil Company | Lawrence C. Harris Production Payment \$750/acre out of 5.00% | Getty: 50 Cities Service: 50 |
| 1/2 NW/4, 1/2 NE/4, 1/2 SW/4, 1/2 SE/4 NE/4 NW/4, S/2 NW/4, E/2 SW/4, E/2 SE/4 NW/4 NW/4, SE/4 NW/4, NW/4 NE/4, SE/4 NE/4, NW/4 SW/4, SE/4 SW/4, NW/4 SE/4, SE/4 SE/4 | 920.00 | NM-0403961 6-30-73 | USA 12.5 | Cities Service Oil Company | Donald E. Cooper: 5.00% | Cities Service: All |
| E/2 SE/4 | 80.00 | NM-0417385 8-31-73 | USA 12.5 | Mary L. Kirk | None | Kirk: All |
| S/2 1/2, SW/4, 1/2 SE/4 | 880.00 | NM-0417385A 8-31-73 | USA 12.5 | Sun Oil Company | Mark L. Kirk: 5.00% | Sun: All |
| 111 111 NW/4 NW/4 | 1,320.00 | NM-0417506 8-31-73 | USA 12.5 | The Superior Oil Company | Morris W. Newman & Robert J. Newman Production Payment \$750/acre out of 5.00% | Superior: All |

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OR RECORD | OVERRIDING ROYALTY AND PERCENTAGE |
|-----------|---|-----------------|---|------------------------------------|--------------------------|--|
| 6 | Section 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 Section 4: Lots 1, 2, 3, S/2 N/2, S/2 | 1,238.63 | NM-0417696 8-31-73 | USA 12.5 | The Superior Oil Company | Eagle Royalty & Minerals Company Production Payment \$750/acre out of 5.00% |
| 7 | Section 15: E/2 Section 22: N/2 | 640.00 | NM-0419982 7-31-73 | USA 12.5 | Mobil Oil Corporation | Robert N. Enfield Production Payment \$400/acre out of 2.00% Thomas Allen: .75% Robert H. Hopkins: 2.25% |
| 8 | Section 15: W/2 | 320.00 | NM-0419982-A 7-31-73 | USA 12.5 | The Superior Oil Company | Robert Hopkins: 2.25% Thomas Allen: 2.75% |
| 9 | Section 14: All | 640.00 | NM-0437911 2-28-74 | USA 12.5 | Mobil Oil Corporation | C. H. Thieriot Production Payment \$750/acre out of 5.00% |
| 10 | Section 5: S/2 NE/4, SE/4 Section 8: E/2 Section 17: E/2 NE/4 | 640.00 | NM-0461874 10-31-73 | USA 12.5 | Mobil Oil Corporation | Robert Enfield Production Payment \$400/acre out of 2.0000% Thomas Allen: 1.0625% Nicholas G. Flores: 1.9375% |
| 11 | Section 5: Lots 1, 2, 3, 4, S/2 NW/4, SW/4 Section 8: N/2 NW/4 Section 17: W/2 NE/4 | 559.72 | NM-0462046 10-31-73 | USA 12.5 | The Superior Oil Company | Robert E. Boyle: 5.00% |

| OF | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OR RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE |
|---|--------------------|---|---------------------------------------|-----------------------------|--|------------------------------------|
| Lots 1, 2, 3, 4, S/2 N/2, S/2 Lots 1, 2, 3, S/2 N/2, S/2 | 1,238.63 | NM-0417696 8-31-73 | USA 12.5 | The Superior Oil Company | Eagle Royalty & Minerals Company Production Payment \$750/acre out of 5.00% | Superior: All |
| E/2 N/2 | 640.00 | NM-0419982 7-31-73 | USA 12.5 | Mobil Oil Corporation | Robert N. Enfield Production Payment \$400/acre out of 2.00% Thomas Allen: .75% Robert H. Hopkins: 2.25% | Mobil: All |
| W/2 | 320.00 | NM-0419982-A 7-31-73 | USA 12.5 | The Superior Oil Company | Robert Hopkins: 2.25% Thomas Allen: 2.75% | Superior: All |
| A/1 | 640.00 | NM-0437911 2-28-74 | USA 12.5 | Mobil Oil Corporation | C. H. Thieriot Production Payment \$750/acre out of 5.00% | Mobil: All |
| S/2 NE/4, SE/4 E/2 E/2 NE/4 | 640.00 | NM-0461874 10-31-73 | USA 12.5 | Mobil Oil Corporation | Robert Enfield Production Payment \$400/acre out of 2.0000% Thomas Allen: 1.0625% Nicholas G. Flores: 1.9375% | Mobil: All |
| Lot 1, 2, 3, 4, S/2 NW/4, SW/4 N/2 NW/4 W/2 NE/4 | 559.72 | NM-0462046 10-31-73 | USA 12.5 | The Superior Oil Company | Robert E. Boyle: 5.00% | Superior: All |

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | |
|-----------|--|-----------------|---|------------------------------------|------------------|--|--|
| 12 | Section 21: A11 | 640.00 | NM-0480073-A 12-31-73 | USA | 12.5 | Phillips Petroleum Company | Margaret Allen: 2.00% Donald E. Allen: .25% Mary L. Tuttle: .75% Erving Wolf: 2.00% |
| 13 | Section 11: SW/4 NW/4, N/2 NE/4, N/2 SE/4, S/2 SW/4 Section 12: NW/4 NW/4, W/2 SW/4, W/2 SE/4 Section 13: NE/4 NW/4, SW/4 NW/4, NE/4 NE/4, SW/4 NE/4, NE/4 SW/4, SW/4 SW/4, NE/4 SE/4, SW/4 SE/4 | 800.00 | NM-0530990 7-31-74 | USA | 12.5 | Marjorie J. Hoover & Ray O. Traylor (1) | Marjorie J. Hoover: 2.5% Ray O. Traylor: 2.5% |
| 14 | Section 12: NE/4 | 160.00 | NM-12845 1-31-81 | USA | 12.5 | Exxon Corporation | Central Southwest Oil Corp: 5.00% |
| 15 | Section 4: Lot 4 | 39.97 | NM-17596 2-28-83 | USA | 12.5 | Beard Oil Company | None |

12 Federal Tracts 9,518.32 acres, or 93.70% of Unit Area

| | | | | | | | |
|----|---|--------|-------------------|-------|------|-----------------|------|
| 16 | Section 16: NE/4 NW/4, N/2 NE/4, S/2 N/2, S/2 | 600.00 | K-4044 4-21-74 | State | 12.5 | Sun Oil Company | None |
|----|---|--------|-------------------|-------|------|-----------------|------|

| OF | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE |
|---|--------------------|---|---------------------------------------|---|--|------------------------------------|
| A11 | 640.00 | NM-0480073-A 12-31-73 | USA 12.5 | Phillips Petroleum Company | Margaret Allen: 2.00% Donald E. Allen: .25% Mary L. Tuttle: .75% Erving Wolf: 2.00% | Phillips: A11 |
| SW/4 NW/4, N/2 NE/4, N/2 SE/4, S/2 SW/4, NW/4 NW/4, W/2 SW/4, W/2 SE/4 NE/4 NW/4, SW/4 NW/4, NE/4 NE/4, SW/4 NE/4, NE/4 SW/4, SW/4 SW/4, NE/4 SE/4, SW/4 SE/4 | 800.00 | NM-0530990 7-31-74 | USA 12.5 | Marjorie J. Hoover & Ray O. Traylor (1) | Marjorie J. Hoover: 2.5% Ray O. Traylor: 2.5% | Clayton W. Williams, Jr.: A11 |
| NE/4 | 160.00 | NM-12845 1-31-81 | USA 12.5 | Exxon Corporation | Central Southwest Oil Corp: 5.00% | Exxon: A11 |
| Lot 4 | 39.97 | NM-17596 2-28-83 | USA 12.5 | Beard Oil Company | None | Beard: A11 |
| Tracts 9,518.32 acres, or 93.70% of Unit Area | | | | | | |
| NE/4 NW/4, N/2 NE/4, S/2 N/2, S/2 | 600.00 | K-4044 4-21-74 | State 12.5 | Sun Oil Company | None | Sun: A11 |

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE |
|-----------|-----------------------|-----------------|---|------------------------------------|------------------|-----------------------------------|
| 17 | Section 16: NW/4 NW/4 | 40.00 | L-3651 10-21-79 | State 12.5 | Del-Lea, Inc. | None |

2 State Tracts 640 acres, or 6.30% of Unit Area

TOTAL: 17 Tracts 10,158.32 acres in entire Unit Area.

NOTE: (1) Mrs. Hoover and Mr. Traylor have agreed to sell this lease to Griffin, Ross & Burnett, Inc., retaining a 5% overriding royalty. Burnett, Inc. have in turn agreed to sell this lease to Clayton W. Williams, Jr. The necessary instruments to effect this trans are now being prepared and will be filed for approval as soon as possible.

| OF | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE | |
|-----------|--------------------|---|---------------------------------------|------------------|--------------------------------------|------------------------------------|--------------|
| NW/4 NW/4 | 40.00 | L-3651 10-21-79 | State | 12.5 | Del-Lea, Inc. | None | Del-Lea: All |

is 640 acres, or 6.30% of Unit Area

158.32 acres in entire Unit Area.

and Mr. Traylor have agreed to sell this lease to Griffin, Ross & Burnett, Inc., retaining a 5% overriding royalty. Griffin, Ross & have in turn agreed to sell this lease to Clayton W. Williams, Jr. The necessary instruments to effect this transfer in ownership prepared and will be filed for approval as soon as possible.



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

MAY 15 1973

Griffin, Ross & Barnett, Inc.
2102 Wilco Building
Midland, Texas 79701

Attention: Mr. Kenneth H. Griffin

Gentlemen:

Your application dated April 24, 1973, filed on behalf of Clayton W. Williams, Jr., with the Area Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Badger unit area embracing 10,158.32 acres, more or less, Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

The land outlined on your plat marked "Exhibit A, Badger 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 (1968 reprint) modified to include appropriate language required for State of New Mexico lands, the potash protection language proposed as a new section on page 2 of your application, and should provide for the drilling of the initial well to test the Siluro-Devonian or to a depth of 15,500 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 1968 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 unit 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 1968 reprint of the standard form should be followed closely in the preparation of Exhibits A and B.

| | |
|-----------------------------|---------------------|
| BEFORE EXAMINER UTZ | |
| OIL CONSERVATION COMMISSION | |
| EXHIBIT NO. | 4 |
| CASE NO. | 4973 |
| Submitted by | C. W. Williams, Jr. |
| Hearing Date | 5-23-73 |

EXHIBIT "B"

BADGER UNIT AREA
T-22-S, R-31-E, N.M.P.M.
Eddy County, New Mexico

EXAMINER UTZ
OIL COMMISSION

EXHIBIT NO. 2

CASE NO. 4973

Submitted by C.W. Williams, Jr.

Hearing Date 5-23-73

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE |
|-----------|--|-----------------|---|------------------------------------|---|---|
| 1 | Section 24: All | 640.00 | NM-0371670 4-30-73 Extended by Drilling | USA 12.5 | Getty Oil Company Cities Service Oil Company | Lawrence C. Harris Production Payment \$750/acre out of 5.00% |
| 2 | Section 11: E/2 NW/4, S/2 NE/4, N/2 SW/4, S/2 SE/4 Section 12: NE/4 NW/4, S/2 NW/4, E/2 SW/4, E/2 SE/4 Section 13: NW/4 NW/4, SE/4 NW/4, NW/4 NE/4, SE/4 NE/4, NW/4 SW/4, SE/4 SW/4, NW/4 SE/4, SE/4 SE/4 | 920.00 | NM-0403961 6-30-73 | USA 12.5 | Cities Service Oil Company | Donald E. Cooper: 5.00% |
| 3 | Section 23: E/2 SE/4 | 80.00 | NM-0417385 8-31-73 | USA 12.5 | Mary L. Kirk | None |
| 4 | Section 22: S/2 Section 23: N/2, SW/4, W/2 SE/4 | 880.00 | NM-0417385A 8-31-73 | USA 12.5 | Sun Oil Company | Mark L. Kirk: 5.00% |
| 5 | Section 9: All Section 10: All Section 11: NW/4 NW/4 | 1,320.00 | NM-0417506 8-31-73 | USA 12.5 | The Superior Oil Company | Morris W. Newman & Robert J. Newman Production Payment \$750/acre out of 5.00% |

EXHIBIT "B"

BADGER UNIT AREA
T-22-S, R-31-E, N.M.P.M.
Eddy County, New Mexico

MINER UTZ
OIL COMMISSION

EXHIBIT NO. 2

CASE NO. 4973

Submitted by C.W. Williams, Jr.

Hearing Date 5-23-73

| SECTION OF | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE |
|--|-----------------|---|------------------------------------|---|--|---------------------------------|
| A11 | 640.00 | NM-0371670 4-30-73 Extended by Drilling | USA 12.5 | Getty Oil Company Cities Service Oil Company | Lawrence C. Harris Production Payment \$750/acre out of 5.00% | Getty: 50 Cities Service: 50 |
| E/2 NW/4, S/2 NE/4, N/2 SW/4, S/2 SE/4 NE/4 NW/4, S/2 NW/4, E/2 SW/4, E/2 SE/4 NW/4 NW/4, SE/4 NW/4, NW/4 NE/4, SE/4 NE/4, NW/4 SW/4, SE/4 SW/4, NW/4 SE/4, SE/4 SE/4 | 920.00 | NM-0403961 6-30-73 | USA 12.5 | Cities Service Oil Company | Donald E. Cooper: 5.00% | Cities Service: A1 |
| E/2 SE/4 | 80.00 | NM-0417385 8-31-73 | USA 12.5 | Mary L. Kirk | None | Kirk: A11 |
| S/2 N/2, SW/4, W/2 SE/4 | 880.00 | NM-0417385A 8-31-73 | USA 12.5 | Sun Oil Company | Mark L. Kirk: 5.00% | Sun: A11 |
| A11 A11 NW/4 NW/4 | 1,320.00 | NM-0417506 8-31-73 | USA 12.5 | The Superior Oil Company | Morris W. Newman & Robert J. Newman Production Payment \$750/acre out of 5.00% | Superior: A11 |

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OR RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORK AND | |
|-----------|---|-----------------|---|------------------------------------|------------------|-----------------------------------|---|----------|
| 6 | Section 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 Section 4: Lots 1, 2, 3, S/2 N/2, S/2 | 1,238.63 | NM-0417696 8-31-73 | USA | 12.5 | The Superior Oil Company | Eagle Royalty & Minerals Company Production Payment \$750/acre out of 5.00% | Superior |
| 7 | Section 15: E/2 Section 22: N/2 | 640.00 | NM-0419982 7-31-73 | USA | 12.5 | Mobil Oil Corporation | Robert N. Enfield Production Payment \$400/acre out of 2.00% Thomas Allen: .75% Robert H. Hopkins: 2.25% | Mobil |
| 8 | Section 15: W/2 | 320.00 | NM-0419982-A 7-31-73 | USA | 12.5 | The Superior Oil Company | Robert Hopkins: 2.25% Thomas Allen: 2.75% | Superior |
| 9 | Section 14: All | 640.00 | NM-0437911 2-28-74 | USA | 12.5 | Mobil Oil Corporation | C. H. Thieriot Production Payment \$750/acre out of 5.00% | Mobil |
| 10 | Section 5: S/2 NE/4, SE/4 Section 8: E/2 Section 17: E/2 NE/4 | 640.00 | NM-0461874 10-31-73 | USA | 12.5 | Mobil Oil Corporation | Robert Enfield Production Payment \$400/acre out of 2.0000% Thomas Allen: 1.0625% Nicholas G. Flores: 1.9375% | Mobil |
| 11 | Section 5: Lots 1, 2, 3, 4, S/2 NW/4, SW/4 Section 8: N/2 NW/4 Section 17: W/2 NE/4 | 559.72 | NM-0462046 10-31-73 | USA | 12.5 | The Superior Oil Company | Robert E. Boyle: 5.00% | Superior |

| ION OF | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OR RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE | |
|---|--------------------|---|---------------------------------------|------------------|--------------------------------------|--|---------------|
| 1: Lots 1, 2, 3, 4, S/2 N/2, S/2 2: Lots 1, 2, 3, S/2 N/2, S/2 | 1,238.63 | NM-0417696 8-31-73 | USA | 12.5 | The Superior Oil Company | Eagle Royalty & Minerals Company Production Payment \$750/acre out of 5.00% | Superior: All |
| 3: E/2 4: N/2 | 640.00 | NM-0419982 7-31-73 | USA | 12.5 | Mobil Oil Corporation | Robert N. Enfield Production Payment \$400/acre out of 2.00% Thomas Allen: .75% Robert H. Hopkins: 2.25% | Mobil: All |
| 5: W/2 | 320.00 | NM-0419982-A 7-31-73 | USA | 12.5 | The Superior Oil Company | Robert Hopkins: 2.25% Thomas Allen: 2.75% | Superior: All |
| 6: A11 | 640.00 | NM-0437911 2-28-74 | USA | 12.5 | Mobil Oil Corporation | C. H. Thieriot Production Payment \$750/acre out of 5.00% | Mobil: All |
| 7: S/2 NE/4, SE/4 E/2 7: E/2 NE/4 | 640.00 | NM-0461874 10-31-73 | USA | 12.5 | Mobil Oil Corporation | Robert Enfield Production Payment \$400/acre out of 2.0000% Thomas Allen: 1.0625% Nicholas G. Flores: 1.9375% | Mobil: All |
| 8: Lots 1, 2, 3, 4, S/2 NW/4, SW/4 9: N/2 NW/4 7: W/2 NE/4 | 559.72 | NM-0462046 10-31-73 | USA | 12.5 | The Superior Oil Company | Robert E. Boyle: 5.00% | Superior: All |

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | W | |
|--|--|-----------------|---|------------------------------------|------------------|---|--|----------|
| 12 | Section 21: A11 | 640.00 | NM-0480073-A 12-31-73 | USA | 12.5 | Phillips Petroleum Company | Margaret Allen: 2.00% Donald E. Allen: .25% Mary L. Tuttle: .75% Erving Wolf: 2.00% | Ph |
| 13 | Section 11: SW/4 NW/4, N/2 NE/4, N/2 SE/4, S/2 SW/4 Section 12: NW/4 NW/4, W/2 SW/4, W/2 SE/4 Section 13: NE/4 NW/4, SW/4 NW/4, NE/4 NE/4, SW/4 NE/4, NE/4 SW/4, SW/4 SW/4, NE/4 SE/4, SW/4 SE/4 | 800.00 | NM-0530990 7-31-74 | USA | 12.5 | Marjorie J. Hoover & Ray O. Traylor (1) | Marjorie J. Hoover: 2.5% Ray O. Traylor: 2.5% | Cl Wi |
| 14 | Section 12: NE/4 | 160.00 | NM-12845 1-31-81 | USA | 12.5 | Exxon Corporation | Central Southwest Oil Corp: 5.00% | Ex |
| 15 | Section 4: Lot 4 | 39.97 | NM-17596 2-28-83 | USA | 12.5 | Beard Oil Company | None | Be |
| 12 Federal Tracts 9,518.32 acres, or 93.70% of Unit Area | | | | | | | | |
| 16 | Section 16: NE/4 NW/4, N/2 NE/4, S/2 N/2, S/2 | 600.00 | K-4044 4-21-74 | State | 12.5 | Sun Oil Company | None | Sur |

| SECTION OF | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE | |
|--|-----------------|---|------------------------------------|------------------|---|--|----------------------------------|
| A11 | 640.00 | NM-0480073-A 12-31-73 | USA | 12.5 | Phillips Petroleum Company | Margaret Allen: 2.00% Donald E. Allen: .25% Mary L. Tuttle: .75% Erving Wolf: 2.00% | Phillips: All |
| SW/4 NW/4, N/2 NE/4, N/2 SE/4, S/2 SW/4 NW/4 NW/4, N/2 SW/4, W/2 SE/4 NE/4 NW/4, SW/4 NW/4, NE/4 NE/4, SW/4 NE/4, NE/4 SW/4, SW/4 SW/4, NE/4 SE/4, SW/4 SE/4 | 800.00 | NM-0530990 7-31-74 | USA | 12.5 | Marjorie J. Hoover & Ray O. Traylor (1) | Marjorie J. Hoover: 2.5% Ray O. Traylor: 2.5% | Clayton W. Williams, Jr.: All |
| NE/4 | 160.00 | NM-12845 1-31-81 | USA | 12.5 | Exxon Corporation | Central Southwest Oil Corp: 5.00% | Exxon: All |
| Lot 4 | 39.97 | NM-17596 2-28-83 | USA | 12.5 | Beard Oil Company | None | Beard: All |

Tracts 9,518.32 acres, or 93.70% of Unit Area

| | | | | | | | |
|---|--------|-------------------|-------|------|-----------------|------|----------|
| NE/4 NW/4, N/2 NE/4, S/2 N/2, S/2 | 600.00 | K-4044 4-21-74 | State | 12.5 | Sun Oil Company | None | Sun: All |
|---|--------|-------------------|-------|------|-----------------|------|----------|

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE |
|---|-----------------------|-----------------|---|------------------------------------|------------------|-----------------------------------|
| 17 | Section 16: NW/4 NW/4 | 40.00 | L-3651 10-21-79 | State | Del-Lea, Inc. | None |
| 2 State Tracts 640 acres, or 6.30% of Unit Area | | | | | | |

TOTAL: 17 Tracts 10,158.32 acres in entire Unit Area.

NOTE: (1) Mrs. Hoover and Mr. Traylor have agreed to sell this lease to Griffin, Ross & Burnett, Inc., retaining a 5% overriding royalty. Griffin, Ross & Burnett, Inc. have in turn agreed to sell this lease to Clayton W. Williams, Jr. The necessary instruments to effect this transfer are now being prepared and will be filed for approval as soon as possible.

| SECTION OF | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE |
|--------------|--------------------|---|---------------------------------------|------------------|--------------------------------------|------------------------------------|
| 6: NW/4 NW/4 | 40.00 | L-3651 10-21-79 | State 12.5 | Del-Lea, Inc. | None | Del-Lea: All |

tracts 640 acres, or 6.30% of Unit Area

10,158.32 acres in entire Unit Area.

Mr. Traylor and Mr. Griffin have agreed to sell this lease to Griffin, Ross & Burnett, Inc., retaining a 5% overriding royalty. Griffin, Ross & Burnett, Inc. have in turn agreed to sell this lease to Clayton W. Williams, Jr. The necessary instruments to effect this transfer in ownership are being prepared and will be filed for approval as soon as possible.

State of New Mexico

TELEPHONE
505-827-2748



Commissioner of Public Lands

April 30, 1973

ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO

Griffin, Ross & Burnett, Inc.
2102 Wilco Building
Midland, Texas 79701

Re: File No. 2217
Badger Unit
Eddy County, New Mexico

ATTENTION: Mr. Kenneth H. Griffin

Gentlemen:

In reply to your letter of April 23, 1973, in connection with the subject unit, we have no objection to the unit area as outlined in your proposal.

Approval of the proposed unit will be conditioned on receipt of a unit agreement which will meet all the requirements of the Commissioner of Public Lands and also that will be acceptable by the United States Geological Survey and the Oil Conservation Commission.

Very truly yours,

Ray D. Graham
RAY D. GRAHAM, Director
Oil and Gas Department

AJA/RDG/s

| | |
|------------------|---------------------|
| BEFORE | FILED |
| OIL CONSERVATION | COMMISSION |
| UNIT NO. 3 | |
| CASE NO. | 4973 |
| Submitted by | C. W. Williams, Jr. |
| Received | 5-23-73 |



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

MAY 15 1973

Griffin, Ross & Barnett, Inc.
2102 Wilco Building
Midland, Texas 79701

Attention: Mr. Kenneth H. Griffin

Gentlemen:

Your application dated April 24, 1973, filed on behalf of Clayton W. Williams, Jr., with the Area Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Badger unit area embracing 10,158.32 acres, more or less, Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

The land outlined on your plat marked "Exhibit A, Badger 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 (1968 reprint) modified to include appropriate language required for State of New Mexico lands, the potash protection language proposed as a new section on page 2 of your application, and should provide for the drilling of the initial well to test the Siluro-Devonian or to a depth of 15,500 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 1968 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 unit 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 1968 reprint of the standard form should be followed closely in the preparation of Exhibits A and B.

| | |
|----------------|---------------------|
| BEFORE | UNITED STATES |
| OIL COMMISSION | 4 |
| CASE NO. | 4973 |
| Submitted by | C. W. Williams, Jr. |
| Hearing on | 5-23-73 |

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 joinders, regardless of prior contacts with or clearances from the State.

Sincerely yours,

Henry W. Carter
Acting Director



ALEX J. ARMIJO
COMMISSIONER

State of New Mexico



Commissioner of Public Lands
April 30, 1973

TELEPHONE
505-827-2748

P. O. BOX 1148
SANTA FE, NEW MEXICO

Griffin, Ross & Burnett, Inc.
2102 Wilco Building
Midland, Texas 79701

Re: File No. 2217
Badger Unit
Eddy County, New Mexico

ATTENTION: Mr. Kenneth H. Griffin

Gentlemen:

In reply to your letter of April 23, 1973, in connection with the subject unit, we have no objection to the unit area as outlined in your proposal.

Approval of the proposed unit will be conditioned on receipt of a unit agreement which will meet all the requirements of the Commissioner of Public Lands and also that will be acceptable by the United States Geological Survey and the Oil Conservation Commission.

Very truly yours,

Ray D. Graham
RAY D. GRAHAM, Director
Oil and Gas Department

AJA/RDG/s

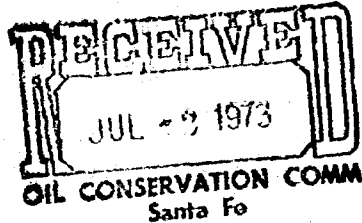
| | |
|-----------------------------|--------------------|
| BEFORE EXAMINER | |
| OIL CONSERVATION COMMISSION | |
| EXHIBIT NO. | 3 |
| CASE NO. | 4973 |
| Submitted by | C.W. Williams, Jr. |
| Hearing ID | 5-23-73 |

Griffin, Ross & Burnett, Inc.

Oil Properties

KENNETH H. GRIFFIN
ROBERT B. ROSS
GARY G. BURNETT

2102 WILCO BUILDING
MIDLAND, TEXAS 79701
915 683-2705



June 29, 1973

Re: File No. 2217
Badger Unit
Eddy County, New Mexico
Case No. 49731
Order No. R-4543

OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Gentlemen:

In accordance with the above order we enclose herewith the following:

- 1) Copy of Unit Agreement showing execution by the Unit Operator and Approval by the U.S.G.S. and State Land Commissioner.
- 2) Copies of Ratifications executed by the following:

The Superior Oil Company
Mobil Oil Corporation
Sun Oil Company
Cities Service Oil Company
Mary L. Kirk
Phillips Petroleum Company

If any further information is needed, please let us know.

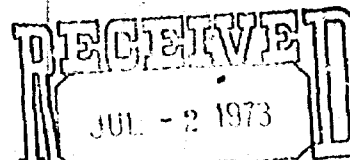
Yours very truly,

GRIFFIN, ROSS & BURNETT, INC.

Kenneth H. Griffin
Kenneth H. Griffin

KHG:mw
Encls.

cc: Mr. David Y. Rogers
CLAYTON W. WILLIAMS, JR.
5th Floor Gihls Tower West
Midland, Texas



CERTIFICATION--DETERMINATION
OIL CONSERVATION COMM.
Santa Fe

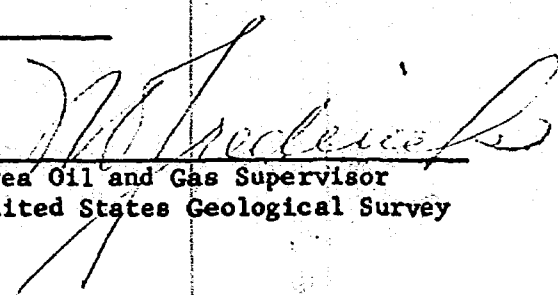
Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Area Oil and Gas Supervisors of the Geological Survey, I do hereby:

A. Approve the attached agreement for the development and operation of the Badger 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: June 28, 1973


Area Oil and Gas Supervisor
United States Geological Survey

Contract Number 14-08-0001-12400



NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

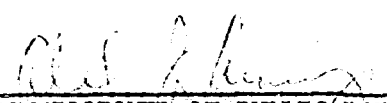
COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
BADGER UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

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 June 1, 1973, 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 afore-said statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 25th. day of June, 19 73.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

UNIT AGREEMENT
BADGER UNIT AREA
EDDY COUNTY, NEW MEXICO

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1 UNIT AGREEMENT
2 FOR THE DEVELOPMENT AND OPERATION
3 OF THE
4 BADGER UNIT AREA
5 COUNTY OF EDDY
6 STATE OF NEW MEXICO

7 NO. _____

8 THIS AGREEMENT entered into as of the 1st day of June,
9 1973, by and between the parties subscribing, ratifying or consenting hereto,
10 and herein referred to as the "parties hereto".

11 WITNESSETH:

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

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

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

27 WHEREAS, the Oil Conservation Commission of the State of New Mexico is
28 authorized by an Act of the Legislature (Article 3, Chapter 65, Vol. 9,
29 Part 2, 1953 Statutes) to approve this agreement and the conservation provisions
30 hereof; and

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

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

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

9 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February
10 25, 1920, as amended, supra, and all valid pertinent regulations, including
11 operating and unit plan regulations, heretofore issued thereunder or valid,
12 pertinent and reasonable regulations hereafter issued thereunder are accepted
13 and made a part of this agreement as to Federal lands, provided such regula-
14 tions are not inconsistent with the terms of this agreement; and as to non-
15 Federal lands, the oil and gas operating regulations in effect as of the
16 effective date hereof governing drilling and producing operations, not in-
17 consistent with the terms hereof or the laws of the State of which the non-
18 Federal land is located, are hereby accepted and made a part of this agreement.

19 2. UNIT AREA. The area specified on the map attached hereto marked
20 Exhibit "A" is hereby designated and recognized as constituting the unit area,
21 containing 10,158.32 acres, more or less.

22 Exhibit "A" shows, in addition to the boundary of the unit area, the
23 boundaries and identity of tracts and leases in said area to the extent known
24 to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to
25 the extent known to the Unit Operator the acreage, percentage, and kind of
26 ownership of oil and gas interests in all land in the unit area. However,
27 nothing herein or in said schedule or map shall be construed as a representa-
28 tion by any party hereto as to the ownership of any interest other than such
29 interest or interests as are shown in said map or schedule as owned by such
30 party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever
31 changes in the unit area render such revision necessary, or when requested
32 by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or
33 when requested by the Commissioner of Public Lands of the State of New Mexico,

1 hereinafter referred to as "Commissioner", and not less than five copies
2 of the revised exhibits shall be filed with the Supervisor, and two copies
3 thereof shall be filed with the Commissioner, and one copy with the New
4 Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

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

10 (a) Unit Operator, on its own motion or on demand of the Director
11 of the Geological Survey, hereinafter referred to as "Director", or on de-
12 mand of the Commissioner, after preliminary concurrence by the Director
13 and the Commissioner, shall prepare a notice of proposed expansion or con-
14 traction describing the contemplated changes in the boundaries of the unit
15 area, the reasons therefor, and the proposed effective date thereof, pre-
16 ferably the first day of a month subsequent to the date of notice.

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

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

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

32 (e) All legal subdivisions of lands (i.e., 40 acres by Government
33 survey or its nearest lot or tract equivalent; in instances of irregular

1 surveys unusually large lots or tracts shall be considered in multiples
2 of 40 acres or the nearest aliquot equivalent thereof), no parts of which
3 are entitled to be in a participating area on or before the fifth anniver-
4 sary of the effective date of the first initial participating area estab-
5 lished under this unit agreement, shall be eliminated automatically from
6 this agreement, effective as of said fifth anniversary, and such lands shall
7 no longer be a part of the unit area and shall no longer be subject to this
8 agreement, unless diligent drilling operations are in progress on unitized
9 lands not entitled to participation on said fifth anniversary, in which event
10 all such lands shall remain subject hereto so long as such drilling opera-
11 tions are continued diligently with not more than 90 days' time elapsing
12 between the completion of one well and the commencement of the next well.
13 All legal subdivisions of lands not entitled to be in a participating area
14 within 10 years after the effective date of the first initial participating
15 area approved under this agreement shall be automatically eliminated from
16 this agreement as of said tenth anniversary. All lands proved productive
17 by diligent drilling operations after the aforesaid 5-year period shall
18 become participating in the same manner as during said 5-year period. How-
19 ever, when such diligent drilling operations cease, all nonparticipating
20 lands shall be automatically eliminated effective as of the 91st day there-
21 after. The Unit Operator shall, within 90 days after the effective date of
22 any elimination hereunder, describe the area so eliminated to the satisfac-
23 tion of the Supervisor and the Commissioner, and promptly notify all parties
24 in interest.

25 If conditions warrant extension of the 10-year period specified in
26 this subsection 2(e), a single extension of not to exceed 2 years may be
27 accomplished by consent of the owners of 90% of the working interests in the
28 current nonparticipating unitized lands and the owners of 60% of the basic
29 royalty interests (exclusive of the basic royalty interests of the United
30 States) in nonparticipating unitized lands with approval of the Director and
31 Commissioner, provided such extension application is submitted to the Director
32 and Commissioner not later than 60 days prior to the expiration of said ten-year
33 period.

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

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

9 4. UNIT OPERATOR. Clayton W. Williams, Jr. is hereby designated as
10 Unit Operator and by signature hereto as Unit Operator agrees and consents
11 to accept the duties and obligations of Unit Operator for the discovery,
12 development and production of unitized substances as herein provided.
13 Whenever reference is made herein to the Unit Operator, such reference means
14 the Unit Operator acting in that capacity and not as an owner of interest in
15 unitized substances, and the term "working interest owner" when used
16 herein shall include or refer to Unit Operator as the owner of a working
17 interest when such an interest is owned by it.

18 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall
19 have the right to resign at any time prior to the establishment of a
20 participating area or areas hereunder, but such resignation shall not
21 become effective so as to release Unit Operator from the duties and obliga-
22 tions of Unit Operator and terminate Unit Operator's rights as such for a
23 period of 6 months after notice of intention to resign has been served by
24 Unit Operator on all working interest owners, the Supervisor, and the
25 Commissioner, and until all wells then drilled hereunder are placed
26 in a satisfactory condition for suspension or abandonment whichever is
27 required by the Supervisor as to Federal lands and by the Commissioner
28 as to State lands, unless a new Unit Operator shall have been selected
29 and approved and shall have taken over and assumed the duties and
30 obligations of Unit Operator prior to the expiration of said period.

31 Unit Operator shall have the right to resign in like manner and subject
32 to like limitations as above provided at any time a participating area

1 established hereunder is in existence, but, in all instances of resignation
2 or removal, until a successor Unit Operator is selected and approved as
3 hereinafter provided, the working interest owners shall be jointly responsi-
4 ble for performance of the duties of Unit Operator, and shall, not later
5 than 30 days before such resignation or removal becomes effective, appoint
6 a common agent to represent them in any action to be taken hereunder.

7 The resignation of Unit Operator shall not release Unit Operator from
8 any liability for any default by it hereunder occurring prior to the effec-
9 tive date of its resignation.

10 The Unit Operator may, upon default or failure in the performance of
11 its duties or obligations hereunder, be subject to removal by the same
12 percentage vote of the owners of working interests as herein provided for
13 the selection of a new Unit Operator. Such removal shall be effective
14 upon notice thereof to the Supervisor and the Commissioner.

15 The resignation or removal of Unit Operator under this agreement shall
16 not terminate its right, title or interest as the owner of a working inter-
17 est or other interest in unitized substances, but upon the resignation or
18 removal of Unit Operator becoming effective, such Unit Operator shall
19 deliver possession of all wells, equipment, materials and appurtenances used
20 in conducting the unit operations to the new duly qualified successor Unit
21 Operator or to the common agent, if no such new Unit Operator is elected,
22 to be used for the purpose of conducting unit operations hereunder. Nothing
23 herein shall be construed as authorizing removal of any material, equipment
24 and appurtenances needed for the preservation of any wells.

25 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender
26 his or its resignation as Unit Operator or shall be removed as hereinabove
27 provided, or a change of Unit Operator is negotiated by working interest
28 owners, the owners of the working interests in the participating area or
29 areas according to their respective acreage interests in such participating
30 area or areas, or, until a participating area shall have been established,
31 the owners of the working interests according to their respective acreage
32 interests in all unitized land, shall by majority vote select a successor
33 Unit Operator: Provided, That, if a majority but less than 75 per cent of

1 the working interests qualified to vote are owned by one party to this
2 agreement, a concurring vote of one or more additional working interest
3 owners shall be required to select a new operator. Such selection shall
4 not become effective until

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

7 (b) the selection shall have been approved by the Supervisor and
8 the Commissioner.

9 If no successor Unit Operator is selected and qualified as herein
10 provided, the Director and Commissioner at their election may declare
11 this unit agreement terminated.

12 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the
13 Unit Operator is not the sole owner of working interest, costs and expenses
14 incurred by Unit Operator in conducting unit operations hereunder shall be
15 paid and apportioned among and borne by the owners of working interests,
16 all in accordance with the agreement or agreements entered into by and
17 between the Unit Operator and the owners of working interests, whether one
18 or more, separately or collectively. Any agreement or agreements entered
19 into between the working interest owners and the Unit Operator as provided
20 in this section, whether one or more, are herein referred to as the "unit
21 operating agreement". Such unit operating agreement shall also provide
22 the manner in which the working interest owners shall be entitled to receive
23 their respective proportionate and allocated share of the benefits accruing
24 hereto in conformity with their underlying operating agreements, leases or
25 other independent contracts, and such other rights and obligations as be-
26 tween Unit Operator and the working interest owners as may be agreed upon
27 by Unit Operator and the working interest owners; however, no such unit
28 operating agreement shall be deemed either to modify any of the terms and
29 conditions of this unit agreement or to relieve the Unit Operator of any
30 right or obligation established under this unit agreement, and in case of any
31 inconsistency or conflict between this unit agreement and the unit operating
32 agreement, this unit agreement shall govern. Three true copies of any unit
33 operating agreement executed pursuant to this section should be filed with

1 the Supervisor and two true copies with the Commissioner.

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

16 9. DRILLING TO DISCOVERY. Within 6 months after the effective date
17 hereof, the Unit Operator shall begin to drill an adequate test well at a
18 location approved by the Supervisor, if on Federal land, or by the Commissioner
19 if on State land, unless on such effective date a well is being drilled con-
20 formably with the terms hereof, and thereafter continue such drilling diligently
21 until the Siluro-Devonian formation has been tested or until at a lesser depth
22 unitized substances shall be discovered which can be produced in paying quan-
23 tities (to-wit: quantities sufficient to repay the costs of drilling, complet-
24 ing, and producing operations, with a reasonable profit) or the Unit Operator
25 shall at any time establish to the satisfaction of the Supervisor if located on
26 Federal lands, or the Commissioner if located on State lands, that further drill-
27 ing of said well would be unwarranted or impracticable, provided, however,
28 that Unit Operator shall not in any event be required to drill said well to
29 a depth in excess of 15,500 feet. Until the discovery of a deposit of unitized
30 substances capable of being produced in paying quantities, the Unit Operator
31 shall continue drilling one well at a time, allowing not more than 6 months
32 between the completion of one well and the beginning of the next well, until

1 a well capable of producing unitized substances in paying quantities
2 is completed to the satisfaction of said Supervisor if on Federal land,
3 or the Commissioner if on State land,
4 or until it is reasonable proved that the unitized land is incapable of
5 producing unitized substances in paying quantities in the formations drilled
6 hereunder. Nothing in this section shall be deemed to limit the right of
7 the Unit Operator to resign as provided in Section 5 hereof, or as requir-
8 ing Unit Operator to commence or continue any drilling during the period
9 pending such resignation becoming effective in order to comply with the
10 requirements of this section. The Supervisor and Commissioner may modify
11 the drilling requirements of this section by granting reasonable extensions
12 of time when, in their opinion, such action is warranted. Upon failure
13 to commence any well provided for in this section within the time allowed,
14 including any extension of time granted by the Supervisor and the Com-
15 missioner, this agreement will automatically terminate; upon failure to
16 continue drilling diligently any well commenced hereunder, the Supervisor
17 and Commissioner may, after 15 days notice to the Unit Operator, declare
18 this unit agreement terminated.

19 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after
20 completion of a well capable of producing unitized substances in paying
21 quantities, the Unit Operator shall submit for the approval of the Supervisor
22 and the Commissioner an acceptable plan of development and operation for the
23 unitized land which, when approved by the Supervisor and the Commissioner,
24 shall constitute the further drilling and operating obligations of the Unit
25 Operator under this agreement for the period specified therein. Thereafter,
26 from time to time before the expiration of any existing plan, the Unit Operator
27 shall submit for the approval of the Supervisor and the Commissioner a plan
28 for an additional specified period for the development and operation of the
29 unitized land.

30 Any plan submitted pursuant to this section shall provide for the
31 exploration of the unitized area and for the diligent drilling necessary
32 for determination of the area or areas thereof capable of producing unitized
33 substances in paying quantities in each and every productive formation and

1 shall be as complete and adequate as the Supervisor, and the
2 Commissioner may determine to be necessary for timely development and
3 proper conservation of the oil and gas resources of the unitized area
4 and shall:

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

7 (b) to the extent practicable, specify the operating practices
8 regarded as necessary and advisable for proper conservation
9 of natural resources.

10 Separate plans may be submitted for separate productive zones, subject to
11 the approval of the Supervisor and the Commissioner.

12 Plans shall be modified or supplemented when necessary to meet changed
13 conditions or to protect the interests of all parties to this agreement.
14 Reasonable diligence shall be exercised in complying with the obligations
15 of the approved plan of development. The Supervisor and Commissioner are
16 authorized to grant a reasonable extension of the 6-month period herein
17 prescribed for submission of an initial plan of development where such
18 action is justified because of unusual conditions or circumstances. After
19 completion hereunder of a well capable of producing any unitized substances
20 in paying quantities, no further wells, except such as may be necessary to
21 afford protection against operations not under this agreement and such as may
22 be specifically approved by the Supervisor and the Commissioner, shall be
23 drilled except in accordance with a plan of development approved as herein
24 provided.

25 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable
26 of producing unitized substances in paying quantities or as soon thereafter
27 as required by the Supervisor and Commissioner, the Unit Operator shall sub-
28 mit for approval by the Supervisor and Commissioner a schedule, based on
29 subdivisions of the public land survey or aliquot parts thereof, of all land
30 then regarded as reasonably proved to be productive in paying quantities;
31 all lands in said schedule on approval of the Supervisor and Commissioner to
32 constitute a participating area, effective as of the date of completion of
33 such well or the effective date of this unit agreement, whichever is later,

1 The acreages of both Federal and non-Federal lands shall be based upon
2 appropriate computations from the courses and distances shown on the
3 last approved public land survey as of the effective date of each initial
4 participating area. Said schedule shall also set forth the percentage of
5 unitized substances to be allocated as herein provided to each tract in
6 the participating area so established, and shall govern the allocation
7 of production commencing with the effective date of the participating area.
8 A separate participating area shall be established for each separate pool
9 or deposit of unitized substances or for any group thereof which is pro-
10 duced as a single pool or zone, and any two or more participating areas
11 so established may be combined into one, on approval of the Supervisor
12 and Commissioner. When production from two or more participating areas,
13 so established, is subsequently found to be from a common pool or deposit
14 said participating areas shall be combined into one effective as of such
15 appropriate date as may be approved or prescribed by the Supervisor and
16 Commissioner. The participating area or areas so established shall be revised
17 from time to time, subject to like approval, to include additional land then
18 regarded as reasonably proved to be productive in paying quantities or neces-
19 sary for unit operations, or to exclude land then regarded as reasonably
20 proved not to be productive in paying quantities and the schedule of allo-
21 cation percentages shall be revised accordingly. The effective date of any
22 revision shall be the first day of the month in which is obtained the know-
23 ledge or information on which such revision is predicated, provided, however,
24 that a more appropriate effective date may be used if justified by the Unit
25 Operator and approved by the Supervisor and Commissioner. No land shall be
26 excluded from a participating area on account of depletion of the unitized
27 substances, except that any participating area established under the provisions
28 of this unit agreement shall terminate automatically whenever all completions
29 in the formation on which the participating area is based are abandoned.

30 It is the intent of this section that a participating area shall repre-
31 sent the area known or reasonably estimated to be productive in paying quanti-
32 ties, but, regardless of any revision of the participating area, nothing herein
33 contained shall be construed as requiring any retroactive adjustment for

1 production obtained prior to the effective date of the revision of the
2 participating area.

3 In the absence of agreement at any time between the Unit Operator
4 and the Supervisor and Commissioner as to the proper definition or rede-
5 finition of a participating area, or until a participating area has, or
6 areas have, been established as provided herein, the portion of all pay-
7 ments affected thereby shall be impounded in a manner mutually acceptable
8 to the owners of working interests and the Supervisor and Commissioner.
9 Royalties due the United States and the State of New Mexico, which shall
10 be determined by the Supervisor for Federal land and the Commissioner for
11 State land and the amount thereof shall be deposited, as directed by the
12 Supervisor and Commissioner respectively, to be held as unearned money
13 until a participating area is finally approved and then applied as earned
14 or returned in accordance with a determination of the sum due as Federal
15 and State royalty on the basis of such approved participating area.

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

27 12. ALLOCATION OF PRODUCTION. All unitized substances produced from
28 each participating area established under this agreement, except any part
29 thereof used in conformity with good operating practices within the unitized
30 area for drilling, operating, camp and other production or development pur-
31 poses, for repressuring or recycling in accordance with a plan of development
32 approved by the Supervisor and Commissioner, or unavoidably lost, shall be
33 deemed to be produced equally on an acreage basis from the several tracts

1 of unitized land of the participating area established for such production
2 and, for the purpose of determining any benefits accruing under this agree-
3 ment, each such tract of unitized land shall have allocated to it such per-
4 centage of said production as the number of acres of such tract included
5 in said participating area bears to the total acres of unitized land in
6 said participating area, except that allocation of production hereunder for
7 purposes other than for settlement of the royalty, overriding royalty, or
8 payment out of production obligations of the respective working interest
9 owners, shall be on the basis prescribed in the unit operating agreement
10 whether in conformity with the basis of allocation herein set forth or other-
11 wise. It is hereby agreed that production of unitized substances from a
12 participating area shall be allocated as provided herein regardless of
13 whether any wells are drilled on any particular part or tract of said part-
14 icipating area. If any gas produced from one participating area is used for
15 repressuring or recycling purposes in another participating area, the first
16 gas withdrawn from such last mentioned participating area for sale during
17 the life of this agreement shall be considered to be the gas so transferred
18 until an amount equal to that transferred shall be so produced for sale and
19 such gas shall be allocated to the participating area from which initially
20 produced as such area was last defined at the time of such final production.

21 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS.
22 Any party hereto owning or controlling the working interest in any unitized
23 land having thereon a regular well location may with the approval of the
24 Supervisor as to Federal land and the Commissioner as to State land,
25 at such party's sole risk, cost and expense, drill a well to test
26 any formation for which a participating area has not been established
27 or to test any formation for which a participating area has been
28 established if such location is not within said participating
29 area, unless within 90 days of receipt of notice from said party of his in-
30 tention to drill the well the Unit Operator elects and commences to drill such
31 a well in like manner as other wells are drilled by the Unit Operator under
32 this agreement.

33 If any well drilled as aforesaid by a working interest owner results

1 In production such that the land upon which it is situated may properly be
2 included in a participating area, such participating area shall be established
3 or enlarged as provided in this agreement and the well shall thereafter be
4 operated by the Unit Operator in accordance with the terms of this agreement
5 and the unit operating agreement.

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

13 14. ROYALTY SETTLEMENT. The United States and any State and any
14 royalty owner who is entitled to take in kind a share of the substances
15 now unitized hereunder shall hereafter be entitled to the right to take in
16 kind its share of the unitized substances, and the Unit Operator, or the
17 working interest owner in case of the operation of a well by a working inter-
18 est owner as herein provided for in special cases, shall make deliveries of
19 such royalty share taken in kind in conformity with the applicable contracts,
20 laws and regulations. Settlement for royalty interest not taken in kind shall
21 be made by working interest owners responsible therefor under existing con-
22 tracts, laws and regulations, or by the Unit Operator, on or before the last
23 day of each month for unitized substances produced during the preceding cal-
24 endar month; provided, however, that nothing herein contained shall operate
25 to relieve the lessees of any land from their respective lease obligations
26 for the payment of any royalties due under their leases.

27 If gas obtained from lands not subject to this agreement is introduced
28 into any participating area hereunder, for use in repressuring, stimulation
29 of production, or increasing ultimate recovery, in conformity with a plan of
30 operations approved by the Supervisor and the Commissioner, a
31 like amount of gas, after settlement as herein provided for any gas transferred
32 from any other participating area and with appropriate deduction for loss from
33 any cause, may be withdrawn from the formation in which the gas is introduced,

1 royalty free as to dry gas, but not as to any products which may be extracted
2 therefrom; provided that such withdrawal shall be at such time as may be
3 provided in the approved plan of operations or as may otherwise be consented
4 to by the Supervisor and the Commissioner as conforming to good
5 petroleum engineering practice; and provided further, that such right of
6 withdrawal shall terminate on the termination of this unit agreement.

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

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

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

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

30 With respect to any lease on non-Federal land containing provisions which
31 would terminate such lease unless drilling operations are commenced upon the
32 land covered thereby within the time therein specified or rentals are paid for
33 the privilege of deferring such drilling operations, the rentals required

1 thereby shall, notwithstanding any other provisions of this agreement, be
2 deemed to accrue and become payable during the term thereof as extended by
3 this agreement and until the required drilling operations are commenced
4 upon the land covered thereby or until some portion of such land is included
5 within a participating area.

6 16. CONSERVATION. Operations hereunder and production of unitized
7 substances shall be conducted to provide for the most economical and effi-
8 cient recovery of said substances without waste, as defined by or pursuant
9 to State or Federal laws or regulations.

10 17. DRAINAGE. The Unit Operator shall take such measures as the
11 Supervisor and Commissioner deem appropriate and adequate to prevent drain-
12 age of unitized substances from unitized land by wells on land not subject
13 to this agreement.

14 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions
15 and provisions of all leases, subleases and other contracts relating to ex-
16 ploration, drilling, development or operations for oil or gas on lands com-
17 mitted to this agreement are hereby expressly modified and amended to the
18 extent necessary to make the same conform to the provisions hereof, but
19 otherwise to remain in full force and effect; and the parties hereto hereby
20 consent that the Secretary as to Federal leases and the Commissioner as to
21 State leases shall and each by his approval hereof, or by the approval hereof
22 by their duly authorized representatives, do hereby establish, alter, change
23 or revoke the drilling, producing, rental, minimum royalty and royalty re-
24 quirements of Federal and State leases committed hereto and the regulations
25 in respect thereto to conform said requirements to the provisions of this
26 agreement, and, without limiting the generality of the foregoing, all leases,
27 subleases, and contracts are particularly modified in accordance with the
28 following:

29 (a) The development and operation of lands subject to this agreement
30 under the terms hereof shall be deemed full performance of all obligations
31 for development and operation with respect to each and every separately
32 owned tract subject to this agreement, regardless of whether there is
33 any development of any particular tract of the unit area.

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

7 (c) Suspension of drilling or producing operations on all
8 unitized lands pursuant to direction or consent of the Secretary
9 and Commissioner or their duly authorized representatives shall
10 be deemed to constitute such suspension pursuant to such direc-
11 tion or consent as to each and every tract of unitized land.
12 A suspension of drilling or producing operations limited to
13 specified lands shall be applicable only to such lands.

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

30 (e) Each sublease or contract relating to the operation and development

1 of unitized substances from lands of the United States committed
2 to this agreement, which by its terms would expire prior to the
3 time at which the underlying lease, as extended by the immediately
4 preceding paragraph, will expire, is hereby extended beyond any such
5 term so provided therein so that it shall be continued in full force
6 and effect for and during the term of the underlying lease as such
7 term is herein extended.

8 (f) Any lease embracing lands of the State of New Mexico which is
9 made subject to this agreement, shall continue in force beyond the
10 term provided therein as to the lands committed hereto until the
11 termination hereof, subject to the provisions of subsection (e) of
12 Section 2 and subsection (h) of this Section 18.

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

25 (h) Any lease embracing lands of the State of New Mexico having only
26 a portion of its lands committed hereto, shall be segregated as to the
27 portion committed and the portion not committed, and the provisions of
28 such lease shall apply separately to such segregated portions commencing
29 as of the effective date hereof; provided, however, notwithstanding any
30 of the provisions of this agreement to the contrary any lease embracing
31 lands of the State of New Mexico having only a portion of its lands
32 committed hereto shall continue in full force and effect beyond the term
33 provided therein as to all lands embraced in such lease, if oil or gas

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

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

27 20. EFFECTIVE DATE AND TERM. This agreement shall become
28 effective upon approval by the Secretary and Commissioner, or their
29 duly authorized representatives and shall terminate five (5) years
30 from said effective date unless:

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

1 (b) it is reasonably determined prior to the expiration of the fixed
2 term or any extension thereof that the unitized land is incapable of
3 production of unitized substances in paying quantities in the formations
4 tested hereunder and after notice of intention to terminate the agreement
5 on such ground is given by the Unit Operator to all parties in interest
6 at their last known addresses, the agreement is terminated with the ap-
7 proval of the Supervisor and the Commissioner, or

8 (c) a valuable discovery of unitized substances has been made or
9 accepted on unitized land during said initial term or any extension
10 thereof, in which event the agreement shall remain in effect for such
11 term and so long as unitized substances can be produced in quantities
12 sufficient to pay for the cost of producing same from wells on unitized
13 land within any participating area established hereunder and, should
14 production cease, so long thereafter as diligent operations are in pro-
15 gress for the restoration of production or discovery of new production
16 and so long thereafter as unitized substances so discovered can be pro-
17 duced as aforesaid, or

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

23 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is
24 hereby vested with authority to alter or modify from time to time in his dis-
25 cretion the quantity and rate of production under this agreement when such
26 quantity and rate is not fixed pursuant to Federal or State law or does not
27 conform to any statewide voluntary conservation or allocation program, which
28 is established, recognized and generally adhered to by the majority of oper-
29 ators in such State, such authority being hereby limited to alteration or mod-
30 ification in the public interest, the purpose thereof and the public interest
31 to be served thereby to be stated in the order of alteration or modification.
32 Without regard to the foregoing, the Director is also hereby vested with
33 authority to alter or modify from time to time in his discretion the rate of

1 prospecting and development and the quantity and rate of production under
2 this agreement when such alteration or modification is in the interest of
3 attaining the conservation objectives stated in this agreement and is not
4 in violation of any applicable Federal or State law; provided, further, that
5 no such alteration or modification shall be effective as to any land of the
6 State of New Mexico, as to the rate of prospecting and developing in the
7 absence of the specific written approval thereof by the Commissioner and
8 as to any lands of the State of New Mexico subject to this agreement as to
9 the quantity and rate of production in the absence of specific written
10 approval thereof by the Commissioner.

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

14 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the work-
15 ing interest owners nor any of them shall be subject to any forfeiture, termin-
16 ation or expiration of any rights hereunder or under any leases or contracts
17 subject hereto, or to any penalty or liability on account of delay or failure
18 in whole or in part to comply with any applicable provision thereof to the
19 extent that the Unit Operator, working interest owners or any of them are
20 hindered, delayed or prevented from complying therewith by reason of failure
21 of the Unit Operator to obtain in the exercise of due diligence, the concur-
22 rence of proper representatives of the United States and proper representatives
23 of the State of New Mexico in and about any matters or things concerning which
24 it is required herein that such concurrence be obtained. The parties hereto,
25 including the Commission, agree that all powers and authority vested in the
26 Commission in and by any provisions of this agreement are vested in the Com-
27 mission and shall be exercised by it pursuant to the provisions of the laws
28 of the State of New Mexico and subject in any case to appeal or judicial re-
29 view as may now or hereafter be provided by the laws of the State of New Mexico.

30 23. APPEARANCES. Unit Operator shall, after notice to other parties
31 affected, have the right to appear for and on behalf of any and all interests
32 affected hereby before the Department of the Interior, the Commissioner of
33 Public Lands of the State of New Mexico and the New Mexico Oil Conservation

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

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

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

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

1 the suspension is no longer applicable. Determination of creditable
2 "Unavoidable Delay" time shall be made by the Unit Operator subject to
3 approval of the Supervisor and Commissioner.

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

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

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

25 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any sub-
26 stantial interest in a tract within the unit area fails or refuses to sub-
27 scribe or consent to this agreement, the owner of the working interest in
28 that tract may withdraw said tract from this agreement by written notice
29 delivered to the Supervisor and the Commissioner and the Unit Operator
30 prior to the approval of this agreement by the Supervisor and Commissioner.
31 Any oil or gas interests in lands within the unit area not committed hereto
32 prior to submission of this agreement for final approval may thereafter be
33 committed hereto by the owner or owners thereof subscribing or consenting

1 to this agreement, and, if the interest is a working interest, by the owner
2 of such interest also subscribing to the unit operating agreement. After
3 operations are commenced hereunder, the right of subsequent joinder, as
4 provided in this section, by a working interest owner is subject to such
5 requirements or approvals, if any, pertaining to such joinder, as may be
6 provided for in the unit operating agreement. After final approval hereof,
7 joinder by a non-working interest owner must be consented to in writing by
8 the working interest owner committed hereto and responsible for the payment
9 of any benefits that may accrue hereunder in behalf of such non-working
10 interest. A non-working interest may not be committed to this unit agree-
11 ment unless the corresponding working interest is committed hereto. Joinder
12 to the unit agreement by a working interest owner, at any time, must be
13 accompanied by appropriate joinder to the unit operating agreement, if more
14 than one committed working interest owner is involved, in order for the
15 interest to be regarded as committed to this unit agreement. Except as
16 may otherwise herein be provided, subsequent joinders to this agreement shall
17 be effective as of the first day of the month following the filing with the
18 Supervisor and the Commissioner of duly executed counterparts of all or any
19 papers necessary to establish effective commitment of any tract to this
20 agreement unless objection to such joinder is duly made within 60 days by
21 the Supervisor, provided, however, that as to State lands all subsequent
22 joinders must be approved by the Commissioner.

23 30. PROTECTION OF POTASH DEPOSITS. No wells will be drilled for oil
24 or gas at a location on Federal lands which in the opinion of the Supervisor
25 or at a location on State lands which in the opinion of the Commissioner would
26 result in undue waste of potash deposits or constitute a hazard to or unduly
27 interfere with mining operations being conducted for the extraction of potash
28 deposits.

29 The drilling or abandonment of any well on unitized land shall be done
30 in accordance with applicable oil and gas operating regulations, including
31 such requirements as to Federal lands as may be prescribed by the Supervisor
32 and as to State lands by the Commissioner, as necessary to prevent the infil-
33 tration of oil, gas or water into formations containing potash deposits or

1 Into mines or workings being utilized in the extraction of such deposits.
2 Well records and survey plats that an oil and gas lessee of Federal
3 lands must file pursuant to applicable operating regulations (30 CFR Part 221)
4 shall be available for inspection at the Office of the Supervisor to any
5 party holding a potash permit or lease on the Federal land on which the well
6 is situated insofar as such records are pertinent to the mining and protection
7 of potash deposits.

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

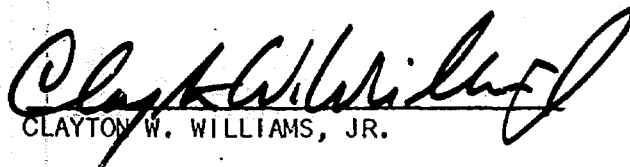
16 32. NO PARTNERSHIP. It is expressly agreed that the relation of the
17 parties hereto is that of independent contractors and nothing in this agree-
18 ment contained, expressed or implied, nor any operations conducted hereunder,
19 shall create or be deemed to have created a partnership or association between
20 the parties hereto or any of them.

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

UNIT OPERATOR AND WORKING INTEREST OWNER

DATE: June 20, 1973

ADDRESS: P.O. Box 1621
Fort Stockton, Texas


CLAYTON W. WILLIAMS, JR.

WORKING INTEREST OWNERS

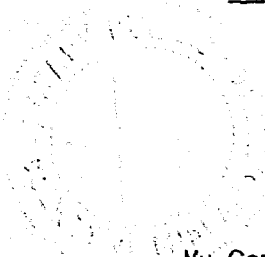
ATTEST:

BY: _____

Date: _____
Address: _____

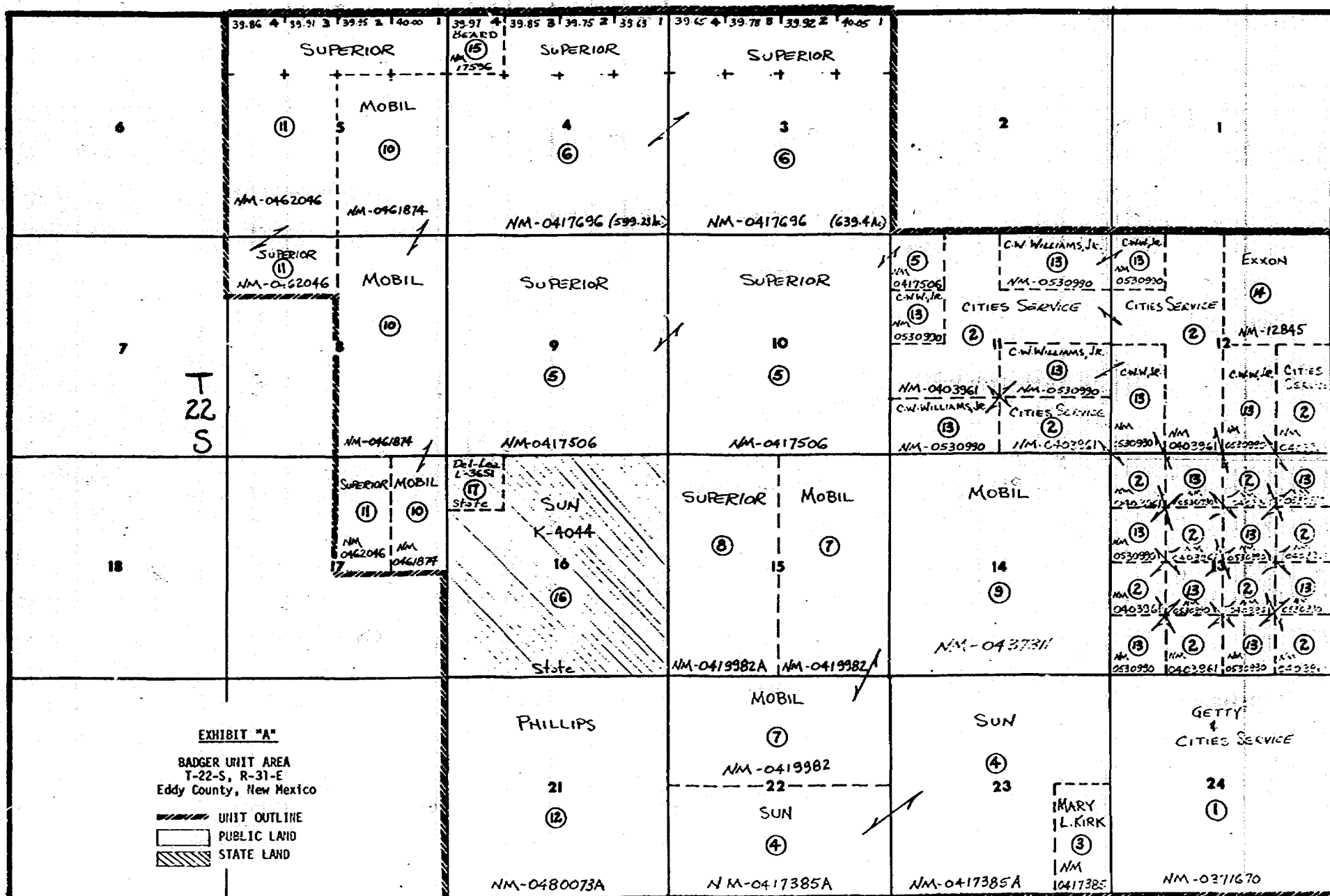
THE STATE OF TEXAS !
COUNTY OF Midland !

The foregoing instrument was acknowledged before me this 20th day
of June, 1973, by CLAYTON W. WILLIAMS, JR..


[Signature]
Notary Public in and for Midland
County, Texas

My Commission Expires:
6-1-75

R-31-E



R-31-E

EXHIBIT "8"

BADGER UNIT AREA
T-22-S, R-31-E, N.M.P.M.
Eddy County, New Mexico

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WPA AND | |
|-----------|--|-----------------|---|------------------------------------|------------------|---|--|-----------|
| 1 | Section 24: A11 | 640.00 | NM-0371670 4-30-73 Extended by Drilling | USA | 12.5 | Getty Oil Company Cities Service Oil Company | Lawrence C. Harris Production Payment \$750/acre out of 5.00% | Ge Cit |
| 2 | Section 11: E/2 NW/4, S/2 NE/4, N/2 SW/4, S/2 SE/4 Section 12: NE/4 NW/4, S/2 NW/4, E/2 SW/4, E/2 SE/4 Section 13: NW/4 NW/4, SE/4 NW/4, NW/4 NE/4, SE/4 NE/4, NW/4 SW/4, SE/4 SW/4, NW/4 SE/4, SE/4 SE/4 | 920.00 | NM-0403961 6-30-73 | USA | 12.5 | Cities Service Oil Company | Donald E. Cooper: 5.00% | Cit |
| 3 | Section 23: E/2 SE/4 | 80.00 | NM-0417385 8-31-73 | USA | 12.5 | Mary L. Kirk | None | Kir |
| 4 | Section 22: S/2 Section 23: N/2, SW/4, W/2 SE/4 | 880.00 | NM-0417385A 8-31-73 | USA | 12.5 | Sun Oil Company | Mark L. Kirk: 5.00% | Sun |
| 5 | Section 9: A11 Section 10: A11 Section 11: NW/4 NW/4 | 1,320.00 | NM-0417506 8-31-73 | USA | 12.5 | The Superior Oil Company | Morris W. Newman & Robert J. Newman Production Payment \$750/acre out of 5.00% | Sup |

EXHIBIT "B"

BADGER UNIT AREA
T-22-S, R-31-E, N.M.P.M.
Eddy County, New Mexico

| SECTION OF D | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE |
|---|--------------------|---|---------------------------------------|--|--|-------------------------------------|
| 1: A11 | 640.00 | NM-0371670 4-30-73 Extended by Drilling | USA 12.5 | Getty Oil Company Cities Service Oil Company | Lawrence C. Harris Production Payment \$750/acre out of 5.00% | Getty: 50.1 Cities Service: 50.1 |
| 1: E/2 NW/4, S/2 NE/4, N/2 SW/4, S/2 SE/4 2: NE/4 NW/4, S/2 NW/4, E/2 SW/4, E/2 SE/4 3: NW/4 NW/4, SE/4 NW/4, NW/4 NE/4, SE/4 NE/4, NW/4 SW/4, SE/4 SW/4, NW/4 SE/4, SE/4 SE/4 | 920.00 | NM-0403961 6-30-73 | USA 12.5 | Cities Service Oil Company | Donald E. Cooper: 5.00% | Cities Service: A11 |
| 23: E/2 SE/4 | 80.00 | NM-0417385 8-31-73 | USA 12.5 | Mary L. Kirk | None | Kirk: A11 |
| 22: S/2 23: N/2, SW/4, W/2 SE/4 | 880.00 | NM-0417385A 8-31-73 | USA 12.5 | Sun Oil Company | Mark L. Kirk: 5.00% | Sun: A11 |
| 9: A11 10: A11 11: NW/4 NW/4 | 1,320.00 | NM-0417506 8-31-73 | USA 12.5 | The Superior Oil Company | Morris W. Newman & Robert J. Newman Production Payment \$750/acre out of 5.00% | Superior: A11 |

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OR RECORD | OVERRIDING ROYALTY AND PERCENTAGE | |
|-----------|---|-----------------|---|------------------------------------|--------------------------|---|-----|
| 6 | Section 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 Section 4: Lots 1, 2, 3, S/2 N/2, S/2 | 1,238.63 | NM-0417696 8-31-73 | USA 12.5 | The Superior Oil Company | Eagle Royalty & Minerals Company Production Payment \$750/acre out of 5.00% | Sup |
| 7 | Section 15: E/2 Section 22: N/2 | 640.00 | NM-0419982 7-31-73 | USA 12.5 | Mobil Oil Corporation | Robert N. Enfield Production Payment \$400/acre out of 2.00% Thomas Allen: .75% Robert H. Hopkins: 2.25% | Mob |
| 8 | Section 15: W/2 | 320.00 | NM-0419982-A 7-31-73 | USA 12.5 | The Superior Oil Company | Robert Hopkins: 2.25% Thomas Allen: 2.75% | Sup |
| 9 | Section 14: All | 640.00 | NM-0437311 2-28-74 | USA 12.5 | Mobil Oil Corporation | C. H. Thieriot Production Payment \$750/acre out of 5.00% | Mob |
| 10 | Section 5: S/2 NE/4, SE/4 Section 8: E/2 Section 17: E/2 NE/4 | 640.00 | NM-0461874 10-31-73 | USA 12.5 | Mobil Oil Corporation | Robert Enfield Production Payment \$400/acre out of 2.0000% Thomas Allen: 1.0625% Nicholas G. Flores: 1.9375% | Mob |
| 11 | Section 5: Lots 1, 2, 3, 4, S/2 NW/4, SW/4 Section 8: N/2 NW/4 Section 17: W/2 NE/4 | 559.72 | NM-0462046 10-31-73 | USA 12.5 | The Superior Oil Company | Robert E. Boyle: 5.00% | Sup |

| SECTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OR RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE | |
|--|-----------------|---|------------------------------------|------------------|-----------------------------------|---|---------------|
| Section 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 | 1,238.63 | NM-0417696 8-31-73 | USA | 12.5 | The Superior Oil Company | Eagle Royalty & Minerals Company Production Payment \$750/acre out of 5.00% | Superior: All |
| Section 4: Lots 1, 2, 3, S/2 N/2, S/2 | | | | | | | |
| Section 15: E/2 | 640.00 | NM-0419982 7-31-73 | USA | 12.5 | Mobil Oil Corporation | Robert N. Enfield Production Payment \$400/acre out of 2.00% | Mobil: All |
| Section 22: N/2 | | | | | | Thomas Allen: .75% Robert H. Hopkins: 2.25% | |
| Section 15: W/2 | 320.00 | NM-0419982-A 7-31-73 | USA | 12.5 | The Superior Oil Company | Robert Hopkins: 2.25% Thomas Allen: 2.75% | Superior: All |
| Section 14: All | 640.00 | NM-0437311 2-28-74 | USA | 12.5 | Mobil Oil Corporation | C. H. Thieriot Production Payment \$750/acre out of 5.00% | Mobil: All |
| Section 5: S/2 NE/4, SE/4 | 640.00 | NM-0461874 10-31-73 | USA | 12.5 | Mobil Oil Corporation | Robert Enfield Production Payment \$400/acre out of 2.0000% | Mobil: All |
| Section 8: E/2 | | | | | | Thomas Allen: 1.0625% | |
| Section 17: E/2 NE/4 | | | | | | Nicholas G. Flores: 1.9375% | |
| Section 5: Lots 1, 2, 3, 4, S/2 NW/4, SW/4 | 559.72 | NM-0462046 10-31-73 | USA | 12.5 | The Superior Oil Company | Robert E. Boyle: 5.00% | Superior: All |
| Section 8: N/2 NW/4 | | | | | | | |
| Section 17: W/2 NE/4 | | | | | | | |

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | | |
|--|--|-----------------|---|------------------------------------|------------------|---|--|---|
| 12 | Section 21: A11 | 640.00 | NM-0480073-A 12-31-73 | USA | 12.5 | Phillips Petroleum Company | Margaret Allen: 2.00% Donald E. Allen: .25% Mary L. Tuttle: .75% Erving Wolf: 2.00% | P |
| 13 | Section 11: SW/4 NW/4, N/2 NE/4, N/2 SE/4, S/2 SW/4 Section 12: NW/4 NW/4, W/2 SW/4, W/2 SE/4 Section 13: NE/4 NW/4, SW/4 NW/4, NE/4 NE/4, SW/4 NE/4, NE/4 SW/4, SW/4 SW/4, NE/4 SE/4, SW/4 SE/4 | 800.00 | NM-0530990 7-31-74 | USA | 12.5 | Marjorie J. Hoover & Ray O. Traylor (1) | Marjorie J. Hoover: 2.5% Ray O. Traylor: 2.5% | |
| 14 | Section 12: NE/4 | 160.00 | NM-12845 1-31-81 | USA | 12.5 | Exxon Corporation | Central Southwest Oil Corp: 5.00% | E |
| 15 | Section 4: Lot 4 | 39.97 | NM-17596 2-28-83 | USA | 12.5 | Beard Oil Company | None | B |
| 12 Federal Tracts 9,518.32 acres, or 93.70% of Unit Area | | | | | | | | |
| 16 | Section 16: NE/4 NW/4, N/2 NE/4, S/2 N/2, S/2 | 600.00 | K-4044 4-21-74 | State | 12.5 | Sun Oil Company | None | S |

| SECTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE | |
|---|--------------------|---|---------------------------------------|------------------|---|--|----------------------------------|
| 21: A11 | 640.00 | NM-0480073-A 12-31-73 | USA | 12.5 | Phillips Petroleum Company | Margaret Allen: 2.00% Donald E. Allen: .25% Mary L. Tuttle: .75% Erving Wolf: 2.00% | Phillips: A11 |
| 10: SW/4 NW/4, N/2 NE/4, N/2 SE/4, S/2 SW/4 | 800.00 | NM-0530990 7-31-74 | USA | 12.5 | Marjorie J. Hoover & Ray O. Traylor (1) | Marjorie J. Hoover: 2.5% Ray O. Traylor: 2.5% | Clayton W. Williams, Jr.: A11 |
| 12: NW/4 NW/4, W/2 SW/4, W/2 SE/4 | | | | | | | |
| 10: NE/4 NW/4, SW/4 NW/4, NE/4 NE/4, SW/4 NE/4, NE/4 SW/4, SW/4 SW/4, NE/4 SE/4, SW/4 SE/4 | | | | | | | |
| n 12: NE/4 | 160.00 | NM-12845 1-31-81 | USA | 12.5 | Exxon Corporation | Central Southwest Oil Corp: 5.00% | Exxon: A11 |
| n 4: Lot 4 | 39.97 | NM-17596 2-28-83 | USA | 12.5 | Beard Oil Company | None | Beard: A11 |

eral Tracts 9,518.32 acres, or 93.70% of Unit Area

| | | | | | | | |
|---|--------|-------------------|-------|------|-----------------|------|----------|
| n 16: NE/4 NW/4, N/2 NE/4, S/2 N/2, S/2 | 600.00 | K-4044 4-21-74 | State | 12.5 | Sun Oil Company | None | Sun: A11 |
|---|--------|-------------------|-------|------|-----------------|------|----------|

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | |
|---|-----------------------|-----------------|---|------------------------------------|------------------|-----------------------------------|----|
| 17 | Section 16: NW/4 NW/4 | 40.00 | L-3651 10-21-79 | State 12.5 | Del-Lea, Inc. | None | De |
| 2 State Tracts 640 acres, or 6.30% of Unit Area | | | | | | | |

TOTAL: 17 Tracts 10,158.32 acres in entire Unit Area.

NOTE: (1) Mrs. Hoover and Mr. Traylor have agreed to sell this lease to Griffin, Ross & Burnett, Inc., retaining a 5% overriding royalty. Griffin, Ross & Burnett, Inc. have in turn agreed to sell this lease to Clayton W. Williams, Jr. The necessary instruments to effect this transfer are now being prepared and will be filed for approval as soon as possible.

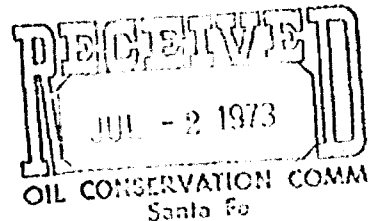
| SECTION OF NO. | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE | |
|-------------------|--------------------|---|---------------------------------------|------------------|--------------------------------------|------------------------------------|--------------|
| 10: NW/4 NW/4 | 40.00 | L-3651 10-21-79 | State | 12.5 | Del-Lea, Inc. | None | Del-Lea: All |

Tracts 640 acres, or 6.30% of Unit Area

ts 10,158.32 acres in entire Unit Area.

over and Mr. Traylor have agreed to sell this lease to Griffin, Ross & Burnett, Inc., retaining a 5% overriding royalty. Griffin, Ross & Inc. have in turn agreed to sell this lease to Clayton W. Williams, Jr. The necessary instruments to effect this transfer in ownership being prepared and will be filed for approval as soon as possible.

RATIFICATION



KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BADGER UNIT, EDDY COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, BADGER UNIT, EDDY COUNTY, NEW MEXICO, have been executed as of the 1st day of June, 1973, by various persons conducting operations with respect to the BADGER UNIT AREA located in Eddy County, New Mexico, as more particularly described in said agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B" describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

THE SUPERIOR OIL COMPANY

DATE: JUN 27 1973

BY:

Thomas C. Holt
Vice President

Attest:

James C. Reed, Jr.
Asst. Secretary
P.O. Box 1900, Midland, Texas 79701

ADDRESS:

THE STATE OF **TEXAS** I
COUNTY OF **HARRIS** I

The foregoing instrument was acknowledged before me this 27th day of June, 1973, by THE SUPERIOR OIL COMPANY,
a Nevada corporation, on behalf of said corporation.

Corinne Steele
Notary Public in and for _____
County, _____

My Commission Expires: _____

CORINNE STEELE
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1975

RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BADGER UNIT, EDDY COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, BADGER UNIT, EDDY COUNTY, NEW MEXICO, have been executed as of the 1st day of June, 1973, by various persons conducting operations with respect to the BADGER UNIT AREA located in Eddy County, New Mexico, as more particularly described in said agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B" describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

MOBIL OIL CORPORATION

DATE: JUNE 21, 1973

BY: James L. Posey

James L. Posey
Attorney In Fact

P. O. Box 820, Roswell, New Mexico
ADDRESS:

THE STATE OF NEW MEXICO }
COUNTY OF CHAVES }

The foregoing instrument was acknowledged before me this 21 day of
June, 1973, by James L. Posey, Attorney In Fact for
MOBIL OIL CORPORATION
a New York corporation, on behalf of said corporation.

Melvin Benson
Notary Public in and for Chaves
County, New Mexico

My Commission Expires:

9-19-76

RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BADGER UNIT, EDDY COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, BADGER UNIT, EDDY COUNTY, NEW MEXICO, have been executed as of the 1st day of June, 1973, by various persons conducting operations with respect to the BADGER UNIT AREA located in Eddy County, New Mexico, as more particularly described in said agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B" describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

SUN OIL COMPANY (DELAWARE)

DATE: June 27, 1973

By [Signature]
Agent and Attorney in Fact

12850 Hillcrest Road
Dallas, Texas 75230
ADDRESS:

THE STATE OF Texas I
COUNTY OF Dallas I

The foregoing instrument was acknowledged before me this 27th day of June, 1973, by JOHN W. STOREY,
a Agent and Attorney in Fact corporation, on behalf of said corporation.

[Signature]
Notary Public in and for Dallas
County, Texas

My Commission Expires:

6-1-1975

RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BADGER UNIT, EDDY COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, BADGER UNIT, EDDY COUNTY, NEW MEXICO, have been executed as of the 1st day of June, 1973, by various persons conducting operations with respect to the BADGER UNIT AREA located in Eddy County, New Mexico, as more particularly described in said agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B" describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

CITIES SERVICE OIL COMPANY

DATE: 6-19-73

By Wiley C. Hill
Wiley C. Hill Attorney-in-Fact

P. O. Box 300, Tulsa, Oklahoma 74102
ADDRESS:

STATE OF OKLAHOMA)
) ss
TULSA COUNTY)

On this 19th day of June, 1973, before me personally appeared Wiley C. Hill, to me known to be the person who executed the foregoing instrument as Attorney-in-Fact in behalf of CITIES SERVICE OIL COMPANY, a Delaware Corporation, and acknowledged that he executed the same as the free act and deed of said Cities Service Oil Company.

Sherry L. Snow
Notary Public

My Commission Expires:

May 5, 1976

RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BADGER UNIT, EDDY COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, BADGER UNIT, EDDY COUNTY, NEW MEXICO, have been executed as of the 1st day of June, 1973, by various persons conducting operations with respect to the BADGER UNIT AREA located in Eddy County, New Mexico, as more particularly described in said agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B" describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

DATE: June 22, 1973

Mary L. Kirk
Robert H. Kirk

1732 Vickers-KSB&T Bldg.
Wichita, Kansas 67202

ADDRESS: _____

ACKNOWLEDGMENT

STATE OF KANSAS)
)
COUNTY OF SEDGWICK)

Before me, the undersigned a Notary Public, within and for said County and State on this 22nd day of June, 1973, personally appeared Robert H. Kirk and Mary L. Kirk, his wife, to me personally known to be the identical persons who executed the within and foregoing instrument and acknowledged to me that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____

 **ELEANOR FRICK**
Notary Public
Sedgwick County, Ks.
My Comm. Expires April 18, 1978

Eleanor Frick
Eleanor Frick

RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BADGER UNIT, EDDY COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, BADGER UNIT, EDDY COUNTY, NEW MEXICO, have been executed as of the 1st day of June, 1973, by various persons conducting operations with respect to the BADGER UNIT AREA located in Eddy County, New Mexico, as more particularly described in said agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B" describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in

my commission expires

less first spoke address

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and

and adjourned set and closed for the year and adjourned adjourned set forth.
foregoing instrument and acknowledged to me first they executed the same as their free
will to me personally known to be the identical persons who executed the rights and
on this 15th day of June, 1973, personally appeared before me Kirk and Mary L. Kirk, his
before me, the undersigned a Notary Public for said County and State

CONALA OF SEDGWICK)

ELVIE OF KANSAS) 1973

NOTARIAL SEAL

STATE OF NEW MEXICO

Notary Public

My Comm.

THE STATE OF I

COUNTY OF I

The foregoing instrument was acknowledged before me this _____ day of

_____, 1973, by _____,

a _____ corporation, on behalf of said corporation.

Notary Public in and for _____
County, _____

My Commission Expires:

RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BADGER UNIT, EDDY COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, BADGER UNIT, EDDY COUNTY, NEW MEXICO, have been executed as of the 1st day of June, 1973, by various persons conducting operations with respect to the BADGER UNIT AREA located in Eddy County, New Mexico, as more particularly described in said agreement; and

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WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

DATE: June 22, 1973

Mary L. Kirk
Robert H. Kirk

1732 Vickers-KSB&T Bldg.
Wichita, Kansas 67202

ADDRESS: _____

THE STATE OF

ACKNOWLEDGMENT

STATE OF KANSAS)

COUNTY OF SEDGWICK)

Before me, the undersigned a Notary Public, within and for said County and State on this 22nd day of June, 1973, personally appeared Robert H. Kirk and Mary L. Kirk, his wife, to me personally known to be the identical persons who executed the within and foregoing instrument and acknowledged to me that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____



ELEANOR FRICK
STATE NOTARY PUBLIC
Sedgwick County, Ka.
My Comm. Expires April 18, 1978

Eleanor Frick
Eleanor Frick

RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BADGER UNIT, EDDY COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, BADGER UNIT, EDDY COUNTY, NEW MEXICO, have been executed as of the 1st day of June, 1973, by various persons conducting operations with respect to the BADGER UNIT AREA located in Eddy County, New Mexico, as more particularly described in said agreement; and

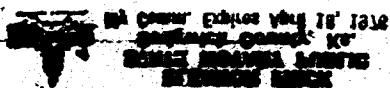
WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B" describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in

My Commission Expires



Notary Public

Attest my hand and seal this

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and

and year last above written.
and voluntarily set and deed for the uses and purposes therein set forth.
foregoing instrument and acknowledged to me that they executed the same as their free
will, to me personally known to be the identical persons who executed the within and
on this 1st day of June, 1973, personally appeared Robert H. Kirk and Mary T. Kirk, his
before me, the undersigned a Notary Public, within and for said County and State

COUNTY OF SEDGWICK)

STATE OF KANSAS)

WCKHONTGCKMIAL

THE STATE OF

I

COUNTY OF

I

The foregoing instrument was acknowledged before me this ____ day of

_____, 1973, by _____,

a _____ corporation, on behalf of said corporation.

Notary Public in and for _____
County, _____

My Commission Expires:

RATIFICATION

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BADGER UNIT, EDDY COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, BADGER UNIT, EDDY COUNTY, NEW MEXICO, have been executed as of the 1st day of June, 1973, by various persons conducting operations with respect to the BADGER UNIT AREA located in Eddy County, New Mexico, as more particularly described in said agreement; and

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WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing the original of said instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty, overriding royalty and/or working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

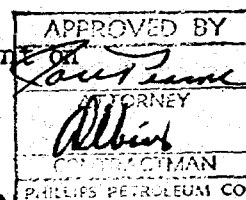
NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

DATE: JUN 21 1973

PHILLIPS PETROLEUM COMPANY

BY: F. F. LOVERING Attorney-in-Fact



Phillips Building, Odessa, Texas
ADDRESS:

THE STATE OF TEXAS I
COUNTY OF ECTOR I

The foregoing instrument was acknowledged before me this 21st day of June, 1973, by PHILLIPS PETROLEUM COMPANY,
a Delaware corporation, on behalf of said corporation.

Naoma Cutshall
Notary Public in and for Ector
County, Texas

My Commission Expires:

Naoma Cutshall

6-1-75

BEFORE EXAMINER UICZ
OIL CONSERVATION COMMISSION

EXHIBIT NO. 5

CASE NO. 4973

Submitted by C.W. Williams, Jr.

Hearing Date 5-23-73

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 Badger 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 _____.

Oil and Gas Supervisor, United States Geological Survey

Contract Number _____.

UNIT AGREEMENT
BADGER UNIT AREA
EDDY COUNTY, NEW MEXICO

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

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

9 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February
10 25, 1920, as amended, supra, and all valid pertinent regulations, including
11 operating and unit plan regulations, heretofore issued thereunder or valid,
12 pertinent and reasonable regulations hereafter issued thereunder are accepted
13 and made a part of this agreement as to Federal lands, provided such regula-
14 tions are not inconsistent with the terms of this agreement; and as to non-
15 Federal lands, the oil and gas operating regulations in effect as of the
16 effective date hereof governing drilling and producing operations, not in-
17 consistent with the terms hereof or the laws of the State of which the non-
18 Federal land is located, are hereby accepted and made a part of this agreement.

19 2. UNIT AREA. The area specified on the map attached hereto marked
20 Exhibit "A" is hereby designated and recognized as constituting the unit area,
21 containing 10,158.32 acres, more or less.

22 Exhibit "A" shows, in addition to the boundary of the unit area, the
23 boundaries and identity of tracts and leases in said area to the extent known
24 to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to
25 the extent known to the Unit Operator the acreage, percentage, and kind of
26 ownership of oil and gas interests in all land in the unit area. However,
27 nothing herein or in said schedule or map shall be construed as a representa-
28 tion by any party hereto as to the ownership of any interest other than such
29 interest or interests as are shown in said map or schedule as owned by such
30 party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever
31 changes in the unit area render such revision necessary, or when requested
32 by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or
33 when requested by the Commissioner of Public Lands of the State of New Mexico,

1 hereinafter referred to as "Commissioner", and not less than five copies
2 of the revised exhibits shall be filed with the Supervisor, and two copies
3 thereof shall be filed with the Commissioner, and one copy with the New
4 Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

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

10 (a) Unit Operator, on its own motion or on demand of the Director
11 of the Geological Survey, hereinafter referred to as "Director", or on de-
12 mand of the Commissioner, after preliminary concurrence by the Director
13 and the Commissioner, shall prepare a notice of proposed expansion or con-
14 traction describing the contemplated changes in the boundaries of the unit
15 area, the reasons therefor, and the proposed effective date thereof, pre-
16 ferably the first day of a month subsequent to the date of notice.

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

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

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

32 (e) All legal subdivisions of lands (i.e., 40 acres by Government
33 survey or its nearest lot or tract equivalent; in instances of irregular

1 surveys unusually large lots or tracts shall be considered in multiples
2 of 40 acres or the nearest aliquot equivalent thereof), no parts of which
3 are entitled to be in a participating area on or before the fifth anniver-
4 sary of the effective date of the first initial participating area estab-
5 lished under this unit agreement, shall be eliminated automatically from
6 this agreement, effective as of said fifth anniversary, and such lands shall
7 no longer be a part of the unit area and shall no longer be subject to this
8 agreement, unless diligent drilling operations are in progress on unitized
9 lands not entitled to participation on said fifth anniversary, in which event
10 all such lands shall remain subject hereto so long as such drilling opera-
11 tions are continued diligently with not more than 90 days' time elapsing
12 between the completion of one well and the commencement of the next well.
13 All legal subdivisions of lands not entitled to be in a participating area
14 within 10 years after the effective date of the first initial participating
15 area approved under this agreement shall be automatically eliminated from
16 this agreement as of said tenth anniversary. All lands proved productive
17 by diligent drilling operations after the aforesaid 5-year period shall
18 become participating in the same manner as during said 5-year period. How-
19 ever, when such diligent drilling operations cease, all nonparticipating
20 lands shall be automatically eliminated effective as of the 91st day there-
21 after. The Unit Operator shall, within 90 days after the effective date of
22 any elimination hereunder, describe the area so eliminated to the satisfac-
23 tion of the Supervisor and the Commissioner, and promptly notify all parties
24 in interest.

25 If conditions warrant extension of the 10-year period specified in
26 this subsection 2(e), a single extension of not to exceed 2 years may be
27 accomplished by consent of the owners of 90% of the working interests in the
28 current nonparticipating unitized lands and the owners of 60% of the basic
29 royalty interests (exclusive of the basic royalty interests of the United
30 States) in nonparticipating unitized lands with approval of the Director and
31 Commissioner, provided such extension application is submitted to the Director
32 and Commissioner not later than 60 days prior to the expiration of said ten-year
33 period.

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

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

9 4. UNIT OPERATOR. Clayton W. Williams, Jr. is hereby designated as Unit
10 Operator and by signature hereto as Unit Operator agrees and consents to
11 accept the duties and obligations of Unit Operator for the discovery,
12 development and production of unitized substances as herein provided. When-
13 ever reference is made herein to the Unit Operator, such reference means
14 the Unit Operator acting in that capacity and not as an owner of interest
15 in unitized substances, and the term "working interest owner" when used
16 herein shall include or refer to Unit Operator as the owner of a working
17 interest when such an interest is owned by it.

18 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall
19 have the right to resign at any time prior to the establishment of a
20 participating area or areas hereunder, but such resignation shall not
21 become effective so as to release Unit Operator from the duties and obliga-
22 tions of Unit Operator and terminate Unit Operator's rights as such for a
23 period of 6 months after notice of intention to resign has been served by
24 Unit Operator on all working interest owners and the Supervisor, the
25 Commissioner and the Commission, and until all wells then drilled here-
26 under are placed in a satisfactory condition for suspension or abandonment
27 whichever is required by the Supervisor as to Federal lands and by the
28 Commission as to State lands, unless a new Unit Operator
29 shall have been selected and approved and shall have taken over and assumed
30 the duties and obligations of Unit Operator prior to the expiration of said
31 period.

32 Unit Operator shall have the right to resign in like manner and subject
33 to like limitations as above provided at any time a participating area

1 established hereunder is in existence, but, in all instances of resignation
2 or removal, until a successor Unit Operator is selected and approved as
3 hereinafter provided, the working interest owners shall be jointly responsi-
4 ble for performance of the duties of Unit Operator, and shall, not later
5 than 30 days before such resignation or removal becomes effective, appoint
6 a common agent to represent them in any action to be taken hereunder.

7 The resignation of Unit Operator shall not release Unit Operator from
8 any liability for any default by it hereunder occurring prior to the effec-
9 tive date of its resignation.

10 The Unit Operator may, upon default or failure in the performance of
11 its duties or obligations hereunder, be subject to removal by the same
12 percentage vote of the owners of working interests as herein provided for
13 the selection of a new Unit Operator. Such removal shall be effective
14 upon notice thereof to the Supervisor and the Commissioner.

15 The resignation or removal of Unit Operator under this agreement shall
16 not terminate its right, title or interest as the owner of a working inter-
17 est or other interest in unitized substances, but upon the resignation or
18 removal of Unit Operator becoming effective, such Unit Operator shall
19 deliver possession of all wells, equipment, materials and appurtenances used
20 in conducting the unit operations to the new duly qualified successor Unit
21 Operator or to the common agent, if no such new Unit Operator is elected,
22 to be used for the purpose of conducting unit operations hereunder. Nothing
23 herein shall be construed as authorizing removal of any material, equipment
24 and appurtenances needed for the preservation of any wells.

25 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender
26 his or its resignation as Unit Operator or shall be removed as hereinabove
27 provided, or a change of Unit Operator is negotiated by working interest
28 owners, the owners of the working interests in the participating area or
29 areas according to their respective acreage interests in such participating
30 area or areas, or, until a participating area shall have been established,
31 the owners of the working interests according to their respective acreage
32 interests in all unitized land, shall by majority vote select a successor
33 Unit Operator: Provided, That, if a majority but less than 75 per cent of

1 the working interests qualified to vote are owned by one party to this
2 agreement, a concurring vote of one or more additional working interest
3 owners shall be required to select a new operator. Such selection shall
4 not become effective until

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

7 (b) the selection shall have been approved by the Supervisor and
8 the Commissioner.

9 If no successor Unit Operator is selected and qualified as herein
10 provided, the Director and Commissioner at their election may declare
11 this unit agreement terminated.

12 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the
13 Unit Operator is not the sole owner of working interest, costs and expenses
14 incurred by Unit Operator in conducting unit operations hereunder shall be
15 paid and apportioned among and borne by the owners of working interests,
16 all in accordance with the agreement or agreements entered into by and
17 between the Unit Operator and the owners of working interests, whether one
18 or more, separately or collectively. Any agreement or agreements entered
19 into between the working interest owners and the Unit Operator as provided
20 in this section, whether one or more, are herein referred to as the "unit
21 operating agreement". Such unit operating agreement shall also provide
22 the manner in which the working interest owners shall be entitled to receive
23 their respective proportionate and allocated share of the benefits accruing
24 hereto in conformity with their underlying operating agreements, leases or
25 other independent contracts, and such other rights and obligations as be-
26 tween Unit Operator and the working interest owners as may be agreed upon
27 by Unit Operator and the working interest owners; however, no such unit
28 operating agreement shall be deemed either to modify any of the terms and
29 conditions of this unit agreement or to relieve the Unit Operator of any
30 right or obligation established under this unit agreement, and in case of any
31 inconsistency or conflict between this unit agreement and the unit operating
32 agreement, this unit agreement shall govern. Three true copies of any unit
33 operating agreement executed pursuant to this section should be filed with

1 the Supervisor and two true copies with the Commissioner and one true copy
2 with the Commission, prior to approval of this unit agreement.

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

16 9. DRILLING TO DISCOVERY. Within 6 months after the effective date
17 hereof, the Unit Operator shall begin to drill an adequate test well at a
18 location approved by the Supervisor, if on Federal land, or by the Commissioner
19 if on State land, unless on such effective date a well is being drilled con-
20 formably with the terms hereof, and thereafter continue such drilling diligently
21 until the Siluro-Devonian formation has been tested or until at a lesser depth
22 unitized substances shall be discovered which can be produced in paying quan-
23 tities (to-wit: quantities sufficient to repay the costs of drilling, complet-
24 ing, and producing operations, with a reasonable profit) or the Unit Operator
25 shall at any time establish to the satisfaction of the Supervisor if located on
26 Federal lands, or the Commissioner if located on State lands, that further drill-
27 ing of said well would be unwarranted or impracticable, provided, however,
28 that Unit Operator shall not in any event be required to drill said well to
29 a depth in excess of 15,500 feet. Until the discovery of a deposit of unitized
30 substances capable of being produced in paying quantities, the Unit Operator
31 shall continue drilling one well at a time, allowing not more than 6 months
32 between the completion of one well and the beginning of the next well, until

1 a well capable of producing unitized substances in paying quantities
2 is completed to the satisfaction of said Supervisor if on Federal land,
3 or the Commissioner if on State land,
4 or until it is reasonable proved that the unitized land is incapable of
5 producing unitized substances in paying quantities in the formations drilled
6 hereunder. Nothing in this section shall be deemed to limit the right of
7 the Unit Operator to resign as provided in Section 5 hereof, or as requir-
8 ing Unit Operator to commence or continue any drilling during the period
9 pending such resignation becoming effective in order to comply with the
10 requirements of this section. The Supervisor and Commissioner may modify
11 the drilling requirements of this section by granting reasonable extensions
12 of time when, in their opinion, such action is warranted. Upon failure
13 to commence any well provided for in this section within the time allowed,
14 including any extension of time granted by the Supervisor and the Com-
15 missioner, this agreement will automatically terminate; upon failure to
16 continue drilling diligently any well commenced hereunder, the Supervisor
17 and Commissioner may, after 15 days notice to the Unit Operator, declare
18 this unit agreement terminated.

19 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after
20 completion of a well capable of producing unitized substances in paying
21 quantities, the Unit Operator shall submit for the approval of the Supervisor
22 and the Commissioner an acceptable plan of development and operation for the
23 unitized land which, when approved by the Supervisor and the Commissioner,
24 shall constitute the further drilling and operating obligations of the Unit
25 Operator under this agreement for the period specified therein. Thereafter,
26 from time to time before the expiration of any existing plan, the Unit Operator
27 shall submit for the approval of the Supervisor and the Commissioner a plan
28 for an additional specified period for the development and operation of the
29 unitized land.

30 Any plan submitted pursuant to this section shall provide for the
31 exploration of the unitized area and for the diligent drilling necessary
32 for determination of the area or areas thereof capable of producing unitized
33 substances in paying quantities in each and every productive formation and

1 shall be as complete and adequate as the Supervisor, and the
2 Commissioner may determine to be necessary for timely development and
3 proper conservation of the oil and gas resources of the unitized area
4 and shall:

- 5 (a) specify the number and locations of any wells to be drilled and
6 the proposed order and time for such drilling; and
7 (b) to the extent practicable, specify the operating practices regarded
8 as necessary and advisable for proper conservation of natural
9 resources.

10 Separate plans may be submitted for separate productive zones, subject to
11 the approval of the Supervisor, the Commissioner and the Commission.

12 Plans shall be modified or supplemented when necessary to meet changed
13 conditions or to protect the interests of all parties to this agreement.
14 Reasonable diligence shall be exercised in complying with the obligations
15 of the approved plan of development. The Supervisor and Commissioner are
16 authorized to grant a reasonable extension of the 6-month period herein
17 prescribed for submission of an initial plan of development where such
18 action is justified because of unusual conditions or circumstances. After
19 completion hereunder of a well capable of producing any unitized substances
20 in paying quantities, no further wells, except such as may be necessary to
21 afford protection against operations not under this agreement and such as may
22 be specifically approved by the Supervisor and the Commissioner, shall be
23 drilled except in accordance with a plan of development approved as herein
24 provided.

25 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable
26 of producing unitized substances in paying quantities or as soon thereafter
27 as required by the Supervisor and Commissioner, the Unit Operator shall sub-
28 mit for approval by the Supervisor and Commissioner a schedule, based on
29 subdivisions of the public land survey or aliquot parts thereof, of all land
30 then regarded as reasonably proved to be productive in paying quantities;
31 all lands in said schedule on approval of the Supervisor and Commissioner to
32 constitute a participating area, effective as of the date of completion of
33 such well or the effective date of this unit agreement, whichever is later.

1 The acreages of both Federal and non-Federal lands shall be based upon
2 appropriate computations from the courses and distances shown on the
3 last approved public land survey as of the effective date of each initial
4 participating area. Said schedule shall also set forth the percentage of
5 unitized substances to be allocated as herein provided to each tract in
6 the participating area so established, and shall govern the allocation
7 of production commencing with the effective date of the participating area.
8 A separate participating area shall be established for each separate pool
9 or deposit of unitized substances or for any group thereof which is pro-
10 duced as a single pool or zone, and any two or more participating areas
11 so established may be combined into one, on approval of the Supervisor
12 and Commissioner. When production from two or more participating areas,
13 so established, is subsequently found to be from a common pool or deposit
14 said participating areas shall be combined into one effective as of such
15 appropriate date as may be approved or prescribed by the Supervisor and
16 Commissioner. The participating area or areas so established shall be revised
17 from time to time, subject to like approval, to include additional land then
18 regarded as reasonably proved to be productive in paying quantities or neces-
19 sary for unit operations, or to exclude land then regarded as reasonably
20 proved not to be productive in paying quantities and the schedule of allo-
21 cation percentages shall be revised accordingly. The effective date of any
22 revision shall be the first day of the month in which is obtained the know-
23 ledge or information on which such revision is predicated, provided, however,
24 that a more appropriate effective date may be used if justified by the Unit
25 Operator and approved by the Supervisor and Commissioner. No land shall be
26 excluded from a participating area on account of depletion of the unitized
27 substances, except that any participating area established under the provisions
28 of this unit agreement shall terminate automatically whenever all completions
29 in the formation on which the participating area is based are abandoned.

30 It is the intent of this section that a participating area shall repre-
31 sent the area known or reasonably estimated to be productive in paying quanti-
32 ties, but, regardless of any revision of the participating area, nothing herein
33 contained shall be construed as requiring any retroactive adjustment for

1 production obtained prior to the effective date of the revision of the
2 participating area.

3 In the absence of agreement at any time between the Unit Operator
4 and the Supervisor and Commissioner as to the proper definition or rede-
5 finition of a participating area, or until a participating area has, or
6 areas have, been established as provided herein, the portion of all pay-
7 ments affected thereby shall be impounded in a manner mutually acceptable
8 to the owners of working interests and the Supervisor and Commissioner.
9 Royalties due the United States and the State of New Mexico, which shall
10 be determined by the Supervisor for Federal land and the Commissioner for
11 State land and the amount thereof shall be deposited, as directed by the
12 Supervisor and Commissioner respectively, to be held as unearned money
13 until a participating area is finally approved and then applied as earned
14 or returned in accordance with a determination of the sum due as Federal
15 and State royalty on the basis of such approved participating area.

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

27 12. ALLOCATION OF PRODUCTION. All unitized substances produced from
28 each participating area established under this agreement, except any part
29 thereof used in conformity with good operating practices within the unitized
30 area for drilling, operating, camp and other production or development pur-
31 poses, for repressuring or recycling in accordance with a plan of development
32 approved by the Supervisor and Commissioner, or unavoidably lost, shall be
33 deemed to be produced equally on an acreage basis from the several tracts

1 of unitized land of the participating area established for such production
2 and, for the purpose of determining any benefits accruing under this agree-
3 ment, each such tract of unitized land shall have allocated to it such per-
4 centage of said production as the number of acres of such tract included
5 in said participating area bears to the total acres of unitized land in
6 said participating area, except that allocation of production hereunder for
7 purposes other than for settlement of the royalty, overriding royalty, or
8 payment out of production obligations of the respective working interest
9 owners, shall be on the basis prescribed in the unit operating agreement
10 whether in conformity with the basis of allocation herein set forth or other-
11 wise. It is hereby agreed that production of unitized substances from a
12 participating area shall be allocated as provided herein regardless of
13 whether any wells are drilled on any particular part or tract of said part-
14 icipating area. If any gas produced from one participating area is used for
15 repressuring or recycling purposes in another participating area, the first
16 gas withdrawn from such last mentioned participating area for sale during
17 the life of this agreement shall be considered to be the gas so transferred
18 until an amount equal to that transferred shall be so produced for sale and
19 such gas shall be allocated to the participating area from which initially
20 produced as such area was last defined at the time of such final production.

21 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS.
22 Any party hereto owning or controlling the working interest in any unitized
23 land having thereon a regular well location may with the approval of the
24 Supervisor as to Federal land and the Commissioner as to State land,
25 at such party's sole risk, cost and expense, drill a well to test
26 any formation for which a participating area has not been established
27 or to test any formation for which a participating area has been
28 established if such location is not within said participating
29 area, unless within 90 days of receipt of notice from said party of his in-
30 tention to drill the well the Unit Operator elects and commences to drill such
31 a well in like manner as other wells are drilled by the Unit Operator under
32 this agreement.

33 If any well drilled as aforesaid by a working interest owner results

1 In production such that the land upon which it is situated may properly be
2 included in a participating area, such participating area shall be established
3 or enlarged as provided in this agreement and the well shall thereafter be
4 operated by the Unit Operator in accordance with the terms of this agreement
5 and the unit operating agreement.

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

13 14. ROYALTY SETTLEMENT. The United States and any State and any
14 royalty owner who is entitled to take in kind a share of the substances
15 now unitized hereunder shall hereafter be entitled to the right to take in
16 kind its share of the unitized substances, and the Unit Operator, or the
17 working interest owner in case of the operation of a well by a working inter-
18 est owner as herein provided for in special cases, shall make deliveries of
19 such royalty share taken in kind in conformity with the applicable contracts,
20 laws and regulations. Settlement for royalty interest not taken in kind shall
21 be made by working interest owners responsible therefor under existing con-
22 tracts, laws and regulations, or by the Unit Operator, on or before the last
23 day of each month for unitized substances produced during the preceding cal-
24 endar month; provided, however, that nothing herein contained shall operate
25 to relieve the lessees of any land from their respective lease obligations
26 for the payment of any royalties due under their leases.

27 If gas obtained from lands not subject to this agreement is introduced
28 into any participating area hereunder, for use in repressuring, stimulation
29 of production, or increasing ultimate recovery, in conformity with a plan of
30 operations approved by the Supervisor and the Commissioner, a
31 like amount of gas, after settlement as herein provided for any gas transferred
32 from any other participating area and with appropriate deduction for loss from
33 any cause, may be withdrawn from the formation in which the gas is introduced,

1 royalty free as to dry gas, but not as to any products which may be extracted
2 therefrom; provided that such withdrawal shall be at such time as may be
3 provided in the approved plan of operations or as may otherwise be consented
4 to by the Supervisor and the Commissioner as conforming to good
5 petroleum engineering practice; and provided further, that such right of
6 withdrawal shall terminate on the termination of this unit agreement.

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

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

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

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

30 With respect to any lease on non-Federal land containing provisions which
31 would terminate such lease unless drilling operations are commenced upon the
32 land covered thereby within the time therein specified or rentals are paid for
33 the privilege of deferring such drilling operations, the rentals required

1 thereby shall, notwithstanding any other provisions of this agreement, be
2 deemed to accrue and become payable during the term thereof as extended by
3 this agreement and until the required drilling operations are commenced
4 upon the land covered thereby or until some portion of such land is included
5 within a participating area.

6 16. CONSERVATION. Operations hereunder and production of unitized
7 substances shall be conducted to provide for the most economical and effi-
8 cient recovery of said substances without waste, as defined by or pursuant
9 to State or Federal laws or regulations.

10 17. DRAINAGE. The Unit Operator shall take such measures as the
11 Supervisor and Commissioner deem appropriate and adequate to prevent drain-
12 age of unitized substances from unitized land by wells on land not subject
13 to this agreement.

14 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions
15 and provisions of all leases, subleases and other contracts relating to ex-
16 ploration, drilling, development or operations for oil or gas on lands com-
17 mitted to this agreement are hereby expressly modified and amended to the
18 extent necessary to make the same conform to the provisions hereof, but
19 otherwise to remain in full force and effect; and the parties hereto hereby
20 consent that the Secretary as to Federal leases and the Commissioner as to
21 State leases shall and each by his approval hereof, or by the approval hereof
22 by their duly authorized representatives, do hereby establish, alter, change
23 or revoke the drilling, producing, rental, minimum royalty and royalty re-
24 quirements of Federal and State leases committed hereto and the regulations
25 in respect thereto to conform said requirements to the provisions of this
26 agreement, and, without limiting the generality of the foregoing, all leases,
27 subleases, and contracts are particularly modified in accordance with the
28 following:

29 (a) The development and operation of lands subject to this agreement
30 under the terms hereof shall be deemed full performance of all obligations
31 for development and operation with respect to each and every separately
32 owned tract subject to this agreement, regardless of whether there is
33 any development of any particular tract of the unit area.

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

7 (c) Suspension of drilling or producing operations on all
8 unitized lands pursuant to direction or consent of the Secretary
9 and Commissioner or their duly authorized representatives shall
10 be deemed to constitute such suspension pursuant to such direc-
11 tion or consent as to each and every tract of unitized land.
12 A suspension of drilling or producing operations limited to
13 specified lands shall be applicable only to such lands.

14 (d) Any Federal lease for a fixed term of twenty (20) years
15 or any renewal thereof or any part of such lease which is
16 made subject to this agreement shall continue in force beyond
17 the term provided therein until the termination hereof.

18 Any other Federal lease committed hereto shall continue in
19 force beyond the term so provided therein or by law as to the
20 land committed so long as such lease remains subject hereto,
21 provided that production is had in paying quantities under this
22 unit agreement prior to the expiration date of the term of such
23 lease, or in the event actual drilling operations are commenced
24 on unitized lands, in accordance with the provisions of this
25 agreement, prior to the end of the primary term of such lease
26 and are being diligently prosecuted at that time, such lease
27 shall be extended for two years and so long thereafter as oil
28 or gas is produced in paying quantities in accordance with the
29 provisions of the Mineral Leasing Act Revision of 1960.

30 (e) Each sublease or contract relating to the operation and development

1 of unitized substances from lands of the United States committed
2 to this agreement, which by its terms would expire prior to the
3 time at which the underlying lease, as extended by the immediately
4 preceding paragraph, will expire, is hereby extended beyond any such
5 term so provided therein so that it shall be continued in full force
6 and effect for and during the term of the underlying lease as such
7 term is herein extended.

8 (f) Any lease embracing lands of the State of New Mexico which is
9 made subject to this agreement, shall continue in force beyond the
10 term provided therein as to the lands committed hereto until the
11 termination hereof, subject to the provisions of subsection (e) of
12 Section 2 and subsection (h) of this Section 18.

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

25 (h) Any lease embracing lands of the State of New Mexico having only
26 a portion of its lands committed hereto, shall be segregated as to the
27 portion committed and the portion not committed, and the provisions of
28 such lease shall apply separately to such segregated portions commencing
29 as of the effective date hereof; provided, however, notwithstanding any
30 of the provisions of this agreement to the contrary any lease embracing
31 lands of the State of New Mexico having only a portion of its lands
32 committed hereto shall continue in full force and effect beyond the term
33 provided therein as to all lands embraced in such lease, if oil or gas

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

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

27 20. EFFECTIVE DATE AND TERM. This agreement shall become
28 effective upon approval by the Secretary and Commissioner, or their
29 duly authorized representatives and shall terminate five (5) years
30 from said effective date unless:

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

1 (b) It is reasonably determined prior to the expiration of the fixed
2 term or any extension thereof that the unitized land is incapable of
3 production of unitized substances in paying quantities in the formations
4 tested hereunder and after notice of intention to terminate the agreement
5 on such ground is given by the Unit Operator to all parties in interest
6 at their last known addresses, the agreement is terminated with the ap-
7 proval of the Supervisor and the Commissioner, or

8 (c) a valuable discovery of unitized substances has been made or
9 accepted on unitized land during said initial term or any extension
10 thereof, in which event the agreement shall remain in effect for such
11 term and so long as unitized substances can be produced in quantities
12 sufficient to pay for the cost of producing same from wells on unitized
13 land within any participating area established hereunder and, should
14 production cease, so long thereafter as diligent operations are in pro-
15 gress for the restoration of production or discovery of new production
16 and so long thereafter as unitized substances so discovered can be pro-
17 duced as aforesaid, or

18 (d) It is terminated as heretofore provided in this agreement. This
19 agreement may be terminated at any time by not less than 75 per centum,
20 on an acreage basis, of the working interest owners signatory hereto,
21 with the approval of the Supervisor and Commissioner; notice of any such
22 approval to be given by the Unit Operator to all parties hereto.

23 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is
24 hereby vested with authority to alter or modify from time to time in his dis-
25 cretion the quantity and rate of production under this agreement when such
26 quantity and rate is not fixed pursuant to Federal or State law or does not
27 conform to any statewide voluntary conservation or allocation program, which
28 is established, recognized and generally adhered to by the majority of oper-
29 ators in such State, such authority being hereby limited to alteration or mod-
30 ification in the public interest, the purpose thereof and the public interest
31 to be served thereby to be stated in the order of alteration or modification.
32 Without regard to the foregoing, the Director is also hereby vested with
33 authority to alter or modify from time to time in his discretion the rate of

1 prospecting and development and the quantity and rate of production under
2 this agreement when such alteration or modification is in the interest of
3 attaining the conservation objectives stated in this agreement and is not
4 in violation of any applicable Federal or State law; provided, further, that
5 no such alteration or modification shall be effective as to any land of the
6 State of New Mexico, as to the rate of prospecting and developing in the
7 absence of the specific written approval thereof by the Commissioner and
8 as to any lands of the State of New Mexico subject to this agreement as to
9 the quantity and rate of production in the absence of specific written
10 approval thereof by the Commissioner.

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

14 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the work-
15 ing interest owners nor any of them shall be subject to any forfeiture, termin-
16 ation or expiration of any rights hereunder or under any leases or contracts
17 subject hereto, or to any penalty or liability on account of delay or failure
18 in whole or in part to comply with any applicable provision thereof to the
19 extent that the Unit Operator, working interest owners or any of them are
20 hindered, delayed or prevented from complying therewith by reason of failure
21 of the Unit Operator to obtain in the exercise of due diligence, the concur-
22 rence of proper representatives of the United States and proper representatives
23 of the State of New Mexico in and about any matters or things concerning which
24 it is required herein that such concurrence be obtained. The parties hereto,
25 including the Commission, agree that all powers and authority vested in the
26 Commission in and by any provisions of this agreement are vested in the Com-
27 mission and shall be exercised by it pursuant to the provisions of the laws
28 of the State of New Mexico and subject in any case to appeal or judicial re-
29 view as may now or hereafter be provided by the laws of the State of New Mexico.

30 23. APPEARANCES. Unit Operator shall, after notice to other parties
31 affected, have the right to appear for and on behalf of any and all interests
32 affected hereby before the Department of the Interior, the Commissioner of
33 Public Lands of the State of New Mexico and the New Mexico Oil Conservation

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

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

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

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

1 the suspension is no longer applicable. Determination of creditable
2 "Unavoidable Delay" time shall be made by the Unit Operator subject to
3 approval of the Supervisor and Commissioner.

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

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

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

25 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any sub-
26 stantial interest in a tract within the unit area fails or refuses to sub-
27 scribe or consent to this agreement, the owner of the working interest in
28 that tract may withdraw said tract from this agreement by written notice
29 delivered to the Supervisor and the Commissioner and the Unit Operator
30 prior to the approval of this agreement by the Supervisor and Commissioner.
31 Any oil or gas interests in lands within the unit area not committed hereto
32 prior to submission of this agreement for final approval may thereafter be
33 committed hereto by the owner or owners thereof subscribing or consenting

1 to this agreement, and, if the interest is a working interest, by the owner
2 of such interest also subscribing to the unit operating agreement. After
3 operations are commenced hereunder, the right of subsequent joinder, as
4 provided in this section, by a working interest owner is subject to such
5 requirements or approvals, if any, pertaining to such joinder, as may be
6 provided for in the unit operating agreement. After final approval hereof,
7 joinder by a non-working interest owner must be consented to in writing by
8 the working interest owner committed hereto and responsible for the payment
9 of any benefits that may accrue hereunder in behalf of such non-working
10 interest. A non-working interest may not be committed to this unit agree-
11 ment unless the corresponding working interest is committed hereto. Joinder
12 to the unit agreement by a working interest owner, at any time, must be
13 accompanied by appropriate joinder to the unit operating agreement, if more
14 than one committed working interest owner is involved, in order for the
15 interest to be regarded as committed to this unit agreement. Except as
16 may otherwise herein be provided, subsequent joinders to this agreement shall
17 be effective as of the first day of the month following the filing with the
18 Supervisor and the Commissioner of duly executed counterparts of all or any
19 papers necessary to establish effective commitment of any tract to this
20 agreement unless objection to such joinder is duly made within 60 days by
21 the Supervisor, provided, however, that as to State lands all subsequent
22 joinders must be approved by the Commissioner.

23 30. PROTECTION OF POTASH DEPOSITS. No wells will be drilled for oil
24 or gas at a location on Federal lands which in the opinion of the Supervisor
25 or at a location on State lands which in the opinion of the Commissioner would
26 result in undue waste of potash deposits or constitute a hazard to or unduly
27 interfere with mining operations being conducted for the extraction of potash
28 deposits.

29 The drilling or abandonment of any well on unitized land shall be done
30 in accordance with applicable oil and gas operating regulations, including
31 such requirements as to Federal lands as may be prescribed by the Supervisor
32 and as to State lands by the Commissioner, as necessary to prevent the infil-
33 tration of oil, gas or water into formations containing potash deposits or

1 Into mines or workings being utilized in the extraction of such deposits.
2 Well records and survey plats that an oil and gas lessee of Federal
3 lands must file pursuant to applicable operating regulations (30 CFR Part 221)
4 shall be available for inspection at the Office of the Supervisor to any
5 party holding a potash permit or lease on the Federal land on which the well
6 is situated insofar as such records are pertinent to the mining and protection
7 of potash deposits.

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

16 32. NO PARTNERSHIP. It is expressly agreed that the relation of the
17 parties hereto is that of independent contractors and nothing in this agree-
18 ment contained, expressed or implied, nor any operations conducted hereunder,
19 shall create or be deemed to have created a partnership or association between
20 the parties hereto or any of them.

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

UNIT OPERATOR AND WORKING INTEREST OWNER

DATE: _____

ADDRESS: _____

CLAYTON W. WILLIAMS, JR.

WORKING INTEREST OWNERS

ATTEST: _____

Date: _____
Address: _____

BY: _____

THE STATE OF TEXAS I

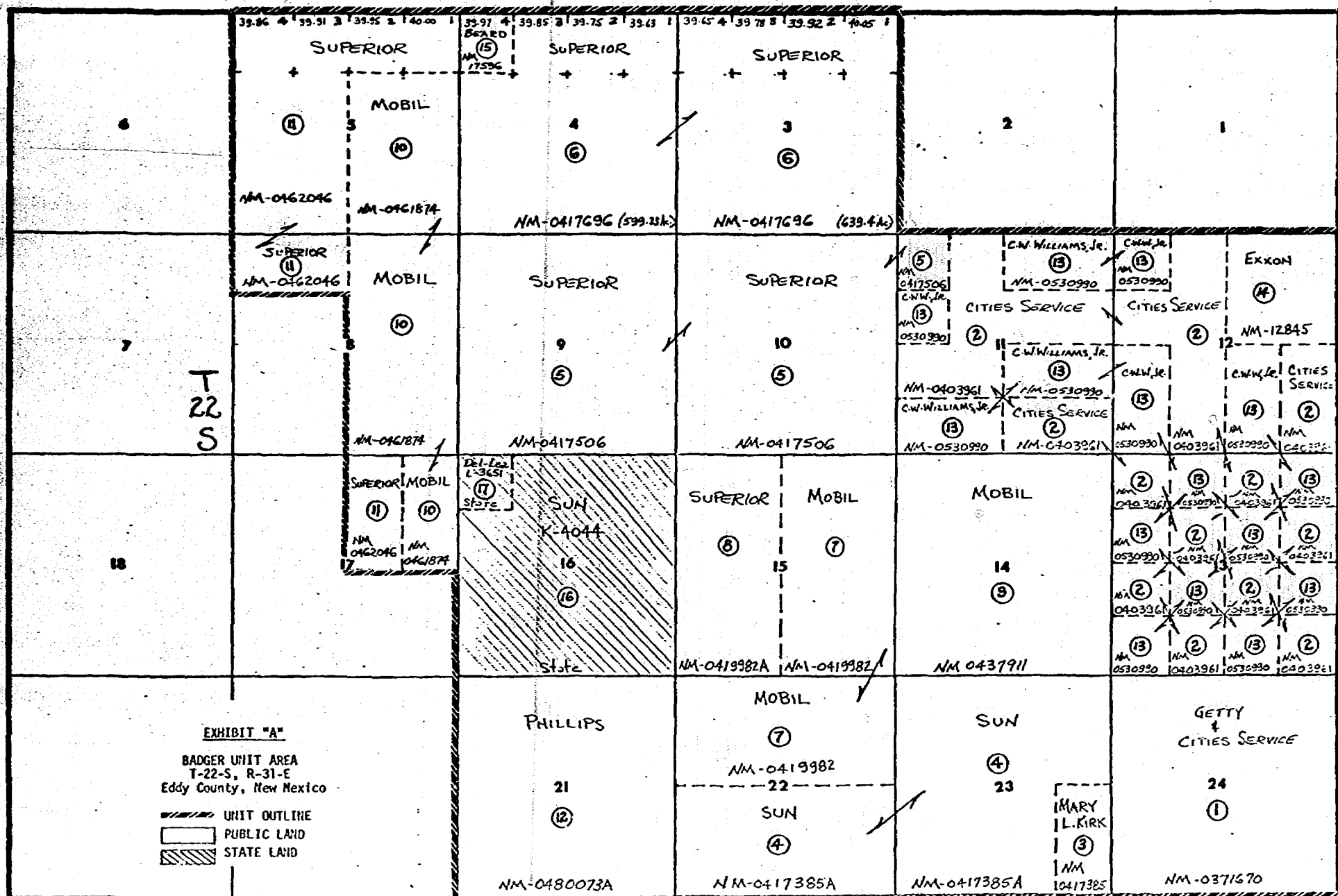
COUNTY OF I

The foregoing instrument was acknowledged before me this _____ day
of _____, 1973, by CLAYTON W. WILLIAMS, JR..

Notary Public in and for _____
County, Texas

My Commission Expires:

R-31-E



R-31-E

EXHIBIT "B"

BADGER UNIT AREA
T-22-S, R-31-E, N.M.P.M.
Eddy County, New Mexico

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | | |
|-----------|--|-----------------|---|------------------------------------|------------------|---|---|--|
| 1 | Section 24: A11 | 640.00 | NM-0371670 4-30-73 Extended by Drilling | USA | 12.5 | Getty Oil Company Cities Service Oil Company | Lawrence C. Harris Production Payment \$750/acre out of 5.00% | |
| 2 | Section 11: E/2 NW/4, S/2 NE/4, N/2 SW/4, S/2 SE/4 Section 12: NE/4 NW/4, S/2 NW/4, E/2 SW/4, E/2 SE/4 Section 13: NW/4 NW/4, SE/4 NW/4, NW/4 NE/4, SE/4 NE/4, NW/4 SW/4, SE/4 SW/4, NW/4 SE/4, SE/4 SE/4 | 920.00 | NM-0403961 6-30-73 | USA | 12.5 | Cities Service Oil Company | Donald E. Cooper: 5.00% | |
| 3 | Section 23: E/2 SE/4 | 80.00 | NM-0417385 8-31-73 | USA | 12.5 | Mary L. Kirk | None | |
| 4 | Section 22: S/2 Section 23: N/2, SW/4, W/2 SE/4 | 880.00 | NM-0417385A 8-31-73 | USA | 12.5 | Sun Oil Company | Mark L. Kirk: 5.00% | |
| 5 | Section 9: A11 Section 10: A11 Section 11: NW/4 NW/4 | 1,320.00 | NM-0417506 8-31-73 | USA | 12.5 | The Superior Oil Company | Morris W. Newman & Robert J. Newman Production Payment \$750/acre out of 5.00% | |

EXHIBIT "B"

BADGER UNIT AREA
T-22-S, R-31-E, N.M.P.M.
Eddy County, New Mexico

| SECTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE |
|---|--------------------|---|---------------------------------------|--|--|------------------------------------|
| 24: A11 | 640.00 | NM-0371670 4-30-73 Extended by Drilling | USA 12.5 | Getty Oil Company Cities Service Oil Company | Lawrence C. Harris Production Payment \$750/acre out of 5.00% | Getty: 5 Cities Service: 5 |
| 11: E/2 NW/4, S/2 NE/4, N/2 SW/4, S/2 SE/4 | 920.00 | NM-0403961 6-30-73 | USA 12.5 | Cities Service Oil Company | Donald E. Cooper: 5.00% | Cities Service: A |
| 12: NE/4 NW/4, S/2 NW/4, E/2 SW/4, E/2 SE/4 | | | | | | |
| 13: NW/4 NW/4, SE/4 NW/4, NW/4 NE/4, SE/4 NE/4, NW/4 SW/4, SE/4 SW/4, NW/4 SE/4, SE/4 SE/4 | | | | | | |
| 23: E/2 SE/4 | 80.00 | NM-0417385 8-31-73 | USA 12.5 | Mary L. Kirk | None | Kirk: A11 |
| 22: S/2 23: N/2, SW/4, W/2 SE/4 | 880.00 | NM-0417385A 8-31-73 | USA 12.5 | Sun Oil Company | Mark L. Kirk: 5.00% | Sun: A11 |
| 9: A11 10: A11 11: NW/4 NW/4 | 1,320.00 | NM-0417506 8-31-73 | USA 12.5 | The Superior Oil Company | Morris W. Newman & Robert J. Newman Production Payment \$750/acre out of 5.00% | Superior: A11 |

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OR RECORD | OVERRIDING ROYALTY AND PERCENTAGE |
|-----------|---|-----------------|---|------------------------------------|--------------------------|---|
| 6 | Section 3: Lots 1, 2, 3, 4, S/2 Section 4: Lots 1, 2, 3, S/2 N/2, S/2 | 1,238.63 | NM-0417696 8-31-73 | USA 12.5 | The Superior Oil Company | Eagle Royalty & Minerals Company Production Payment \$750/acre out of 5.00% |
| 7 | Section 15: E/2 Section 22: N/2 | 640.00 | NM-0419982 7-31-73 | USA 12.5 | Mobil Oil Corporation | Robert N. Enfield Production Payment \$400/acre out of 2.00% Thomas Allen: .75% Robert H. Hopkins: 2.25% |
| 8 | Section 15: W/2 | 320.00 | NM-0419982-A 7-31-73 | USA 12.5 | The Superior Oil Company | Robert Hopkins: 2.25% Thomas Allen: 2.75% |
| 9 | Section 14: All | 640.00 | NM-0437911 2-28-74 | USA 12.5 | Mobil Oil Corporation | C. H. Thieriot Production Payment \$750/acre out of 5.00% |
| 10 | Section 5: S/2 NE/4, SE/4 Section 8: E/2 Section 17: E/2 NE/4 | 640.00 | NM-0461874 10-31-73 | USA 12.5 | Mobil Oil Corporation | Robert Enfield Production Payment \$400/acre out of 2.0000% Thomas Allen: 1.0625% Nicholas G. Flores: 1.9375% |
| 11 | Section 5: Lots 1, 2, 3, 4, S/2 NW/4, SW/4 Section 8: N/2 NW/4 Section 17: W/2 NE/4 | 559.72 | NM-0462046 10-31-73 | USA 12.5 | The Superior Oil Company | Robert E. Boyle: 5.00% |

| SECTION OF LAND | | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OR RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE | |
|--------------------|---------------------------------------|--------------------|---|---------------------------------------|------------------|--------------------------------------|---|---------------|
| 3: | Lots 1, 2, 3, 4, S/2 N/2, S/2 | 1,238.63 | NM-0417696 8-31-73 | USA | 12.5 | The Superior Oil Company | Eagle Royalty & Minerals Company Production Payment \$750/acre out of 5.00% | Superior: All |
| 4: | Lots 1, 2, 3, S/2 N/2, S/2 | | | | | | | |
| 15: | E/2 | 640.00 | NM-0419982 7-31-73 | USA | 12.5 | Mobil Oil Corporation | Robert N. Enfield Production Payment \$400/acre out of 2.00% | Mobil: All |
| 22: | N/2 | | | | | | Thomas Allen: .75% Robert H. Hopkins: 2.25% | |
| 15: | W/2 | 320.00 | NM-0419982-A 7-31-73 | USA | 12.5 | The Superior Oil Company | Robert Hopkins: 2.25% Thomas Allen: 2.75% | Superior: All |
| 14: | All | 640.00 | NM-0437911 2-28-74 | USA | 12.5 | Mobil Oil Corporation | C. H. Thieriot Production Payment \$750/acre out of 5.00% | Mobil: All |
| 5: | S/2 NE/4, SE/4 | 640.00 | NM-0461874 10-31-73 | USA | 12.5 | Mobil Oil Corporation | Robert Enfield Production Payment \$400/acre out of 2.0000% | Mobil: All |
| 8: | E/2 | | | | | | Thomas Allen: 1.0625% | |
| 17: | E/2 NE/4 | | | | | | Nicholas G. Flores: 1.9375% | |
| 5: | Lots 1, 2, 3, 4, S/2 NW/4, SW/4 | 559.72 | NM-0462046 10-31-73 | USA | 12.5 | The Superior Oil Company | Robert E. Boyle: 5.00% | Superior: All |
| 8: | N/2 NW/4 | | | | | | | |
| 17: | W/2 NE/4 | | | | | | | |

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE |
|--|--|-----------------|---|------------------------------------|------------------|--|
| 12 | Section 21: A11 | 640.00 | NM-0480073-A 12-31-73 | USA | 12.5 | Phillips Petroleum Company Margaret Allen: 2.00% Donald E. Allen: .25% Mary L. Tuttle: .75% Erving Wolf: 2.00% |
| 13 | Section 11: SW/4 NW/4, N/2 NE/4, N/2 SE/4, S/2 SW/4 Section 12: NW/4 NW/4, W/2 SW/4, W/2 SE/4 Section 13: NE/4 NW/4, SW/4 NW/4, NE/4 NE/4, SW/4 NE/4, NE/4 SW/4, SW/4 SW/4, NE/4 SE/4, SW/4 SE/4 | 800.00 | NM-0530990 7-31-74 | USA | 12.5 | Marjorie J. Hoover & Ray O. Traylor (1) Marjorie J. Hoover: 2.5% Ray O. Traylor: 2.5% |
| 14 | Section 12: NE/4 | 160.00 | NM-12845 1-31-81 | USA | 12.5 | Exxon Corporation Central Southwest Oil Corp: 5.00% |
| 15 | Section 4: Lot 4 | 39.97 | NM-17596 2-28-83 | USA | 12.5 | Beard Oil Company None |
| 12 Federal Tracts 9,518.32 acres, or 93.70% of Unit Area | | | | | | |
| 16 | Section 16: NE/4 NW/4, N/2 NE/4, S/2 N/2,S/2 | 600.00 | K-4044 4-21-74 | State | 12.5 | Sun Oil Company None |

| SECTION OF | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE | |
|---|--------------------|---|---------------------------------------|------------------|---|--|----------------------------------|
| 21: A11 | 640.00 | NM-0480073-A 12-31-73 | USA | 12.5 | Phillips Petroleum Company | Margaret Allen: 2.00% Donald E. Allen: .25% Mary L. Tuttle: .75% Erving Wolf: 2.00% | Phillips: A11 |
| 11: SW/4 NW/4, N/2 NE/4, W/2 SE/4, S/2 SW/4 | 800.00 | NM-0530990 7-31-74 | USA | 12.5 | Marjorie J. Hoover & Ray O. Traylor (1) | Marjorie J. Hoover: 2.5% Ray O. Traylor: 2.5% | Clayton W. Williams, Jr.: A11 |
| 12: NW/4 NW/4, W/2 SW/4, W/2 SE/4 | | | | | | | |
| 13: NE/4 NW/4, SW/4 NW/4, NE/4 NE/4, SW/4 NE/4, NE/4 SW/4, SW/4 SW/4, NE/4 SE/4, SW/4 SE/4 | | | | | | | |
| 2: NE/4 | 160.00 | NM-12845 1-31-81 | USA | 12.5 | Exxon Corporation | Central Southwest Oil Corp: 5.00% | Exxon: A11 |
| 1: Lot 4 | 39.97 | NM-17596 2-28-83 | USA | 12.5 | Beard Oil Company | None | Beard: A11 |
| 11 Tracts 9,518.32 acres, or 93.70% of Unit Area | | | | | | | |
| 6: NE/4 NW/4, N/2 NE/4, S/2 N/2, S/2 | 600.00 | K-4044 4-21-74 | State | 12.5 | Sun Oil Company | None | Sun: A11 |

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE |
|-----------|-----------------------|-----------------|---|------------------------------------|------------------|-----------------------------------|
| 17 | Section 16: NW/4 NW/4 | 40.00 | L-3651 10-21-79 | State 12.5 | Del-Lea, Inc. | None |

2 State Tracts 640 acres, or 6.30% of Unit Area

TOTAL: 17 Tracts 10,158.32 acres in entire Unit Area.

NOTE: (1) Mrs. Hoover and Mr. Traylor have agreed to sell this lease to Griffin, Ross & Burnett, Inc., retaining a 5% overriding royalty. Burnett, Inc. have in turn agreed to sell this lease to Clayton W. Williams, Jr. The necessary instruments to effect this transfer are now being prepared and will be filed for approval as soon as possible.

| SECTION OF | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE |
|--------------|--------------------|---|---------------------------------------|------------------|--------------------------------------|------------------------------------|
| 5: NW/4 NW/4 | 40.00 | L-3651 10-21-79 | State 12.5 | Del-Lea, Inc. | None | Del-Lea: All |

Tracts 640 acres, or 6.30% of Unit Area

10,158.32 acres in entire Unit Area.

Mr. and Mrs. Traylor have agreed to sell this lease to Griffin, Ross & Burnett, Inc., retaining a 5% overriding royalty. Griffin, Ross & Inc. have in turn agreed to sell this lease to Clayton W. Williams, Jr. The necessary instruments to effect this transfer in ownership are being prepared and will be filed for approval as soon as possible.

EXHIBIT "B"

BADGER UNIT AREA
T-22-S, R-31-E, N.M.P.M.
Eddy County, New Mexico

EXAMINER UTZ
OIL CONSERVATION COMMISSION

EXHIBIT NO. 2CASE NO. 4973Submitted by C.W. Williams, Jr.Hearing Date 5-23-73

| Hearing Date <u>5-23-73</u> | | | | | | | | |
|-----------------------------|--|-----------------|--|------------------------------------|------------------|---|--|---------|
| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | NO. AN | |
| 1 | Section 24: A11 | 640.00 | NM-0371670 4-30-73 Extended by Drilling | USA | 12.5 | Getty Oil Company Cities Service Oil Company | Lawrence C. Harris Production Payment \$750/acre out of 5.00% | 6 Ci |
| 2 | Section 11: E/2 NW/4, S/2 NE/4, N/2 SW/4, S/2 SE/4 Section 12: NE/4 NW/4, S/2 NW/4, E/2 SW/4, E/2 SE/4 Section 13: NW/4 NW/4, SE/4 NW/4, NW/4 NE/4, SE/4 NE/4, NW/4 SW/4, SE/4 SW/4, NW/4 SE/4, SE/4 SE/4 | 920.00 | NM-0403961 6-30-73 | USA | 12.5 | Cities Service Oil Company | Donald E. Cooper: 5.00% | Ci |
| 3 | Section 23: E/2 SE/4 | 80.00 | NM-0417385 8-31-73 | USA | 12.5 | Mary L. Kirk | None | Kir |
| 4 | Section 22: S/2 Section 23: N/2, SW/4, W/2 SE/4 | 880.00 | NM-0417385A 8-31-73 | USA | 12.5 | Sun Oil Company | Mark L. Kirk: 5.00% | Sun |
| 5 | Section 9: A11 Section 10: A11 Section 11: NW/4 NW/4 | 1,320.00 | NM-0417506 8-31-73 | USA | 12.5 | The Superior Oil Company | Morris W. Newman & Robert J. Newman Production Payment \$750/acre out of 5.00% | Sup |

EXHIBIT "B"

**BADGER UNIT AREA
T-22-S, R-31-E, N.M.P.M.
Eddy County, New Mexico**

EXAMINER UTZ
OIL CONSERVATION COMMISSION

EXHIBIT NO. 2

CASE NO. 4973

Submitted by C.W. Williams, Jr.

Hearing Date 5-23-73

| SECTION OF D | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE |
|--|--------------------|---|---------------------------------------|--|--|------------------------------------|
| 4: A11 | 640.00 | NM-0371670 4-30-73 Extended by Drilling | USA 12.5 | Getty Oil Company Cities Service Oil Company | Lawrence C. Harris Production Payment \$750/acre out of 5.00% | Getty: 50 Cities Service: 50 |
| 1: E/2 NW/4, S/2 NE/4, N/2 SW/4, S/2 SE/4 | 920.00 | NM-0403961 6-30-73 | USA 12.5 | Cities Service Oil Company | Donald E. Cooper: 5.00% | Cities Service: All |
| 2: NE/4 NW/4, S/2 NW/4, E/2 SW/4, E/2 SE/4 | | | | | | |
| 3: NW/4 NW/4, SE/4 NW/4, NW/4 NE/4, SE/4 NE/4, NW/4 SW/4, SE/4 SW/4, NW/4 SE/4, SE/4 SE/4 | | | | | | |
| 3: E/2 SE/4 | 80.00 | NM-0417385 8-31-73 | USA 12.5 | Mary L. Kirk | None | Kirk: All |
| 2: S/2 3: N/2, SW/4, W/2 SE/4 | 880.00 | NM-0417385A 8-31-73 | USA 12.5 | Sun Oil Company | Mark L. Kirk: 5.00% | Sun: All |
| 3: A11 0: A11 1: NW/4 NW/4 | 1,320.00 | NM-0417506 8-31-73 | USA 12.5 | The Superior Oil Company | Morris W. Newman & Robert J. Newman Production Payment \$750/acre out of 5.00% | Superior: All |

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OR RECORD | OVERRIDING ROYALTY AND PERCENTAGE |
|-----------|---|-----------------|---|------------------------------------|--------------------------|---|
| 6 | Section 3: Lots 1, 2, 3, 4, S/2 Section 4: Lots 1, 2, 3, S/2 N/2, S/2 | 1,238.63 | NM-0417696 8-31-73 | USA 12.5 | The Superior Oil Company | Eagle Royalty & Minerals Company Production Payment \$750/acre out of 5.00% |
| 7 | Section 15: E/2 Section 22: N/2 | 640.00 | NM-0419982 7-31-73 | USA 12.5 | Mobil Oil Corporation | Robert N. Enfield Production Payment \$400/acre out of 2.00% Thomas Allen: .75% Robert H. Hopkins: 2.25% |
| 8 | Section 15: W/2 | 320.00 | NM-0419982-A 7-31-73 | USA 12.5 | The Superior Oil Company | Robert Hopkins: 2.25% Thomas Allen: 2.75% |
| 9 | Section 14: All | 640.00 | NM-0437911 2-28-74 | USA 12.5 | Mobil Oil Corporation | C. H. Thieriot Production Payment \$750/acre out of 5.00% |
| 10 | Section 5: S/2 NE/4, SE/4 Section 8: E/2 Section 17: E/2 NE/4 | 640.00 | NM-0461874 10-31-73 | USA 12.5 | Mobil Oil Corporation | Robert Enfield Production Payment \$400/acre out of 2.0000% Thomas Allen: 1.0625% Nicholas G. Flores: 1.9375% |
| 11 | Section 5: Lots 1, 2, 3, 4, S/2 NW/4, SW/4 Section 8: N/2 NW/4 Section 17: W/2 NE/4 | 559.72 | NM-0462046 10-31-73 | USA 12.5 | The Superior Oil Company | Robert E. Boyle: 5.00% |

| SECTION OF | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OR RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE |
|---|--------------------|---|---------------------------------------|-----------------------------|--|------------------------------------|
| 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 4: Lots 1, 2, 3, S/2 N/2, S/2 | 1,238.63 | NM-0417696 8-31-73 | USA 12.5 | The Superior Oil Company | Eagle Royalty & Minerals Company Production Payment \$750/acre out of 5.00% | Superior: All |
| 15: E/2 22: N/2 | 640.00 | NM-0419982 7-31-73 | USA 12.5 | Mobil Oil Corporation | Robert N. Enfield Production Payment \$400/acre out of 2.00% Thomas Allen: .75% Robert H. Hopkins: 2.25% | Mobil: All |
| 15: W/2 | 320.00 | NM-0419982-A 7-31-73 | USA 12.5 | The Superior Oil Company | Robert Hopkins: 2.25% Thomas Allen: 2.75% | Superior: All |
| 14: All | 640.00 | NM-0437911 2-28-74 | USA 12.5 | Mobil Oil Corporation | C. H. Thieriot Production Payment \$750/acre out of 5.00% | Mobil: All |
| 5: S/2 NE/4, SE/4 8: E/2 17: E/2 NE/4 | 640.00 | NM-0461874 10-31-73 | USA 12.5 | Mobil Oil Corporation | Robert Enfield Production Payment \$400/acre out of 2.0000% Thomas Allen: 1.0625% Nicholas G. Flores: 1.9375% | Mobil: All |
| 5: Lots 1, 2, 3, 4, S/2 NW/4, SW/4 8: N/2 NW/4 17: W/2 NE/4 | 559.72 | NM-0462046 10-31-73 | USA 12.5 | The Superior Oil Company | Robert E. Boyle: 5.00% | Superior: All |

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | | |
|--|--|-----------------|---|------------------------------------|------------------|---|--|--------|
| 12 | Section 21: All | 640.00 | NM-0480073-A 12-31-73 | USA | 12.5 | Phillips Petroleum Company | Margaret Allen: 2.00% Donald E. Allen: .25% Mary L. Tuttle: .75% Erving Wolf: 2.00% | P |
| 13 | Section 11: SW/4 NW/4, N/2 NE/4, N/2 SE/4, S/2 SW/4 Section 12: NW/4 NW/4, W/2 SW/4, W/2 SE/4 Section 13: NE/4 NW/4, SW/4 NW/4, NE/4 NE/4, SW/4 NE/4, NE/4 SW/4, SW/4 SW/4, NE/4 SE/4, SW/4 SE/4 | 800.00 | NM-0530990 7-31-74 | USA | 12.5 | Marjorie J. Hoover & Ray O. Traylor (1) | Marjorie J. Hoover: 2.5% Ray O. Traylor: 2.5% | C W |
| 14 | Section 12: NE/4 | 160.00 | NM-12845 1-31-81 | USA | 12.5 | Exxon Corporation | Central Southwest Oil Corp: 5.00% | E |
| 15 | Section 4: Lot 4 | 39.97 | NM-17596 2-28-83 | USA | 12.5 | Beard Oil Company | None | B |
| 12 Federal Tracts 9,518.32 acres, or 93.70% of Unit Area | | | | | | | | |
| 16 | Section 16: NE/4 NW/4, N/2 NE/4, S/2 N/2,S/2 | 600.00 | K-4044 4-21-74 | State | 12.5 | Sun Oil Company | None | S |

| OF | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE | |
|--|--------------------|---|---------------------------------------|------------------|---|--|----------------------------------|
| A11 | 640.00 | NM-0480073-A 12-31-73 | USA | 12.5 | Phillips Petroleum Company | Margaret Allen: 2.00% Donald E. Allen: .25% Mary L. Tuttle: .75% Erving Wolf: 2.00% | Phillips: All |
| SW/4 NW/4, N/2 NE/4, N/2 SE/4, S/2 SW/4 NW/4 NW/4, W/2 SW/4, W/2 SE/4 NE/4 NW/4, SW/4 NW/4, NE/4 NE/4, SW/4 NE/4, NE/4 SW/4, SW/4 SW/4, NE/4 SE/4, SW/4 SE/4 | 800.00 | NM-0530990 7-31-74 | USA | 12.5 | Marjorie J. Hoover & Ray O. Traylor (1) | Marjorie J. Hoover: 2.5% Ray O. Traylor: 2.5% | Clayton W. Williams, Jr.: All |
| NE/4 | 160.00 | NM-12845 1-31-81 | USA | 12.5 | Exxon Corporation | Central Southwest Oil Corp: 5.00% | Exxon: All |
| Lot 4 | 39.97 | NM-17596 2-28-83 | USA | 12.5 | Beard Oil Company | None | Beard: All |
| Tracts 9,518.32 acres, or 93.70% of Unit Area | | | | | | | |
| NE/4 NW/4, N/2 NE/4, S/2 N/2,S/2 | 600.00 | K-4044 4-21-74 | State | 12.5 | Sun Oil Company | None | Sun: All |

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE |
|-----------|-----------------------|-----------------|---|------------------------------------|------------------|-----------------------------------|
| 17 | Section 16: NW/4 NW/4 | 40.00 | L-3651 10-21-79 | State 12.5 | Del-Lea, Inc. | None |

2 State Tracts 640 acres, or 6.30% of Unit Area

TOTAL: 17 Tracts 10,158.32 acres in entire Unit Area.

NOTE: (1) Mrs. Hoover and Mr. Traylor have agreed to sell this lease to Griffin, Ross & Burnett, Inc., retaining a 5% overriding royalty. Griffin, Ross & Burnett, Inc. have in turn agreed to sell this lease to Clayton W. Williams, Jr. The necessary instruments to effect this transfer are now being prepared and will be filed for approval as soon as possible.

| SECTION OF | NUMBER OF ACRES | SERIAL NO. & EXP. DATE OF LEASES (New Mexico Serials) | BASIC ROYALTY OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE | |
|---------------|--------------------|---|---------------------------------------|------------------|--------------------------------------|------------------------------------|--------------|
| 36: NW/4 NW/4 | 40.00 | L-3651 10-21-79 | State | 12.5 | DeI-Lea, Inc. | None | DeI-Lea: All |

Tracts 640 acres, or 6.30% of Unit Area

s 10,158.32 acres in entire Unit Area.

Mr. Traylor have agreed to sell this lease to Griffin, Ross & Burnett, Inc., retaining a 5% overriding royalty. Griffin, Ross & Inc. have in turn agreed to sell this lease to Clayton W. Williams, Jr. The necessary instruments to effect this transfer in ownership being prepared and will be filed for approval as soon as possible.



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

MAY 15 1973

Griffin, Ross & Barnett, Inc.
2102 Wilco Building
Midland, Texas 79701

Attention: Mr. Kenneth H. Griffin

Gentlemen:

Your application dated April 24, 1973, filed on behalf of Clayton W. Williams, Jr., with the Area Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Badger unit area embracing 10,158.32 acres, more or less, Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

The land outlined on your plat marked "Exhibit A, Badger 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 (1968 reprint) modified to include appropriate language required for State of New Mexico lands, the potash protection language proposed as a new section on page 2 of your application, and should provide for the drilling of the initial well to test the Siluro-Devonian or to a depth of 15,500 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 1968 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 unit 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 1968 reprint of the standard form should be followed closely in the preparation of Exhibits A and B.

| | |
|-----------------------------|--------------------|
| BEFORE EXAMINER UTZ | |
| OIL CONSERVATION COMMISSION | |
| EXHIBIT NO. | 4 |
| CASE NO. | 4973 |
| Submitted by | C.W. Williams, Jr. |
| Hearing Date | 5-23-73 |

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 joinders, regardless of prior contacts with or clearances from the State.

Sincerely yours,

Henry W. Condit
Acting Director

State of New Mexico

TELEPHONE
505-827-2748



Commissioner of Public Lands

April 30, 1973

ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO

Griffin, Ross & Burnett, Inc.
2102 Wilco Building
Midland, Texas 79701

Re: File No. 2217
Badger Unit
Eddy County, New Mexico

ATTENTION: Mr. Kenneth H. Griffin

Gentlemen:

In reply to your letter of April 23, 1973, in connection with the subject unit, we have no objection to the unit area as outlined in your proposal.

Approval of the proposed unit will be conditioned on receipt of a unit agreement which will meet all the requirements of the Commissioner of Public Lands and also that will be acceptable by the United States Geological Survey and the Oil Conservation Commission.

Very truly yours,

Ray D. Graham
RAY D. GRAHAM, Director
Oil and Gas Department

AJA/RDG/s

| | |
|-----------------------------|--------------------|
| BEFORE EXAMINER UTZ | |
| OIL CONSERVATION COMMISSION | |
| EXHIBIT NO. | 3 |
| CASE NO. | 4973 |
| Submitter | C.W. Williams, Jr. |
| Hearing L | 5-23-73 |

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 23, 1973

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 Richard L. Stamets, Alternate Examiner:

CASE 4683: (Reopened) (Continued from the April 11, 1973 Examiner Hearing)

In the matter of Case 4683 being reopened pursuant to the provisions of Order No. R-4286, which order established special rules and regulations for the West Tres Papalotes-Pennsylvanian Pool, Lea County, New Mexico, including a provision for 160-acre proration units. All interested parties may appear and show cause why said pool should not be developed on less than 160-acre units.

CASE 4946: (Continued from the May 9, 1973 Examiner Hearing)

Application of Union Texas Petroleum for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Crosby-Fusselman Pool, Lea County, New Mexico, including a provision for classification of oil wells and gas wells, 320-acre spacing for all wells, and a limiting gas-oil ratio of 5000 to one.

CASE 4966: (Continued from the May 9, 1973 Examiner Hearing)

Application of Read & Stevens, Inc. for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the N/2 of Section 36, Township 12 South, Range 30 East, Chaves County, New Mexico, to be dedicated to a well to be drilled to the Queen formation in Unit B of said Section 36, in the Southeast Chaves Queen Gas Area. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a 200 percent charge for risk involved in drilling said well.

CASE 4969: Application of Amoco Production Company for a special depth bracket allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the assignment of a special depth bracket allowable of 764 barrels of oil per day for the Tocito Dome Pennsylvanian "D" Oil Pool, San Juan County, New Mexico, to replace the current regular depth bracket allowable for said pool of 382 barrels per day.

CASE 4970: Application of Robert G. Cox for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter his Federal "EA" Well No. 1, a crooked hole the surface location of which is 330 feet from the North and West lines of

(Case 4970 continued from page 1)

Section 12, Township 18 South, Range 27 East, Empire-Abo Pool, Eddy County, New Mexico, to set a whipstock at a depth of 4,200 feet and to drill in such a manner as to return the hole to the vertical, and to bottom said well at a depth of 6,200 feet approximately beneath the surface location.

CASE 4971: Application of Tesoro Petroleum Corporation for a secondary recovery project, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a secondary recovery project by injection of water and/or gas into the Hospah sand in its Santa Fe RR "A" Well No. 84 to be located five feet from the South line and 2,950 feet from the East line of Section 1, Township 17 North, Range 9 West, South Hospah-Lower Sand Oil Pool, McKinley County, New Mexico.

CASE 4972: Application of Skelly Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Forty-Niner Ridge Unit Area comprising 7,679 acres, more or less, of State, Federal, and Fee lands in Township 23 South, Range 30 East, Eddy County, New Mexico.

CASE 4973: Application of Clayton W. Williams, Jr. for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Badger Unit Area comprising 10,158 acres, more or less, of State and Federal lands in Township 22 South, Range 31 East, Eddy County, New Mexico.

CASE 4974: Application of Atlantic Richfield Company for a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the approval of a non-standard 160-acre unit comprising the W/2 NE/4 and E/2 NW/4 of Section 12, Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its Cooper Wells Nos. 1, 2, and 3 located in Units G, F, and B, respectively, of said Section 12.

CASE 4975: Application of Atlantic Richfield Company for a non-standard proration unit, simultaneous dedication, and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a non-standard 320-acre gas proration unit comprising the NW/4, N/2 SW/4, and W/2 NE/4 of Section 11, Township 20 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its W. P. Byrd Wells Nos. 5, a non-standard location 1650 feet from the North line and 330 feet from the West line, and No. 7, located 990 feet from the North line and 1980 feet from the West line of said Section 11.

CASE 4951: (Continued from the April 25, 1973 Examiner Hearing)

Application of Atlantic Richfield Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the N/2 of Section 15, Township 21 South, Range 26 East, Eddy County, New Mexico, to be dedicated to a well to be drilled by the applicant at a standard location to test the Morrow formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator and the risk involved in drilling said well.

CASE 4976: Application of The Petroleum Corporation for a dual completion, creation of two gas pools and special rules therefor, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Parkway West Unit Well No. 1 located in Unit C of Section 28, Township 19 South, Range 29 East, Eddy County, New Mexico, to produce gas and associated liquid hydrocarbons from the Strawn and Atoka formations through parallel strings of tubing. Applicant further seeks the designation of a Strawn pool and an Atoka pool for said well and the promulgation of special pool rules for each, including classification of oil wells and gas wells and special gas-oil ratio limitations.

CASE 4977: Application of Michael P. Grace II for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the N/2 of Section 12, Township 22 South, Range 26 East, South Carlsbad Gas Field, Eddy County, New Mexico, to be dedicated to a well to be drilled to the Morrow formation at an unorthodox location 1440 feet from the North line and 1880 feet from the East line of said Section 12. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as operator of the well, and the establishment of a 200 percent risk factor for the well.

CASE 4978: Application of Adobe Oil Company for a dual completion and non-standard gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Smith Federal Well No. 2 in such a manner as to produce gas from an undesignated Atoka gas pool and from the Rock Tank-Upper Morrow gas pool through parallel strings of tubing. Applicant further seeks approval for the non-standard location of said well for the Atoka formation at a point 660 feet from the South line and 330 feet from the East line of Section 11, Township 23 South, Range 24 East, Rock Tank Gas Field, Eddy County, New Mexico, said location having previously been approved for the Upper Morrow formation by Order No. R-4456.

CASE 4979: Application of Michael P. Grace II for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to set a whip-stock in his Airport Grace Well No. 1, the surface location of which is 1980 feet from the South line and 2164 feet from the West line of Section 36, Township 22 South, Range 26 East, South Carlsbad Gas Field, Eddy County, New Mexico, and to directionally drill said well in such a manner as to bottom the well in the Morrow formation at a point approximately 500 feet Northeast of the surface location.

CASE 4980: Application of Pubco Petroleum Corporation for pool creation, an oil discovery allowable, and surface commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Humble City-Wolfcamp Pool and the assignment of approximately 47,970 barrels of oil discovery allowable to the discovery well for said pool, applicant's Shipp Well No. 4 located in Unit L of Section 11, Township 17 South, Range 37 East, Lea County, New Mexico. Applicant further seeks authority to commingle production from said pool with production from the Humble City-Strawn Pool underlying applicant's Shipp lease after separately metering the Wolfcamp production.

CASE 4981: Southeastern nomenclature case calling for an order for the creation and extension of certain pools in Eddy, Lea, and Chaves Counties, New Mexico:

(a) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Cisco production and designated as the West Atoka-Cisco Gas Pool. The discovery well is the Coquina Oil Corporation Five Mile No. 1 located in Unit H of Section 14, Township 18 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 14: E/2

(b) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Cabin Lake-Morrow Gas Pool. The discovery well is the Phillips Petroleum Company James A Com No. 1 located in Unit O of Section 2, Township 22 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM
Section 2: S/2

(c) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the West Sand Dunes-Morrow Gas Pool. The discovery well is the El Paso Natural Gas Company Mobil Federal No. 1 located in Unit J of Section 29, Township 23 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
Section 29: E/2

(d) Create a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the North Shoe Bar-Wolfcamp Pool. The discovery well is the Pubco Petroleum Corporation Skelly State No. 1 located in Unit I of Section 14, Township 16 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 14: SE/4

(e) Extend the West Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 18: S/2

(f) Extend the Blinebry Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM
Section 1: NE/4

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 6: N/2

(g) Extend the East Brunson-McKee Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 24: SW/4

(h) Extend the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM
Section 11: E/2

(i) Extend the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 2: Lots 1 through 8
Section 3: Lots 1 through 8

(j) Extend the East Caprock-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 12 SOUTH, RANGE 32 EAST, NMPM
Section 10: SE/4

(k) Extend the Catclaw Draw-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 30: All

(l) Extend the Cedar Canyon-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM
Section 10: All

(m) Extend the Double L-Queen Associated Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 29 EAST, NMPM
Section 35: All

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM
Section 5: NE/4

(n) Extend the East EK-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 21: S/2 SE/4

(o) Extend the Golden Lane-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM
Section 5: Lots 1, 2, 7, 8, 9, 10,
15 and 16

(p) Extend the Grayburg-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
Section 28: N/2

(q) Extend the Justis-Montoya Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 13: SE/4

(r) Extend the Sand Dunes-Cherry Canyon Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
Section 23: SW/4 SE/4

Examiner Hearing - Wednesday - May 23, 1973
-7-

Docket No. 14-73

(s) Extend the West Sawyer-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 37 EAST, NMPM
Section 22: SE/4
Section 23: E/2 SW/4

(t) Extend the West Tres Papalotes-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM
Section 29: NW/4

(u) Extend the Twin Lakes-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 28 EAST, NMPM
Section 1: SE/4 NW/4 and NE/4 SW/4

CASE 4943: (Continued from the May 9, 1973 Examiner Hearing)

Application of M. W. Staples for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to produce oil from his Vanderventer Well No. 2 located 1310 feet from the North line and 1330 feet from the East line of Section 20, Township 18 South, Range 28 East, Artesia Pool, Eddy County, New Mexico. Said well was drilled as an injection well at said location pursuant to authority granted by Order No. R-3341.

Case 4973

Griffin, Ross & Burnett, Inc.

Oil Properties

KENNETH H. GRIFFIN
ROBERT B. ROSS
GARY G. BURNETT

2102 WILCO BUILDING
MIDLAND, TEXAS 79701
915 683-2705

April 25, 1973

Re: File No. 2217
Proposed Badger Unit
Eddy County, New Mexico

OIL CONSERVATION COMMISSION
State Land Office Building
Santa Fe, New Mexico

Attention: Mrs. Ida Rodriguez

Gentlemen:

In behalf of Clayton W. Williams, Jr., it is requested that a hearing be set at your scheduled meeting of May 23, 1973, to consider the approval of the proposed Badger Unit in Eddy County, New Mexico, as outlined on the attached plat and lease schedule.

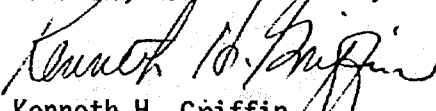
This unit will be for exploratory purposes and covers 10,158.32 acres, being owned as follows:

| <u>Owner</u> | <u>Acres</u> | <u>Percentage</u> |
|----------------------------|------------------|-------------------|
| <u>U.S.A.</u> | 9,518.32 | 93.70 |
| <u>State of New Mexico</u> | <u>640.00</u> | <u>6.30</u> |
| | <u>10,158.32</u> | 100.00% |

Please advise if any additional information is needed. It will also be appreciated if you will confirm that we are on the agenda for the May 23, 1973, meeting.

Yours very truly,

GRIFFIN, ROSS & BURNETT, INC.


Kenneth H. Griffin

KHG:mvw
Attach.

DOCKET MAILED

Date 5-11-73

EXHIBIT "A"
BADGER UNIT
Eddy County, New Mexico

----- Unit Outline -----

Case 4973

SCHEDULE OF LEASES
PROPOSED BADGER UNIT
EDDY COUNTY, NEW MEXICO

| LESSEE | TRACT NO. | DESCRIPTION | OWNER | ACRES | PERCENTAGE | EXP. DATE |
|----------|-----------|--|-------|------------|------------|-----------|
| Superior | 1 | Lots 1, 2, 3, 4, S/2 N/2, S/2 Section 3; Lots 1, 2, 3, S/2 N/2, S/2 Section 4 (0417696) | USA | 1,238.63 | 12.19 | 8-31-73 |
| | 3 | Lots 1, 2, 3, 4, S/2 NW/4, SW/4 Section 5; N/2 NW/4 Section 8; W/2 NE/4 Section 17 (0462046) | USA | 559.72 | 5.51 | 10-31-73 |
| | 5 | All Section 9; All Section 10; NW/4 NW/4 Section 11 (0417506) | USA | 1,320.00 | 13.00 | 8-31-73 |
| | 11 | W/2 Section 15 (0419982-A) | USA | 320.00 | 3.15 | 7-31-73 |
| | | | | (3,438.35) | (33.85) | |
| Mobil | 4 | S/2 NE/4, SE/4 Section 5; E/2 Section 8; E/2 NE/4 Section 17 (0461874) | USA | 640.00 | 6.30 | 10-31-73 |
| | 9 | All Section 14 (0437911) | USA | 640.00 | 6.30 | 2-28-74 |
| | 10 | E/2 Section 15 (0419982) | USA | 320.00 | 3.15 | 7-31-73 |
| | 15 | N/2 Section 22 (0419982) | USA | 320.00 | 3.15 | 7-31-73 |
| | | | | (1,920.00) | (18.90) | |
| Sun | 12 | All Section 16, except NW/4 NW/4 (K-4044) | State | 600.00 | 5.91 | 4-21-74 |
| | 16 | S/2 Section 22; N/2, SW/4, W/2, SE/4 Section 23 (0417385-A) | USA | 880.00 | 8.66 | 8-31-73 |
| | | | | (1,480.00) | (14.57) | |

Case 4973

Page Two

| LESSEE | TRACT NO. | DESCRIPTION | OWNER | ACRES | PERCENTAGE | EXP. DATE |
|---|-----------|--|-------|---------------|-------------|-----------|
| Cities Service | 7 | E/2 NW/4, S/2 NE/4, N/2 SW/4, S/2 SE/4 Section 11; NE/4 NW/4, S/2 NW/4, E/2 SW/4, E/2 SE/4 Section 12; NW/4 NW/4, SE/4 NW/4, NW/4 NE/4, SE/4 NE/4, NW/4 SW/4, SE/4 SW/4, NW/4 SE/4, SE/4 SE/4 Section 13 (0403961) | USA | 920.00 | 9.06 | 6-30-73 |
| Griffin, Ross & Burnett, Inc. (Note: Owned of record by Marjorie Hoover & R. O. Traylor) | 6 | SW/4 NW/4, N/2 NE/4, N/2 SE/4, S/2 SW/4 Section 11; NW/4 NW/4, W/2 SW/4, W/2 SE/4 Section 12, NE/4 NW/4, SW/4 NW/4, NE/4 NE/4, SW/4 NE/4, NE/4 SW/4, SW/4 SW/4, NE/4 SE/4, SW/4 SE/4 Section 13 (0530990) | USA | 800.00 | 7.87 | 7-31-74 |
| Phillips | 14 | All Section 21 (0480073-A) | USA | 640.00 | 6.30 | 12-31-73 |
| Mary L. Kirk | 17 | E/2 SE/4 Section 23 (0417385) | USA | 80.00 | 0.79 | 8-31-73 |
| Exxon | 8 | NE/4 Section 12 (NM-12845) | USA | 160.00 | 1.58 | 1-31-81 |
| Beard Oil Co. | 2 | Lot 4, Section 4 (NM-17596) | USA | 39.97 | 0.39 | 2-28-83 |
| Del-Lea, Inc. | 13 | NW/4 NW/4 Section 16 (L-3651) | State | 40.00 | 0.39 | 10-21-79 |
| Getty Oil and Cities Service | 18 | All Section 24 (0371670) | USA | <u>640.00</u> | <u>6.30</u> | 4-30-73 |
| TOTAL: | | | | 10,158.32 | 100.00% | |

dearnley, meier & associates reporting service, inc.

209 SIMMS BLDG., P.O. BOX 1092, PHONE 243-6691, ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST, ALBUQUERQUE, NEW MEXICO 87108

PAGE 2

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE ROOM, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

May 23, 1973

EXAMINER HEARING

IN THE MATTER OF:

Application of Clayton W.
Williams, Jr. for a unit
agreement, Eddy County,
New Mexico.

Case No. 4973

BEFORE: Elvis A. Utz,
Examiner

TRANSCRIPT OF HEARING

1 MR. UTZ: Case 4973: Application of Clayton W.
2 Williams, Jr. for a unit agreement, Eddy County, New Mexico.

3 MR. EATON: Paul Eaton, of the firm of Hinkle,
4 Bondurant, Cox and Eaton, Roswell, representing the Applicant.
5 We have two witnesses.

6 MR. UTZ: The same two witnesses?

7 MR. EATON: One is the same.

8 MR. UTZ: Let the record show that Mr. Griffin
9 was sworn in the previous case.

10 * * * *

11 KENNETH GRIFFIN,

12 was called as a witness, and having been already duly sworn
13 according to law, testified as follows:

14 DIRECT EXAMINATION

15 BY MR. EATON:

16 Q Will you state your name and occupation, please?

17 A K. H. Griffin, independent petroleum landman.

18 Q Have you been employed by Clayton W. Williams, Jr. in
19 this matter?

20 A Yes.

21 Q You are familiar with this application, Mr. Griffin?

22 A Yes, I am.

23 Q What does the Applicant seek by this application?

24 A He seeks to form a Federal and State exploratory type
25 unit in Township 22 South, Range 31 East, Eddy County,

1 New Mexico.

2 Q Directing your attention to Exhibit One, please explain
3 that exhibit.

4 A Exhibit One is a plat, a land plat, showing the area,
5 the outlined area proposed for unitization. In
6 addition in the extreme northwest portion of the map,
7 there is a dotted line through Section 6. This is
8 the Oil-potash area as defined in Orders R-111-A
9 through R-111-H.

10 The R-111-A area is to the west of this line.
11 It shows the northwest portion of the unit proposal
12 as completely outside of the R-111-A area.

13 Q What is the orange dot on the exhibit?

14 A That's the tentative well location.

15 Q Directing your attention to Exhibit Two, please explain
16 that exhibit.

17 A Exhibit Two is a chart of ownership showing the land
18 ownership, the leasehold ownership, the basic royalty--
19 overriding royalties, the lessee of record, and the
20 working interest percentage for each tract involved.

21 Q What is the breakdown between Federal land?

22 A In this case, there are twelve Federal tracts totalling
23 93.7 percent of the area. There are two State tracts,
24 or 6.3 percent, for a grand total in the unit of
25 10,158.23 acres.

- 1 Q There are no private tracts in here?
- 2 A No, not in this particular unit.
- 3 Q Has this proposed unit area been informally approved
- 4 by the Commissioner of Public Lands?
- 5 A Yes, it has, and that is evidenced by Exhibit Three.
- 6 Q Has the proposed unit been approved by the U.S.G.S.?
- 7 A Yes, by letter dated May 15th, 1973.
- 8 Q Is that Exhibit Four?
- 9 A Yes.
- 10 Q Has the unit agreement been prepared?
- 11 A Yes, the unit agreement has been prepared.
- 12 Q Is that Exhibit Five?
- 13 A Yes, correct.
- 14 Q Has this form of agreement previously been used by
- 15 the U.S.G.S. and Commissioner of Public Lands?
- 16 A They have given it their tentative approval.
- 17 Q Who is the designated operator?
- 18 A Clayton W. Williams, Jr. of Stockton, Texas.
- 19 Q Does the unit agreement unitize all formations?
- 20 A Yes, to all depths.
- 21 Q What are the provisions with respect to the initial
- 22 test well?
- 23 A The standard provisions from the Federal unitization
- 24 form which requires six months-- it must be commenced
- 25 within six months of the date of approval. As a

1 factual matter, it will be started much sooner.

2 Q What is the objective depth of the formation?

3 A Fifteen thousand five hundred feet to the Saluro-
4 Devonian.

5 Q What is the plan for development after the test well
6 is completed?

7 A The six-month plan of development has been filed with
8 both the supervisors and the Commissioner for their
9 approval, and this shows a continuing sequence of
10 development until the area is fully tested during its
11 life as outlined in the contract.

12 Q What is the present status of the commitments to the
13 unit agreement of the working interest owners in the
14 area?

15 A We have 9,278.35 acres representing 91.3375 percent
16 of the unit area.

17 Q Do you feel that this commitment will afford effective
18 control of the unit area?

19 A Yes. I would like to bring out that Exhibit Number
20 Two shows one tract as being open Federal land, which
21 in fact is not open until the last day of this month,
22 but it will be before the actual commencement of this
23 well.

24 Q Which tract number is that?

25 A That is tract number-- I'm sorry, I'm wrong on that.

1 We meant to bring this out in the other area.

2 Q In your opinion, Mr. Griffin, will the unit agreement
3 prevent waste and protect correlative rights and be
4 in the interest of conservation?

5 A Yes.

6 Q Were Exhibits One, Two and Five prepared by you or
7 under your supervision?

8 A Yes.

9 MR. EATON: We tender Applicant Exhibits One, Two,
10 Three, Four and Five into evidence.

11 MR. UTZ: Without objection, Applicant's Exhibits
12 One through Five will be entered into the record.

13 (Whereupon Applicant's Exhibits One through Five
14 were entered in evidence.)

15 MR. EATON: I have no further questions of Mr.
16 Griffin.

17 * * * *

18 CROSS EXAMINATION

19 BY MR. UTZ:

20 Q What is the total percentage joined in the unit at
21 the present time?

22 A Ninety-one point three three seven five percent.

23 MR. UTZ: Are there any other questions of the
24 witness?

25 (No response)

1 MR. UTZ: If not, the witness may be excused.

2 (Witness excused.)

3 MR. EATON: I will now call Mr. O'Brien.

4 * * * *

5 JAMES R. O'BRIEN,

6 was called as a witness, and after being duly sworn according
7 to law, testified as follows:

8 DIRECT EXAMINATION

9 BY MR. EATON:

10 Q State your name and your occupation and by whom you
11 are employed, please.

12 A James R. O'Brien, I'm a petroleum consultant in Midland,
13 Texas, acting on behalf of Clayton Williams, Jr. of
14 Fort Stockton, Texas.

15 Q What is your educational background?

16 A I think I have already been qualified. My educational
17 background is I have a bachelor of science degree in
18 petroleum geology from Texas A and M in 1957.

19 Q Now, have you previously testified before the Commission
20 as a geologist?

21 A Yes, I have.

22 Q Are you familiar with the application in this case?

23 A Yes, I am.

24 MR. EATON: Are the witness' qualifications
25 acceptable?

1 MR. UTZ: Yes, they are.

2 Q (By Mr. Eaton) Mr. O'Brien, directing your attention
3 to what has been marked for identification as Exhibit
4 Six, will you please explain this exhibit?

5 A Exhibit Six is a map that covers our proposed unit
6 area in Eddy County, New Mexico. The map centers on
7 Township 22 South, Range 31 East, in Eddy County.

8 The map is principally a structural contour map
9 utilizing both geology and geophysics. It is contoured
10 on the Lower Saluro-Devonian formation. In addition,
11 we have isopack contours of the Morrow sand. We have
12 a read-out line on the map that outlines our proposed
13 unit area, and the principal, key control wells are
14 indicated on the map in little red circles.

15 We have left off all other shelf control on the
16 map.

17 The map, as I have stated, is contoured on the
18 Lower Saluro-Devonian. The contour is almost entirely
19 on a geophysical interpretation derived under my
20 supervision and the contours were drawn by myself.

21 What we see here is the Lower Saluro-Devonian
22 with approximately 450 feet of closure. I interpret
23 the closing contours as being approximately minus
24 11,950 feet sub-C depth. The anticline is generally
25 east to west more or less parallel to the dip into

1 the Delaware Basin.

2 The geophysical control on the prospect is
3 sufficiently complete. We have velocity data, and
4 indicated by the triangles are the Shell James Ranch
5 Well in Section 30, Township 22 South, Range 30 East.

6 In addition to that, we have velocity data on
7 the wells to the north and to the south.

8 The prospect is principally a Lower Saluro-
9 Devonian with there being considerable potential for
10 secondary recovery. These are Morrow sands, and the
11 Atoka algae mound is in the area, and the Atoka sand
12 and the Strawn algae mound exist, as I have interpreted
13 them, in the James Ranch Well in Section 2.

14 In addition to that, we have Cherry Canyon
15 possibility in the prospect.

16 Q Why is the Saluro-Devonian formation the primary
17 prospect?

18 A In this immediate area where we did have well control,
19 we have made stratigraphic studies on the Lower Saluro-
20 Devonian, and I feel as a geologist who has worked
21 in the area for a number of years that the well will
22 penetrate the Lower Saluro-Devonian. The thick rock
23 section is indicative of the shelf edge than it is
24 to basin characteristics. It is very similar to
25 what we see in the other rock units throughout the

1 Permean Basin, particularly in the Pennsylvanian and
2 Wolfcamp.

3 I have studied the rock sections encountered,
4 for instance, in the Phillips No. 1 James Ranch and
5 the Shell James Ranch and up to the north in the
6 Phillips well and in the south in the wells that have
7 been drilled there.

8 Sample studies have revealed that in the immediate
9 area of the prospect as being what appears to me to
10 be shelf edge rock, high energy carbonate; and to
11 the north, I feel I see a degeneration of this good
12 reservoir characteristic, and this degeneration will
13 act in part as an enclosure to the prospect.

14 The Phillips James Ranch Well had a shale section
15 which was predominantly clean dolomite. I feel the
16 pressure encountered in that well, in excess of 6,300
17 pounds, and a very good gas show, indicates to me
18 that the gas was stratigraphically trapped. In the
19 south, the No. 1 well that was drilled a number of
20 years ago in the Lower Saluro-Devonian has very clean,
21 porous carbonate, and the well was structurally too
22 low to produce. Then the Shell No. 1 James Ranch Well
23 to the south, this well was drilled on a structural
24 anomaly which has been confirmed to date by subsequent
25 drilling in the immediate area as well as a lot of

1 geophysical data that was compiled.

2 That well flowed in excess of 5,000,000 MCF a
3 day, and was definitely a commercial completion.

4 The rock units in the Saluro-Devonian are
5 principally dirty carbonates with some limestone.

6 In the northeast on a line directly between the base
7 number one across our section, or in the vicinity of
8 our location, and up to the Phillips Well, I note that
9 the Phillips Well has another occurrence of very clean
10 carbonate rock in the Lower Saluro-Devonian.

11 For this reason, I feel 450 feet of closure will
12 be predominantly a result of structural folding
13 probably associated with some up-basin faulting. I
14 feel this fault continues to the northwest, and I do
15 have good physical evidence to base this belief upon.

16 Q Mr. O'Brien, do you believe that the secondary
17 objective reservoir extends over the proposed unit
18 area?

19 A Very definitely. If we start in the lower part of
20 the Pennsylvanian rock section, I have to ditto
21 almost everything that was said in the previous case.
22 I will not belabor the point, but I do feel the
23 Morrow sands drain across this area, and are associated
24 with the shore sand bars formed by the periodic
25 destruction of the marine delta systems both in the

1 northeast and southwest of the prospect area.

2 I anticipate in excess of 100 feet of net clean
3 Morrow sand to occur in this area.

4 Q When will the test well be commenced?

5 A By the terms of our agreement, we propose to commence
6 the test well by July 1st, 1973.

7 Q And do you know how long that will take to drill?

8 A It will take 120 to 160 days, depending upon what
9 kind of trouble we encounter in the area.

10 Q Do you have any opinion to approximate the cost of
11 the well?

12 A Yes, it will be, we anticipate, eight hundred to
13 \$850,000.

14 Q One other question. What considerations lead to the
15 selection of the proposed well site?

16 A We have a seismic line which transverses northeast-
17 southwest over the prospect area, and the quality,
18 as we move into the unit area, gets a little bit
19 poorer as we come up to the top of the structure, and
20 we interpret it as being high in the north half of
21 the northeast.

22 However, our best data is line GP1 which
23 transverses northwest-southeast, and our proposed
24 location is between those two spots where I feel the
25 data quality is excellent.

1 Q Was this exhibit prepared by you or under your
2 supervision?

3 A Yes.

4 MR. EATON: We offer Applicant's Exhibit Number
5 Six into evidence.

6 MR. UTZ: Without objection, it will be entered
7 into the record.

8 (Whereupon Applicant's Exhibit Six was entered
9 in evidence.)

10 MR. EATON: We have no further questions, Mr.
11 Examiner.

12 MR. UTZ: Are there any questions of the witness?

13 (No response)

14 MR. UTZ: He may be excused.

15 (Witness excused.)

16 MR. UTZ: Are there any statements in this case?

17 (No response)

18 MR. UTZ: Case 4973 will be taken under advisement.

19 * * * *

20

21

22

23

24

25

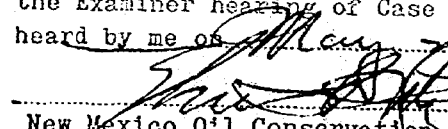
dearnley, meier & associates reporting services, inc.

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1 STATE OF NEW MEXICO)
2) ss
3 COUNTY OF BERNALILLO)

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

11
12 
13 CERTIFIED SHORTHAND REPORTER
14
15
16
17
18
19
20
21

22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the Examiner hearing of Case No. 4973.
25 heard by me on May 7, 1973.
 Examiner
New Mexico Oil Conservation Commission

I N D E XWITNESSPAGE

KENNETH GRIFFIN

Direct Examination by Mr. Eaton

3

Cross Examination by Mr. Utz

7

JAMES R. O'BRIEN

Direct Examination by Mr. Eaton

8

E X H I B I T SEXHIBITADMITTEDOFFERED

Applicant's #1

Land plat

7

4

Applicant's #2

Chart of ownership

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4

Applicant's #3

Letter from State

7

5

Applicant's #4

Letter from U.S.G.S.

7

5

Applicant's #5

Unit agreement

7

5

Applicant's #6

Contour map

14

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE ROOM, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

May 23, 1973

EXAMINER HEARING

IN THE MATTER OF:

Application of Clayton W.
Williams, Jr. for a unit
agreement, Eddy County,
New Mexico.

Case No. 4973

BEFORE: Elvis A. Utz,
Examiner

TRANSCRIPT OF HEARING

1 MR. UTZ: Case 4973: Application of Clayton W.
2 Williams, Jr. for a unit agreement, Eddy County, New Mexico.

3 MR. EATON: Paul Eaton, of the firm of Hinkle,
4 Bondurant, Cox and Eaton, Roswell, representing the Applicant.
5 We have two witnesses.

6 MR. UTZ: The same two witnesses?

7 MR. EATON: One is the same.

8 MR. UTZ: Let the record show that Mr. Griffin
9 was sworn in the previous case.

10 * * * *

11 KENNETH GRIFFIN,
12 was called as a witness, and having been already duly sworn
13 according to law, testified as follows:

14 DIRECT EXAMINATION

15 BY MR. EATON:

16 Q Will you state your name and occupation, please?

17 A K. H. Griffin, independent petroleum landman.

18 Q Have you been employed by Clayton W. Williams, Jr. in
19 this matter?

20 A Yes.

21 Q You are familiar with this application, Mr. Griffin?

22 A Yes, I am.

23 Q What does the Applicant seek by this application?

24 A He seeks to form a Federal and State exploratory type
25 unit in Township 22 South, Range 31 East, Eddy County,

1 New Mexico.

2 Q Directing your attention to Exhibit One, please explain
3 that exhibit.

4 A Exhibit One is a plat, a land plat, showing the area,
5 the outlined area proposed for unitization. In
6 addition in the extreme northwest portion of the map,
7 there is a dotted line through Section 6. This is
8 the oil-potash area as defined in Orders R-111-A
9 through R-111-H.

10 The R-111-A area is to the west of this line.
11 It shows the northwest portion of the unit proposal
12 as completely outside of the R-111-A area.

13 Q What is the orange dot on the exhibit?

14 A That's the tentative well location.

15 Q Directing your attention to Exhibit Two, please explain
16 that exhibit.

17 A Exhibit Two is a chart of ownership showing the land
18 ownership, the leasehold ownership, the basic royalty--
19 overriding royalties, the lessee of record, and the
20 working interest percentage for each tract involved.

21 Q What is the breakdown between Federal land?

22 A In this case, there are twelve Federal tracts totalling
23 93.7 percent of the area. There are two State tracts,
24 or 6.3 percent, for a grand total in the unit of
25 10,158.23 acres.

- 1 Q There are no private tracts in here?
- 2 A No, not in this particular unit.
- 3 Q Has this proposed unit area been informally approved
- 4 by the Commissioner of Public Lands?
- 5 A Yes, it has, and that is evidenced by Exhibit Three.
- 6 Q Has the proposed unit been approved by the U.S.G.S.?
- 7 A Yes, by letter dated May 15th, 1973.
- 8 Q Is that Exhibit Four?
- 9 A Yes.
- 10 Q Has the unit agreement been prepared?
- 11 A Yes, the unit agreement has been prepared.
- 12 Q Is that Exhibit Five?
- 13 A Yes, correct.
- 14 Q Has this form of agreement previously been used by
- 15 the U.S.G.S. and Commissioner of Public Lands?
- 16 A They have given it their tentative approval.
- 17 Q Who is the designated operator?
- 18 A Clayton W. Williams, Jr. of Stockton, Texas.
- 19 Q Does the unit agreement unitize all formations?
- 20 A Yes, to all depths.
- 21 Q What are the provisions with respect to the initial
- 22 test well?
- 23 A The standard provisions from the Federal unitization
- 24 form which requires six months-- it must be commenced
- 25 within six months of the date of approval. As a

1 factual matter, it will be started much sooner.

2 Q What is the objective depth of the formation?

3 A Fifteen thousand five hundred feet to the Saluro-
4 Devonian.

5 Q What is the plan for development after the test well
6 is completed?

7 A The six-month plan of development has been filed with
8 both the supervisors and the Commissioner for their
9 approval, and this shows a continuing sequence of
10 development until the area is fully tested during its
11 life as outlined in the contract.

12 Q What is the present status of the commitments to the
13 unit agreement of the working interest owners in the
14 area?

15 A We have 9,278.35 acres representing 91.3375 percent
16 of the unit area.

17 Q Do you feel that this commitment will afford effective
18 control of the unit area?

19 A Yes. I would like to bring out that Exhibit Number
20 Two shows one tract as being open Federal land, which
21 in fact is not open until the last day of this month,
22 but it will be before the actual commencement of this
23 well.

24 Q Which tract number is that?

25 A That is tract number-- I'm sorry, I'm wrong on that.

1 We meant to bring this out in the other area.

2 Q In your opinion, Mr. Griffin, will the unit agreement
3 prevent waste and protect correlative rights and be
4 in the interest of conservation?

5 A Yes.

6 Q Were Exhibits One, Two and Five prepared by you or
7 under your supervision?

8 A Yes.

9 MR. EATON: We tender Applicant Exhibits One, Two,
10 Three, Four and Five into evidence.

11 MR. UTZ: Without objection, Applicant's Exhibits
12 One through Five will be entered into the record.

13 (Whereupon Applicant's Exhibits One through Five
14 were entered in evidence.)

15 MR. EATON: I have no further questions of Mr.
16 Griffin.

17 * * * *

18 CROSS EXAMINATION

19 BY MR. UTZ:

20 Q What is the total percentage joined in the unit at
21 the present time?

22 A Ninety-one point three three seven five percent.

23 MR. UTZ: Are there any other questions of the
24 witness?

25 (No response)

1 MR. UTZ: Yes, they are.

2 Q (By Mr. Eaton) Mr. O'Brien, directing your attention
3 to what has been marked for identification as Exhibit
4 Six, will you please explain this exhibit?

5 A Exhibit Six is a map that covers our proposed unit
6 area in Eddy County, New Mexico. The map centers on
7 Township 22 South, Range 31 East, in Eddy County.

8 The map is principally a structural contour map
9 utilizing both geology and geophysics. It is contoured
10 on the Lower Saluro-Devonian formation. In addition,
11 we have isopack contours of the Morrow sand. We have
12 a read-out line on the map that outlines our proposed
13 unit area, and the principal, key control wells are
14 indicated on the map in little red circles.

15 We have left off all other shelf control on the
16 map.

17 The map, as I have stated, is contoured on the
18 Lower Saluro-Devonian. The contour is almost entirely
19 on a geophysical interpretation derived under my
20 supervision and the contours were drawn by myself.

21 What we see here is the Lower Saluro-Devonian
22 with approximately 450 feet of closure. I interpret
23 the closing contours as being approximately minus
24 11,950 feet sub-C depth. The anticline is generally
25 east to west more or less parallel to the dip into

1 the Delaware Basin.

2 The geophysical control on the prospect is
3 sufficiently complete. We have velocity data, and
4 indicated by the triangles are the Shell James Ranch
5 Well in Section 30, Township 22 South, Range 30 East.

6 In addition to that, we have velocity data on
7 the wells to the north and to the south.

8 The prospect is principally a Lower Saluro-
9 Devonian with there being considerable potential for
10 secondary recovery. These are Morrow sands, and the
11 Atoka algae mound is in the area, and the Atoka sand
12 and the Strawn algae mound exist, as I have interpreted
13 them, in the James Ranch Well in Section 2.

14 In addition to that, we have Cherry Canyon
15 possibility in the prospect.

16 Q Why is the Saluro-Devonian formation the primary
17 prospect?

18 A In this immediate area where we did have well control,
19 we have made stratigraphic studies on the Lower Saluro-
20 Devonian, and I feel as a geologist who has worked
21 in the area for a number of years that the well will
22 penetrate the Lower Saluro-Devonian. The thick rock
23 section is indicative of the shelf edge than it is
24 to basin characteristics. It is very similar to
25 what we see in the other rock units throughout the

1 Permean Basin, particularly in the Pennsylvanian and
2 Wolfcamp.

3 I have studied the rock sections encountered,
4 for instance, in the Phillips No. 1 James Ranch and
5 the Shell James Ranch and up to the north in the
6 Phillips well and in the south in the wells that have
7 been drilled there.

8 Sample studies have revealed that in the immediate
9 area of the prospect as being what appears to me to
10 be shelf edge rock, high energy carbonate; and to
11 the north, I feel I see a degeneration of this good
12 reservoir characteristic, and this degeneration will
13 act in part as an enclosure to the prospect.

14 The Phillips James Ranch Well had a shale section
15 which was predominantly clean dolomite. I feel the
16 pressure encountered in that well, in excess of 6,300
17 pounds, and a very good gas show, indicates to me
18 that the gas was stratigraphically trapped. In the
19 south, the No. 1 well that was drilled a number of
20 years ago in the Lower Saluro-Devonian has very clean,
21 porous carbonate, and the well was structurally too
22 low to produce. Then the Shell No. 1 James Ranch Well
23 to the south, this well was drilled on a structural
24 anomaly which has been confirmed to date by subsequent
25 drilling in the immediate area as well as a lot of

1 geophysical data that was compiled.

2 That well flowed in excess of 5,000,000 MCF a
3 day, and was definitely a commercial completion.

4 The rock units in the Saluro-Devonian are
5 principally dirty carbonates with some limestone.

6 In the northeast on a line directly between the base
7 number one across our section, or in the vicinity of
8 our location, and up to the Phillips Well, I note that
9 the Phillips Well has another occurrence of very clean
10 carbonate rock in the Lower Saluro-Devonian.

11 For this reason, I feel 450 feet of closure will
12 be predominantly a result of structural folding
13 probably associated with some up-basin faulting. I
14 feel this fault continues to the northwest, and I do
15 have good physical evidence to base this belief upon.

16 Q Mr. O'Brien, do you believe that the secondary
17 objective reservoir extends over the proposed unit
18 area?

19 A Very definitely. If we start in the lower part of
20 the Pennsylvanian rock section, I have to ditto
21 almost everything that was said in the previous case.
22 I will not belabor the point, but I do feel the
23 Morrow sands drain across this area, and are associated
24 with the shore sand bars formed by the periodic
25 destruction of the marine delta systems both in the

1 geophysical data that was compiled.

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dearnley, meier & associates

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1216 FIRST NATIONAL BANK BLDG. EAST ALBUQUERQUE, NEW MEXICO 87108

1 northeast and southwest of the prospect area.

2 I anticipate in excess of 100 feet of net clean
3 Morrow sand to occur in this area.

4 Q When will the test well be commenced?

5 A By the terms of our agreement, we propose to commence
6 the test well by July 1st, 1973.

7 Q And do you know how long that will take to drill?

8 A It will take 120 to 160 days, depending upon what
9 kind of trouble we encounter in the area.

10 Q Do you have any opinion to approximate the cost of
11 the well?

12 A Yes, it will be, we anticipate, eight hundred to
13 \$850,000.

14 Q One other question. What considerations lead to the
15 selection of the proposed well site?

16 A We have a seismic line which transverses northeast-
17 southwest over the prospect area, and the quality,
18 as we move into the unit area, gets a little bit
19 poorer as we come up to the top of the structure, and
20 we interpret it as being high in the north half of
21 the northeast.

22 However, our best data is line GP1 which
23 transverses northwest-southeast, and our proposed
24 location is between those two spots where I feel the
25 data quality is excellent.

1 Q Was this exhibit prepared by you or under your
2 supervision?

3 A Yes.

4 MR. EATON: We offer Applicant's Exhibit Number
5 Six into evidence.

6 MR. UTZ: Without objection, it will be entered
7 into the record.

8 (Whereupon Applicant's Exhibit Six was entered
9 in evidence.)

10 MR. EATON: We have no further questions, Mr.
11 Examiner.

12 MR. UTZ: Are there any questions of the witness?

13 (No response)

14 MR. UTZ: He may be excused.

15 (Witness excused.)

16 MR. UTZ: Are there any statements in this case?

17 (No response)

18 MR. UTZ: Case 4973 will be taken under advisement.

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1 STATE OF NEW MEXICO)
2) SS
3 COUNTY OF BERNALILLO)
4

5 I, RICHARD E. McCORMICK, a Certified Shorthand
6 Reporter, in and for the County of Bernalillo, State of
7 New Mexico, do hereby certify that the foregoing and attached
8 Transcript of Hearing before the New Mexico Oil Conservation
9 Commission was reported by me; and that the same is a true and
10 correct record of the said proceedings to the best of my
11 knowledge, skill and ability.


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13 CERTIFIED SHORTHAND REPORTER
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I do hereby certify that the foregoing is
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the Examiner hearing of Case No. 4973
heard by me on May 23, 1973.

Examiner
New Mexico Oil Conservation Commission

1 STATE OF NEW MEXICO)
2 COUNTY OF BERNALILLO) ss
3

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