

CASE No.  
W 9 8 2

---

Application,

Transcripts,

Small Exhibits

ETC.



United States Department of the Interior  
GEOLOGICAL SURVEY

P. O. Box 49125  
Albuquerque, New Mexico 87125

JUL 06 1978

Brinson & McNight, Inc.  
Attention: Mr. Byron McNight  
P. O. Box 297  
Hobbs, New Mexico 88240

No. 4982

Gentlemen:

The Ojo Chise unit agreement, Lea County, New Mexico, was approved June 29, 1973, by the Oil and Gas Supervisor, SRMA, effective as of the date of approval. The term of the unit was for five years and so long thereafter as unitized substances can be produced in quantities sufficient to pay the cost of producing same from wells on unitized land within any participating area established.

Our records show that unit well No. 1 in the S420W sec. 23, T. 22 S., R. 34 E., N.M.P.M., on State of New Mexico land was completed on February 23, 1974, in the Morrow formation and determined to be a commercial gas well by the State of New Mexico Commissioner of Public Lands on April 11, 1974. The well was recompleted in the Strawn formation on June 27, 1976, and subsequently plugged and abandoned on August 25, 1977. Unit well No. 2 in the S420W sec. 15, T. 22 S., R. 34 E., N.M.P.M., on Federal lease M-17067, was drilled to the Morrow formation and plugged and abandoned as a dry hole on December 22, 1974.

Pursuant to Section 20 of the unit agreement, the unit is considered terminated on June 29, 1978, the fifth anniversary of its effective date.

Sincerely yours,

(ORIG. SGD.) JAMES W. SUTHERLAND

Oil and Gas Supervisor, SRMA

cc: American Quasar Petroleum Co.  
1000 The Midland National Bank Tower  
Midland, Texas 79701

BLM, Santa Fe  
NMOCC, Santa Fe  
Com. Pub. Lands, Santa Fe

This Copy for

NOTE TO BLM: All Federal leases committed to the Ojo Chise unit agreement should be considered for two year extensions pursuant to 43 CFR 3107.5, as applicable.

Unit Name Ojo Chiso Unit (Exploratory)  
Operator Brunson & McKnight Inc.  
County Lea

DATE APPROVED	OCC CASE NO. 4982 OCC ORDER NO. R-4547	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SE
Commissioner 6-25-73	June 8, 1973	June 29, 1973	5,120.00	1,280.00	3,840.00	-0-	

UNIT AREA

TOWNSHIP 22SOUTH, RANGE 34 EAST, NMPM

Sections 14 and 15: All  
Sections 21 through 23: All  
Sections 26 through 28: All

TERMINATED  
7-11-78  
Eff: 6-28-78

6/25/73

Unit Name Ojo Chiso Unit (Exploratory)  
Operator Brunson & Mcknight Inc.  
County Lea

OCC CASE NO. 4982 OCC ORDER NO. R-4547	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
June 8, 1973	June 29, 1973	5,120.00	1,280.00	3,840.00	-0-	Yes	5 yrs.

DOWN, RANGE 34 EAST, NMPM

and 15: A11  
through 23: A11  
through 28: A11

TERMINATED  
7-11-78  
E.H. 6-28-78



Unit Name	GJO CHISO UNIT (EXPLORATORY)
Operator	BRINSON & MCKNIGHT INC.
County	LEA

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED
11	L-1504	C.S.	14	22S	34E	W/2, S/2NE/4, S/2SE/4	6-15-73	480.00	
12	L-1589	C.S.	23	22S	34E	S/2, S/2NW/4	6-15-73	400.00	
13	L-4719	C.S.	23	22S	34E	N/2NW/4, NE/4	6-6-73	240.00	
14	LG-0741	C.S.	14	22S	34E	N/2NE/4, N/2SE/4	6-15-73	160.00	

TERMINATED  
 7-4-78  
 Eds: 6-28-78

Unit Name OJO CHISO UNIT (EXPLORATORY)  
 Operator BRINSON & MCKNIGHT INC.  
 County LEA

LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
L-1504	C.S.	14	22S	34E	W/2, S/2NE/4, S/2SE/4	6-15-73	480.00		Amoco Production Co.
L-1589	C.S.	23	22S	34E	S/2, S/2NW/4	6-15-73	400.00		Amoco Production Co.
L-4719	C.S.	23	22S	34E	N/2NW/4, NE/4	6-6-73	240.00		Phillips Petroleum Co.
LG-0741	C.S.	14	22S	34E	N/2NE/4, N/2SE/4	6-15-73	160.00		Amoco Production Co.

**TERMINATED**  
 7-4-78  
 Eff: 6-28-78

State of New Mexico

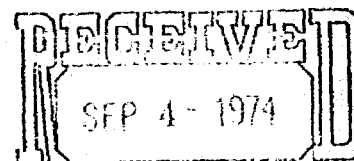
TELEPHONE  
505-827-2748



ALEX J. ARMIJO  
COMMISSIONER



Commissioner of Public Lands  
September 3, 1974



OIL CONSERVATION COMM.  
Santa Fe

P. O. BOX 1148  
SANTA FE, NEW MEXICO

American Quasar Petroleum Company  
606 Vaughn Building  
Midland, Texas 79701

4982  
Re: Designation of Successor  
Unit Operator-Ojo Chise Unit  
Contract No. 14-00-0001-1201  
Lea County, New Mexico

ATTENTION: Mr. Howard P. Bradford

Gentlemen:

The Commissioner of Public Lands has this date approved the resignation of Brunson & McNight, Inc. and has accepted American Quasar Petroleum Company as the Successor Unit Operator, for the Ojo Chise Unit Agreement and Unit Operating Agreement.

Enclosed is One (1) approved copy for your files. Please submit one approved copy to this office after the instrument has been approved by the United States Geological Survey.

Very truly yours,

RAY D. GRAHAM, Director  
Oil and Gas Department

AJA/RDC/s  
encls.  
cc:

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



# United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857  
Roswell, New Mexico 88201

August 29, 1974

American Quasar Petroleum Company  
Attention: Mr. Howard P. Bradford  
606 Vaughn Building  
Midland, Texas 79701

Gentlemen:

Five copies of an instrument entitled "Designation of Successor Unit Operator," dated June 7, 1974, by which Brunson and McKnight, Inc., resigns as unit operator, and American Quasar Petroleum Company is designated as successor unit operator for the Ojo Chiso unit agreement, Lea County, New Mexico, No. 14-08-0001-1201, were filed with this office on August 23, 1974. This instrument has been executed by Brunson and McKnight, Inc., as the resigning unit operator and working interest owner, and by American Quasar Petroleum Company as successor operator.

The selection of American Quasar Petroleum Company as successor operator has been approved on this date effective as of June 7, 1974, subject to like approval by the Commissioner of Public Lands of the State of New Mexico. Copies of the approved instrument are being distributed to the appropriate Federal offices and two copies are returned herewith.

Also received with the aforementioned instrument were five copies each of two separate instruments whereby American Quasar Petroleum Company consents to and ratifies the Ojo Chiso unit and unit operating agreements. Copies of these instruments are likewise being distributed to the appropriate Federal offices and two copies of each are returned herewith.

Sincerely yours,

(ORIG. SGD.) CARL C. TRAYWICK

CARL C. TRAYWICK  
Acting Area Oil and Gas Supervisor

cc:  
BLM, Santa Fe (w/cy instrs)  
NMOCC, Santa Fe (ltr only)  
Com. Pub. Lands, Santa Fe (ltr only)  
Hobbs (w/cy instrs)

ARStall:ds

4982

Unit Name Ojo Chiso Unit (Exploratory)  
Operator Brunson & McKnight Inc.  
County Lea

000  
49

DATE APPROVED	OCC CASE NO. 4982 OCC ORDER NO. R-4547	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE
Commissioner 6-25-73	June 8, 1973	June 29, 1973	5,120.00	1,280.00	3,840.00	-0-

UNIT AREA

TOWNSHIP 22SOUTH, RANGE 34 EAST, NMPM

Sections 14 and 15: A11  
Sections 21 through 23: A11  
Sections 26 through 28: A11

Unit Name Ojo Chiso Unit (Exploratory)  
Operator Brunson & McKnight Inc.  
County Lea

6/25/73

OCC  
4982

OCC CASE NO. 4982 OCC ORDER NO. R-4547	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
June 8, 1973	June 29, 1973	5,120.00	1,280.00	3,840.00	-0-	Yes	5 yrs.

RANGE 34 EAST, NMPM

5: A11  
gh 23: A11  
gh 28: A11

Unit Name	<u>OJO CHISO UNIT (EXPLORATORY)</u>
Operator	<u>BRINSON &amp; McKNIGHT INC.</u>
County	<u>LEA</u>

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED
11	L-1504	C.S.	14	22S	34E	W/2, S/2NE/4, S/2SE/4	6-15-73	480.00	
12	L-1589	C.S.	23	22S	34E	S/2, S/2NW/4	6-15-73	400.00	
13	L-4719	C.S.	23	22S	34E	N/2NW/4, NE/4	6-6-73	240.00	
14	LG-0741	C.S.	14	22S	34E	N/2NE/4, N/2SE/4	6-15-73	160.00	

Unit Name	<u>OJO CHISO UNIT (EXPLORATORY)</u>
Operator	<u>BRINSON &amp; MCKNIGHT INC.</u>
County	<u>LEA</u>

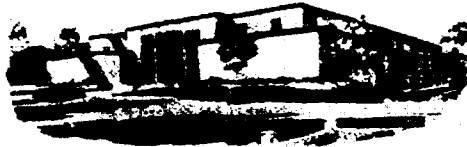
ASE D.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
1504	C.S.	14	22S	34E	W/2, S/2NE/4, S/2SE/4	6-15-73	480.00		Amoco Production Co.
1589	C.S.	23	22S	34E	S/2, S/2NW/4	6-15-73	400.00		Amoco Production Co.
4719	C.S.	23	22S	34E	N/2NW/4, NE/4	6-6-73	240.00		Phillips Petroleum Co.
-0741	C.S.	14	22S	34E	N/2NE/4, N/2SE/4	6-15-73	160.00		Amoco Production Co.



State of New Mexico

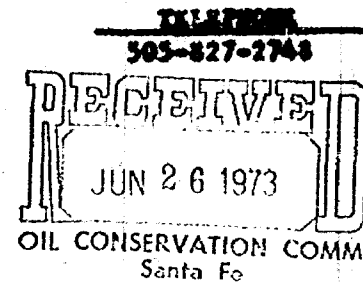


ALEX J. ARMIJO  
COMMISSIONER



Commissioner of Public Lands

June 23, 1973



P. O. BOX 1149  
SANTA FE, NEW MEXICO

Randolph M. Richardson  
P. O. Box 819  
Roswell, New Mexico 86201

Re: Proposed Ojo Chise Unit  
T-228, R-342, BMTM  
Los County, New Mexico

Dear Mr. Richardson:

The Commissioner of Public Lands has this date approved your Ojo Chise Unit, Los 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. GRAYM, Director  
Oil and Gas Department

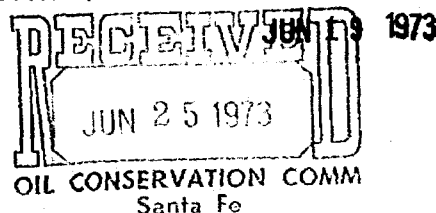
AJA/RDG/s  
encs.  
cc:

WOS-Roswell, New Mexico  
OOC- Santa Fe, New Mexico ✓



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

IN REPLY REFER TO:



Mr. Randolph M. Richardson  
P. O. Box 819  
Roswell, New Mexico 88201

Dear Mr. Richardson:

Your application dated May 22, 1973, filed with the Oil and Gas Supervisor, Roswell, New Mexico, on May 22, 1973, on behalf of Brunson and McKnight, Inc., requests the designation of the Ojo Chico unit area embracing 3,120.00 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended. The unit area involves 3,840.00 acres (75.0 percent) of Federal land and 1,280.00 acres (25.0 percent) of New Mexico State land.

Pursuant to the unit plan regulations of December 22, 1950, 30 CFR 226.3, the land requested, as described on your plat marked "Exhibit A, Ojo Chico unit area, Lea County, New Mexico," is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test Devonian Age formations or to a depth of 14,600 feet. Use of the form of Agreement for Unproved Areas modified as proposed in item 6 of your application will be acceptable.

In the absence of any other type of land requiring special provisions or any objection not now apparent, a duly executed agreement identical to said form, modified as indicated above, will be approved if submitted in approvable status within a reasonable time. However, the right is reserved to deny approval of any executed agreement which in our opinion does not have full commitment of sufficient land to afford effective control of operations in the unit area.

When the agreement is transmitted to the Oil and Gas Supervisor for approval, include the latest status of all acreage. The format of the sample exhibits attached to the 1968 reprint of the aforementioned form of agreement should be followed closely in the preparation of Exhibits A and B.

Since the unit area contains State of New Mexico lands, we are sending a copy of this letter to the New Mexico Commissioner of Public Lands. Please contact the State of New Mexico prior to soliciting joinders regardless of prior contacts with or clearances from State officials.

Sincerely yours,

ORIG, SGD, Q. H. HODG

Conservation Manager  
For the Director

bcc:  
New Mexico Commissioner of Public Lands ✓  
HLM, Santa Fe (w/cy of Ex. A)  
Roswell (2)  
File

JFisher:lh:5-23-73

**SERIALS:**

New Mexico 0195029  
0250210-A  
0395473  
0500329  
0554510  
1554511-A  
10475  
15921  
17067  
18046



## OIL CONSERVATION COMMISSION

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

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMJO  
MEMBER

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

June 8, 1973

Mr. Randolph M. Richardson  
Post Office Box 819  
Roswell, New Mexico 86201

Re: Case No. 4982

Order No. R-4547

Applicant:

Brunson and McKnight

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x

Artesia OCC           

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. 4982  
Order No. R-4547

APPLICATION OF BRUNSON AND MCKNIGHT  
FOR APPROVAL OF THE OJO CHISO UNIT  
AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 6, 1973, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 8th 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, Brunson and McKnight, seeks approval of the Ojo Chiso Unit Agreement covering 5,120 acres, more or less, of State and Federal lands described as follows:

LEA COUNTY, NEW MEXICO  
TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM  
Sections 14 and 15: All  
Sections 21 through 23: All  
Sections 26 through 28: 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 Ojo Chiso Unit Agreement is hereby approved.

-2-

Case No. 4982  
Order No. R-4547

(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

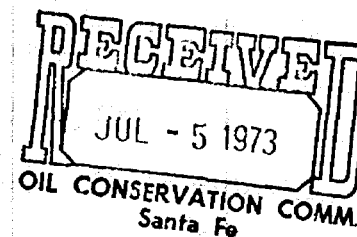
*A. L. Porter, Jr.*  
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

RANDOLPH M. RICHARDSON  
OIL AND GAS LAND AND UNIT CONSULTANT  
FEDERAL - STATE - FEE  
P. O. BOX 819  
ROSWELL, NEW MEXICO 88201

July 3, 1973



OFFICE 505 622-8801  
HOME 505 622-7985

Re: Case No. 4982  
Order No. R-4547  
Ojo Chiso Unit  
Lea County, N.M.

New Mexico Oil Conservation Commission  
State Land Office Building  
Santa Fe, New Mexico 87501

Gentlemen:

Pursuant to the captioned Case and Order, I am enclosing herewith  
copy of fully executed and approved Unit Agreement for the Ojo Chiso Unit.

Please advise if you need anything additional at this time.

Yours very truly,

A handwritten signature in cursive script, appearing to read "R. M. Richardson".

R. M. Richardson

RMR:sm  
Enclosure

CERTIFICATION--DETERMINATION

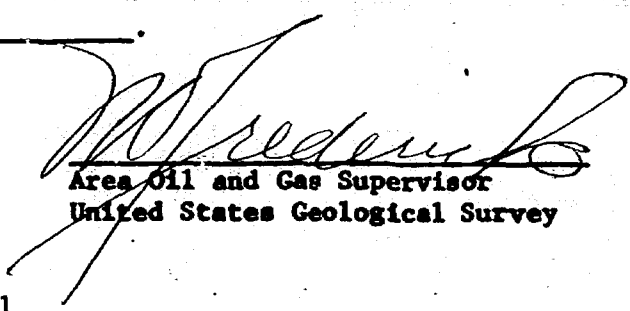
Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Area Oil and Gas Supervisors of the Geological Survey, I do hereby:

A. Approve the attached agreement for the development and operation of the Ojo Chiso 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 29, 1973.

  
Area Oil and Gas Supervisor  
United States Geological Survey

Contract Number 14-08-0001-12401



UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
OJO CHISO  
COUNTY OF LEA,  
STATE OF NEW MEXICO  
NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 15th day of May,  
1973, by and between the parties subscribing, ratifying, or consenting hereto,  
and herein referred to as the "parties hereto,"

W I T N E S S E T H :

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is  
authorized by an Act of the Legislature (Sec. 7-11-29 N.M. Statutes 1953 Annotated)  
to consent to or approve this agreement on behalf of the State of New Mexico, insofar  
as it covers and includes lands and mineral interest of the State of New Mexico; and,

WHEREAS, the Oil Conservation Commission of the State of New Mexico is author-  
ized by an Act of the Legislature (Chapter 72, Laws of 1935, as amended by Chapter  
193, Laws of 1937; Chapter 166, Laws of 1941; and Chapter 168, Laws of 1949) to ap-  
prove this agreement and the conservation provisions hereof; and,

WHEREAS, the parties hereto hold sufficient interests in the \_\_\_\_\_  
OJO CHISO Unit Area covering the land hereinafter des-  
cribed to give reasonably effective control of operations therein; and

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

herein set forth;

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

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

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

T-22-S, R-34-E, N.M.P.M.  
Secs. 14, 15; All  
Secs. 21, 22, 23; All  
Secs. 26, 27, 28; All

Containing 5,120.00 Acres, more or less.

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

hereinafter referred to as "Land Commissioner," and not less than five (5) copies of the revised Exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director," or on demand of the Land Commissioner, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably, the first day of a month subsequent to the date of notice.

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

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

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

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands

shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid five-year period shall become participating in the same manner as during said five-year period. However, when such diligent drilling operations cease, all non-participating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Land Commissioner and promptly notify all parties in interest.

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

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

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

4. UNIT OPERATOR. BRUNSON AND McKNIGHT, INC.  
is hereby designated as Unit Operator and by signature hereto as Unit Operator

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

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

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

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

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

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

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

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

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

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs, and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working-interest owners and the

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

\_\_\_\_\_, or until at a lesser depth unitized substances shall be discovered which can be produced in paying



quantities (to-wit: quantities sufficient to repay the costs of drilling, completing and producing operations, with a reasonable profit) or the Unit Operator shall, at any time, establish to the satisfaction of the Supervisor if on Federal land, or the Land Commissioner if on State land, that further drilling of said well would be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 14,600 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the Land Commissioner if on State land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit



for the approval of the Supervisor and the Land Commissioner a plan for an additional specified period for the development and operation of the unitized land.

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

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

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

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

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

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Land Commissioner, the Unit Operator shall submit for approval by the Supervisor and the Land Commissioner a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor and the Land Commissioner to constitute a participating area, effective as of the date of completion of such well or the

effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor and the Land Commissioner. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Supervisor and the Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor and the Land Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

In the absence of agreement at any time between the Unit Operator and the Supervisor and the Land Commissioner as to the proper definition or redefinition

of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Supervisor and the Land Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands and the Land Commissioner for the State lands and the amount thereof shall be deposited, as directed by the Supervisor and the Land Commissioner, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

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

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp, and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor and Land Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working-interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby

agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was last defined at the time of such final production.

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

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

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

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and the Unit Operator, or the working-interest owner in case

of the operation of a well by a working-interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working-interest owners responsible therefor under existing contracts, laws, and regulations, or by the Unit Operator, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of operations approved by the Supervisor and the Land Commissioner, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of operations or as may otherwise be consented to by the Supervisor and the Land Commissioner as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working-interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall

operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

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

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

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

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

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

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

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

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

(d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States and State of New Mexico committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such terms so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in



accordance with the provisions of the Mineral Leasing Act Revision of 1960.

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

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

(h) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall



remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas; said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and the Land Commissioner or his duly authorized representative, and shall terminate five (5) years from said effective date unless

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

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

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

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

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any statewide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law.

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

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

23. NOTICES. All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses

set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

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

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not. No unit obligation which is suspended under this section shall become due less than thirty (30) days after it has been determined that the suspension is no longer applicable. Determination of creditable "Unavoidable Delay" time shall be made by the unit operator subject to approval of the Supervisor and the Land Commissioner.

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

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

funds due the United States or the State of New Mexico should be withheld, but such funds shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

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

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

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

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

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

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

If the fee owner of the unitized substances does not accept the working-interest rights subject to this agreement and the unit operating agreement or lease, such lands as above-provided within six (6) months after the surrendered or forfeited working-interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners or working interests shall compensate the fee owner of unitized sub-

stances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made, for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interest subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within thirty (30) days. In the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

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

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

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

33. SURFACE MANAGEMENT STIPULATION. Nothing in this agreement shall modify the special Federal-lease stipulations relating to surface management, attached to and made a part of Oil and Gas Leases covering lands within the Unit Area.

34. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working-interest owners, nor any of them, shall be subject to any forfeiture, termination, or expiration of any right hereunder or under any leases or contracts subject hereto,

or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the working-interest owners, or any of them, are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Commission, agree that all powers and authority vested in the State Commission in and by any provisions of this agreement are vested in the State Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

BRUNSON AND MCKNIGHT, INC.

ATTEST:

BY Walter Brunson  
Secretary

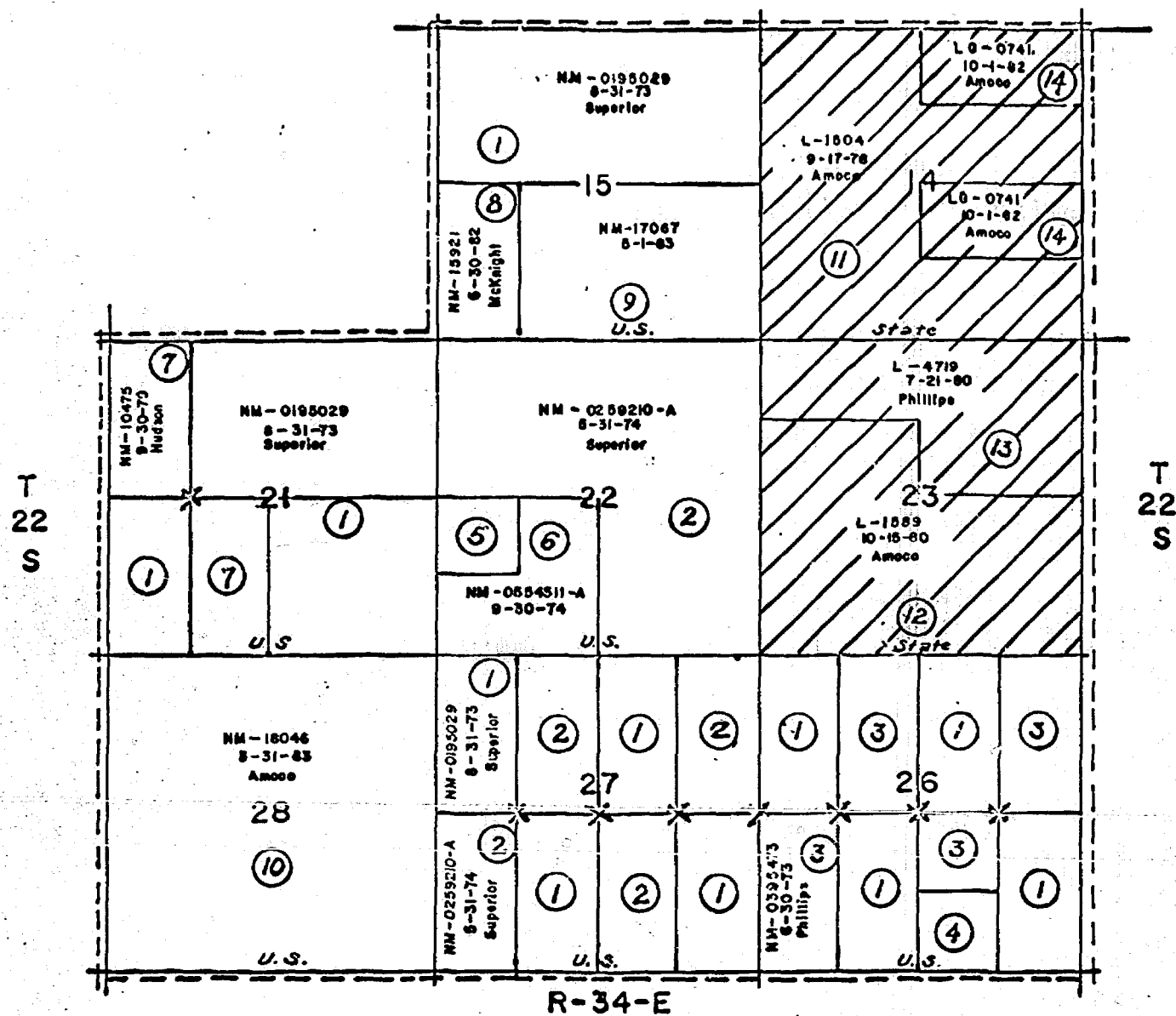
BY Byron McKnight  
President  
9

STATE OF NEW MEXICO)  
COUNTY OF ~~SAN JUAN~~ LEA

The foregoing instrument was acknowledged before me this 22 day of ~~May~~ ~~1973~~ June 1973, by Byron McKnight, President of BRUNSON AND MCKNIGHT, INC., a New Mexico corporation on behalf of said corporation.

James Woodard  
Notary Public

My Commission Expires:  
June 20, 1977



- Unit Outline
- Tract Number
- Federal Lands  
3,840.00 Acres; 75% of unit area
- ▨ State of New Mexico Lands  
1,280.00 Acres; 25% of unit area

# EXHIBIT "A" OJO CHISO UNIT AREA LEA COUNTY, NEW MEX.



EXHIBIT "B"  
SCHEDULE SHOWING LANDS AND OWNERSHIP  
WITHIN THE OJO CHISO UNIT AREA  
TOWNSHIP 22 SOUTH, RANGE 34 EAST, N.M.P.M.  
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LANDS	ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING AND
All Lands are in T-22-S, R-34-E, NMPM							
1.	Sec. 15; NW Sec. 21; E1/4NW1/4, W1/4SW1/4, E1/2 Sec. 26; E1/4SE1/4, E1/4SW1/4, W1/4NW1/4, W1/4SE1/4 Sec. 27; W1/4NE1/4, W1/4NW1/4, E1/4SW1/4, E1/4SE1/4	1440.00	NM-0195029 8-31-73	U.S.A. 12.5%	Superior Oil Company	Walter Morrison 1.90% Dix Turnbow 1.90% Ted A. Beach 0.95% Illabelle Shanahan 0.25% Total 5.00%	Superior Byron M. Nolan H.
2.	Sec. 22; E1/2, NW1/4 Sec. 27; E1/4NW1/4, E1/4NE1/4, W1/4SW1/4, W1/4SE1/4	800.00	NM-0259200-A 5-31-74	U.S.A. 12.5%	Superior Oil Company	Norman M. Albright & Marilyn Albright, his wife, - \$750. per acre out of- 5.0%	Superior Byron M. Nolan H.
3.	Sec. 26; E1/4NE1/4, E1/4NW1/4, W1/4SW1/4, NW1/4SE1/4	280.00	NM-0395473 6-30-73	U.S.A. 12.5%	Phillips Petroleum Co.	James O. Breen, Jr. 3.0% Eugene L. Dechant 2.0%	Phillips
4.	Sec. 26; SW1/4SE1/4	40.00	NM-0500329 1-31-74	U.S.A. 12.5%	* Nolan H. Brunson and Byron M. McKnight	Nancy Corde Phelps 4.5% John Oakason 0.5%	* Nolan H. Byron M.
5.	Sec. 22; NW1/4SW1/4	40.00	NM-0554510 7-31-74	U.S.A. 12.5%	Superior Oil Company	Vincent J. Duncan & Annamarie Duncan, his wife, 5.0%	Superior Byron M. Nolan H.
6.	Sec. 22; E1/4SW1/4, SW1/4SW1/4	120.00	NM-0554511-A	U.S.A. 12.5%	Superior Oil Company	The Carolina Corp. 5.0%	Superior Byron M. Nolan H.

\* (Tr.4) Assignment from Western Petroleum Co. to Nolan H. Brunson and Byron M. McKnight  
filed for approval with the Bureau of Land Management June 22, 1973.

EXHIBIT "B"  
SCHEDULE SHOWING LANDS AND OWNERSHIP  
WITHIN THE OJO CHISO UNIT AREA  
TOWNSHIP 22 SOUTH, RANGE 34 EAST, N.M.P.M.  
LEA COUNTY, NEW MEXICO

	ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
N/4SW/4, E/4SW/4, N/4SE/4, E/4SE/4	1440.00	NM-0195029 8-31-73	U.S.A. 12.5%	Superior Oil Company	Walter Morrison 1.90% Dix Turnbow 1.90% Ted A. Beach 0.95% Ellabelle Shanahan 0.25% Total 5.00%	Superior Oil Company 25% Byron M. McKnight & Nolan H. Brunson 75%
E/4SW/4, N/4SE/4	800.00	NM-0259200-A 5-31-74	U.S.A. 12.5%	Superior Oil Company	Norman M. Albright & Marilyn Albright, his wife, - \$750. per acre out of- 5.0%	Superior Oil Company 25% Byron M. McKnight & Nolan H. Brunson 75%
E/4SW/4, NW/4SE/4	280.00	NM-0395473 6-30-73	U.S.A. 12.5%	Phillips Petroleum Co.	James O. Breen, Jr. 3.0% Eugene L. Dechant 2.0%	Phillips Petroleum Co. 100%
	40.00	NM-0500329 1-31-74	U.S.A. 12.5%	* Nolan H. Brunson and Byron M. McKnight	Nancy Corde Phelps 4.5% John Oakason 0.5%	* Nolan H. Brunson and Byron M. McKnight 100%
	40.00	NM-0554510 7-31-74	U.S.A. 12.5%	Superior Oil Company	Vincent J. Duncan & Annamarie Duncan, his wife, 5.0%	Superior Oil Company 50% Byron M. McKnight & Nolan H. Brunson 50%
SW/4SW/4	120.00	NM-0554511-A	U.S.A. 12.5%	Superior Oil Company	The Carolina Corp. 5.0%	Superior Oil Company 50% Byron M. McKnight & Nolan H. Brunson 50%

\* (Tr. 4) Assignment from Western Petroleum Co. to Nolan H. Brunson and Byron M. McKnight filed for approval with the Bureau of Land Management June 22, 1973.

TRACT NO.	DESCRIPTION OF LANDS	ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING AND
7.	Sec. 21; W/2NW/4, E/2SW/4	160.00	NM-10475 9-30-79	U.S.A. 12.5%	* Edward R. Hudson, Jr.	* Charles W. Hicks, \$1,000.00 per acre out of ----- 6.25%	* Edward R.
8.	Sec. 15; W/2SW/4	80.00	NM-15921 6-30-82	U.S.A. 12.5%	Byron McKnight	Phil Troutman 5.0%	Nolan H. H. Byron McKnight
9.	Sec. 15; SE/4, E/2SW/4	240.00	NM-17067 5-31-83	U.S.A. 12.5%	**Brunson and McKnight, Inc.	**Evelyn G. Langrish 3.0% G.W. Allen 2.0%	**Brunson and McKnight,
10.	Sec. 28; All	640.00	NM-18046 3-31-83	U.S.A. 12.5%	AMOCO Production Co.	George L. Davis, Jr. & Josephine B. Davis, his wife, 2.0% Central Southwest Oil-3.0%	AMOCO Pro
TOTAL FEDERAL LANDS -		3,840.00 Acres = 75.00% of Unit Area					

STATE LANDS							
11.	Sec. 14; W/2, S/2NE/4, S/2SE/4	480.00	L-1504 9-17-78	State 12.5%	AMOCO Production Co.	NONE	None AMOCO Pro
12.	Sec. 23; S/2, S/2NW/4	400.00	L-1589 10-15-78	State 12.5%	AMOCO Production Co.	NONE	None AMOCO Pro
13.	Sec. 23; N/2NW/4, NE/4	240.00	L-4719 7-21-80	State 12.5%	Phillips Petroleum Co.	NONE	None Phillips
14.	Sec. 14; N/2NE/4, N/2SE/4	160.00	LG-0741 10-1-82	State 12.5%	AMOCO Production Co.	NONE	None AMOCO Pro
TOTAL STATE LANDS -		1,280.00 Acres = 25.00% of Unit Area					

\*(Tr.7) Assignment from Charles W. Hicks and wife to Edward R. Hudson, Jr., filed with the Bureau of Land Management for approval June 22, 1973.

\*\* (Tr.9) Assignment from Evelyn G. Langrish to G.W. Allen filed for approval with the Bureau of Land Management September 27, 1972 and Assignment from G. W. Allen to Brunson and McKnight, Inc. approved by Bureau of Land Management effective June 1, 1973

	ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	
SW 1/4	160.00	NM-10475 9-30-79	U.S.A. 12.5%	* Edward R. Hudson, Jr.	* Charles W. Hicks, \$1,000.00 per acre out of ----- 6.25%	* Edward R. Hudson, Jr.	100%
	80.00	NM-15921 6-30-82	U.S.A. 12.5%	Byron McKnight	Phil Troutman 5.0%	Nolan H. Brunson and Byron McKnight	100%
NE 1/4	240.00	NM-17067 5-31-83	U.S.A. 12.5%	**Brunson and McKnight, Inc.	**Evelyn G. Langrish G.W. Allen 3.0% 2.0%	**Brunson and McKnight, Inc.	100%
	640.00	NM-18046 3-31-83	U.S.A. 12.5%	AMOCO Production Co.	George L. Davis, Jr. & Josephine B. Davis, his wife, 2.0% Central Southwest Oil-3.0%	AMOCO Production Co.	100%

DS - 3,840.00 Acres = 75.00% of Unit Area

#### STATE LANDS

SW 1/4	480.00	L-1504 9-17-78	State 12.5%	AMOCO Production Co.	NONE	None	AMOCO Production Co.	100%
NE 1/4	400.00	L-1589 10-15-78	State 12.5%	AMOCO Production Co.	NONE	None	AMOCO Production Co.	100%
SE 1/4	240.00	L-4719 7-21-80	State 12.5%	Phillips Petroleum Co.	NONE	None	Phillips Petroleum Co.	100%
SW 1/4	160.00	LG-0741 10-1-82	State 12.5%	AMOCO Production Co.	NONE	None	AMOCO Production Co.	100%

- 1,280.00 Acres = 25.00% of Unit Area

Assignment from Charles W. Hicks and wife to Edward R. Hudson, Jr., filed with the Bureau of Land Management for approval June 22, 1973.

Assignment from Evelyn G. Langrish to G.W. Allen filed for approval with the Bureau of Land Management September 27, 1972.

Assignment from G. W. Allen to Brunson and McKnight, Inc. approved by Bureau of Land Management effective June 1, 1973.

CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Nolan Brunson, Jr.  
Jacquelyn Brunson

Byron McKnight  
Ann S. McKnight  
(Spouse)

INDIVIDUAL

1-2-5-6-8

STATE OF NEW MEXICO )  
COUNTY OF LEA ) ss

The foregoing instrument was acknowledged before me this 22nd day of June, 1973, by Nolan Brunson, Jr. and Jacquelyn Brunson, his wife, and Byron McKnight and Ann S. McKnight, his wife.

MY COMMISSION EXPIRES:

June 28, 1977

John Woodard  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

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

CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST: LT. B. B. B. B. B. THE SUPERIOR OIL COMPANY  
Assistant Secretary BY Allan C. Durham  
Vice President

INDIVIDUAL 1-2-5-6  
STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss  
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_ and \_\_\_\_\_, his wife.  
MY COMMISSION EXPIRES: \_\_\_\_\_

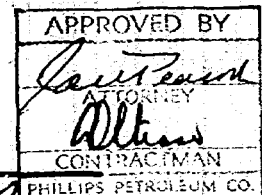
Notary Public  
CORPORATE  
STATE OF TEXAS )  
COUNTY OF HARRIS ) ss  
The foregoing instrument was acknowledged before me this 18th day of June, 1973, by Allan C. Durham, who is Vice President of THE SUPERIOR OIL COMPANY, a Nevada Corporation, for and on behalf of said corporation.  
MY COMMISSION EXPIRES: \_\_\_\_\_

Bernine Steele  
Notary Public  
BERNINE STEELE  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1976

CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.



PHILLIPS PETROLEUM COMPANY

By: *[Signature]*

FRED FORWARD  
ATTORNEY-IN-FACT

(Spouse)

INDIVIDUAL

3-13

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_ and \_\_\_\_\_, his wife.

MY COMMISSION EXPIRES:

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

CORPORATE

STATE OF TEXAS )  
COUNTY OF ECTOR ) ss

The foregoing instrument was acknowledged before me this 6th day of June, 1973, by FRED FORWARD, who is Attorney-in-Fact of PHILLIPS PETROLEUM COMPANY, a Delaware Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

June 1, 1975

*[Signature]*  
Notary Public

*[Signature]*

CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Edward R. Hudson, Jr.  
(Spouse) Ann F. Hudson

INDIVIDUAL

STATE OF Texas )  
COUNTY OF Tarrant ) ss

The foregoing instrument was acknowledged before me this 23 day of May, 1973, by Edward R. Hudson, Jr. and Ann F. Hudson, his wife.

MY COMMISSION EXPIRES:

6/1/73

Virginia Clarke  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

\_\_\_\_\_

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



CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Amoco Production Company



*C. N. Menninger*

C. N. MENNINGER  
Attorney-in-Fact

(Spouse)

INDIVIDUAL

10, 11, 12, 14

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of

\_\_\_\_\_, 1973, by \_\_\_\_\_

and \_\_\_\_\_, his wife.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF Texas )  
COUNTY OF Harris ) ss

The foregoing instrument was acknowledged before me this 15 day of

June, 1973, by G. N. MENNINGER, who is

Attorney-in-Fact of Amoco Production Company, a

Delaware Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

6-1-75

*Irene Haldas*  
Notary Public

IRENE HALDAS  
Notary Public

CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Walter L. Morrison

Walter L. Morrison, a widower, acting individually and as Independent Executor of the Estate of Kathleen Morrison, Deceased

P.O. Box 2412, Salt Lake City,  
Utah 84110

(Spouse)

INDIVIDUAL

STATE OF UTAH )  
COUNTY OF SALT LAKE ) ss

The foregoing instrument was acknowledged before me this 29th day of May, 1973, by Walter L. Morrison, a widower, individually and as Independent Executor of the Estate of his wife, Deceased, Kathleen Morrison.

MY COMMISSION EXPIRES:

3-3-77

Heard R. Brumfield  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

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

CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dix R. Turnbow  
(Spouse) Mary E. Turnbow

INDIVIDUAL

STATE OF Texas )  
COUNTY OF Washington ) ss

The foregoing instrument was acknowledged before me this 1st day of June, 1973, by Dix R. Turnbow and Mary E. Turnbow, his wife.

MY COMMISSION EXPIRES:

June 1, 1974

Barbara Harrell  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

\_\_\_\_\_

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

CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dix R. Turnbow  
(Spouse) Mary E. Turnbow

INDIVIDUAL

STATE OF Texas )  
COUNTY OF Washington ) ss

The foregoing instrument was acknowledged before me this 1st day of June, 1973, by Dix R. Turnbow and Mary E. Turnbow, his wife.  
MY COMMISSION EXPIRES:

June 1, 1974

Barbara Martin  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.  
MY COMMISSION EXPIRES:

\_\_\_\_\_

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

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

Miss Isabelle Shanahan  
Miss Isabelle Shanahan  
P.O. Box 1272

East Lake City, Wash. 4414

(Sponsor)

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this 29th day of May, 1973, by Wesley Isabelle Sanchez

and \_\_\_\_\_, his wife.

MY COMMISSION EXPIRES:

3-3-77

Heather Brangley  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

**Notary Public**

CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

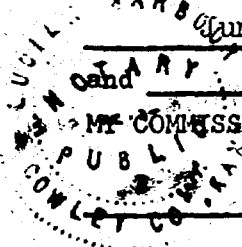
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
*Norman M. Albright*  
*Marilyn F. Albright*  
(Spouse) \_\_\_\_\_

INDIVIDUAL

STATE OF Kansas )  
COUNTY OF Cowley ) ss

The foregoing instrument was acknowledged before me this 9th day of June, 1973, by Norman M. Albright and Marilyn Albright, his wife.

MY COMMISSION EXPIRES: 8-11-73



*Norman M. Albright*  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

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

CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(Spouse)

INDIVIDUAL

3

STATE OF Colorado )  
COUNTY OF Denver ) ss

The foregoing instrument was acknowledged before me this 29th day of May, 1973, by Jas. O. Breene, Jr., a single person.  
and his wife.

MY COMMISSION EXPIRES:

3-15-76

*Linda E. Brindley*  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

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

CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
Eugene L. Dechant

\_\_\_\_\_  
(Spouse) Anne F. Dechant

INDIVIDUAL

3

STATE OF COLORADO )  
COUNTY OF ARAPAHOE ) ss

The foregoing instrument was acknowledged before me this 29 day of May, 1973, by Eugene L. Dechant and Anne F. Dechant, his wife.

MY COMMISSION EXPIRES:

12-8-73

[Signature]  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

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



CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*John Oakason*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (Spouse) *Jean Oakason*

INDIVIDUAL

STATE OF UTAH )  
COUNTY OF SALT LAKE ) ss

The foregoing instrument was acknowledged before me this 11th day of June, 1973, by John Oakason and Jean Oakason, his wife.  
MY COMMISSION EXPIRES: May 20, 1976

\_\_\_\_\_  
*Patricia N. Hickok*  
Notary Public Patricia N. Hickok  
SLC., Utah

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.  
MY COMMISSION EXPIRES: \_\_\_\_\_

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

CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_ Vincent J. Duncan

\_\_\_\_\_  
\_\_\_\_\_ (Spouse) Annamarie Duncan

INDIVIDUAL

STATE OF Colorado )  
COUNTY OF Denver ) ss

The foregoing instrument was acknowledged before me this 5th day of June, 1973, by Vincent J. Duncan and Annamarie Duncan, his wife.

MY COMMISSION EXPIRES:

June 3, 1975

\_\_\_\_\_  
Notary Public Dennis M. Jones

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

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

CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Charles W. Hicks  
Margie H. Hicks  
(Spouse)

INDIVIDUAL

STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) ss

The foregoing instrument was acknowledged before me this 29 day of May, 1973, by Charles W. Hicks and Margie H. Hicks, his wife.

MY COMMISSION EXPIRES:

3-8-77

L. Lucille Wolf  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

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

## CONSENT AND RATIFICATION

## OJO CHISO UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

**(Spouse)**

INDIVIDUAL

STATE OF New Mexico }  
COUNTY OF Lea } SS

The foregoing instrument was acknowledged before me this 1st day of June, 1973, by Phil Montman and Lisa Karen Montman, his wife.

MY COMMISSION EXPIRES:

June 20, 1973

  
Notary Public

**CORPORATE**

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

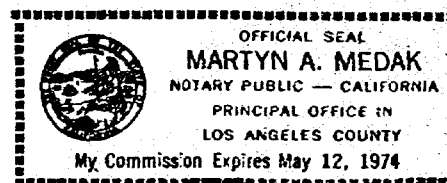
The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Evelyn G. Langrish  
Evelyn G Langrish

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(Spouse) 9

INDIVIDUAL  
STATE OF California )  
COUNTY OF Los Angeles ) ss



The foregoing instrument was acknowledged before me this 11th day of June, 1973, by Evelyn G Langrish, a divorced woman and \_\_\_\_\_, his wife.  
MY COMMISSION EXPIRES:

May 12th, 1974

Martyn A. Medak  
Notary Public  
Martyn A Medak.

CORPORATE  
STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.  
MY COMMISSION EXPIRES:

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

CONSENT AND RATIFICATION  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Ojo Chiso Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 15th day of May, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Ojo Chiso Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

George D. Davis Jr.  
(Spouse) Josephine B. Davis

INDIVIDUAL

STATE OF PENNSYLVANIA )  
COUNTY OF CLARION ) ss

The foregoing instrument was acknowledged before me this 29 day of MAY, 1973, by GEORGE D. DAVIS JR. and JOSEPHINE B. DAVIS, his wife.

MY COMMISSION EXPIRES:  
MILLO W. THOMPSON — Notary Public  
Riversburg, Clarion County, Pennsylvania  
My Commission Expires August 8, 1976

Millo W. Thompson  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_, who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

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

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. 4982  
Order No. R-4547

APPLICATION OF BRUNSON AND MCKNIGHT  
FOR APPROVAL OF THE OJO CHISO UNIT  
AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 6, 1973, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 8th 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, Brunson and McKnight, seeks approval of the Ojo Chiso Unit Agreement covering 5,120 acres, more or less, of State and Federal lands described as follows:

LEA COUNTY, NEW MEXICO  
TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM  
Sections 14 and 15: All  
Sections 21 through 23: All  
Sections 26 through 28: 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 Ojo Chiso Unit Agreement is hereby approved.

-2-

Case No. 4982  
Order No. R-4547

(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, Chairman

ALEX J. ARMIJO, Member

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

S E A L

dr/





## NEW MEXICO STATE LAND OFFICE

### CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

OJO CHISO UNIT


LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated May 15, 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:

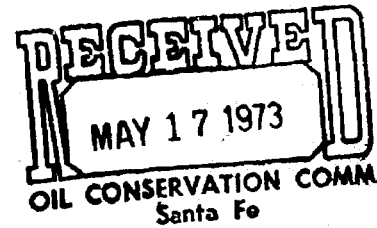
- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (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

RANDOLPH M. RICHARDSON  
OIL AND GAS LAND AND UNIT CONSULTANT  
FEDERAL - STATE - FEE  
P. O. BOX 819  
ROSWELL, NEW MEXICO 88201



May 16, 1973

OFFICE 505 622-8801  
HOME 505 622-7985

*Can 4982*

Re: Ojo Chiso Unit Area  
T-22-S, R-34-E, NMPM  
Lea County, New Mexico

Mr. Pete Porter  
Oil Conservation Commission  
State Land Office Building  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Porter:

I am enclosing one copy of Application for Approval of the captioned Unit together with one copy of the Unit Agreement.

I am, as usual, running on a tight schedule as we have Federal acreage expiring June 30, 1973. I called Mr. Bill Carr and he obtained enough information by telephone for this unit to be placed on the hearing schedule for June 6, 1973.

Please advise if all is not in order or if you need any additional information.

In case you are wondering about the name of the Unit, it came from a U.S.G.S. topography map and, after some research, it was determined that the name was a water well or a hole belonging to the Chisos Tribe of Indians, and that apparently the cartographer misunderstood the name and instead of writing Chisos, he wrote Chiso.

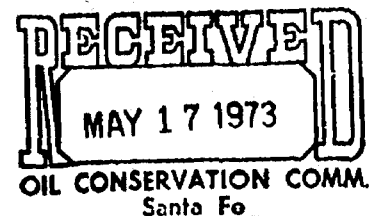
Yours very truly,

*R. M. Richardson*  
R. M. Richardson

RMR:sm  
Enclosures

DOCKET MAILED  
*5-25-73*  
Date

BEFORE THE OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO  
APPLICATION FOR APPROVAL OF  
OJO CHISO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO



Case 4982

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico 87501

Comes the undersigned, BRUNSON AND MCKNIGHT, INC., a New Mexico corporation, with offices at Hobbs, New Mexico, and files herewith one copy of the proposed Unit Agreement for the development and operation of the Ojo Chiso Unit Area, Lea County, New Mexico, and hereby makes application for approval of said Unit Agreement as provided by law, and in support thereof states:

1. That the proposed Unit Area covered by said Agreement embraces 5,120.00 acres of land, more or less, more particularly described as follows:

T-22-S, R-34-E, N.M.P.M.

Secs. 14, 15; All  
Secs. 21, 22, 23; All  
Secs. 26, 27, 28; All

Lea County, New Mexico

1280  
3840  
5120

2. That of the lands embraced within the proposed unit, 1,280.00 acres are State of New Mexico lands, being 25.00% of the area; 3,840.00 acres are lands of the United States, being 75.00% of the unit area.

3. That application is being made for the designation of said area and for approval of the form of Unit Agreement by the Commissioner of Public Lands, State of New Mexico.

That Applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all or substantially all of the geological feature involved, and that in the event of a discovery of oil or gas thereon, that said Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That Brunson and McKnight, Inc. is designated as the Unit Operator in said Unit Agreement, and as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to test the Devonian formation, unless unitized substances are discovered in paying quantities at a lesser depth, but in no event is operator required to drill to a depth greater than 14,600 feet.

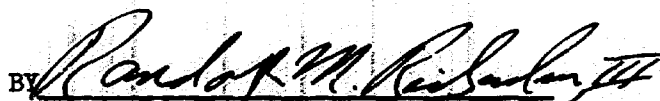
5. That applicant believes that in the event oil or gas is discovered in paying quantities on lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that maximum recovery will be obtained of unitized substances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

6. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval thereof by the Commissioner of Public Lands of the State of New Mexico and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Commission.

7. Wherefore, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and the prevention of waste. Applicant respectfully requests that this matter be heard at the hearing scheduled for June 6, 1973.

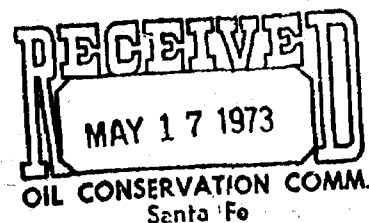
DATED this 15th day of May, 1973.

BRUNSON AND MCKNIGHT, INC.

BY 

Randolph M. Richardson, III  
Attorney at Law  
P. O. Box 819  
Roswell, New Mexico 88201

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
OJO CHISO  
COUNTY OF LEA,  
STATE OF NEW MEXICO  
NO. \_\_\_\_\_



THIS AGREEMENT, entered into as of the 15th day of May,  
1973, by and between the parties subscribing, ratifying, or consenting hereto,  
and herein referred to as the "parties hereto,"

W I T N E S S E T H :

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is  
authorized by an Act of the Legislature (Sec. 7-11-29 N.M. Statutes 1953 Annotated)  
to consent to or approve this agreement on behalf of the State of New Mexico, insofar  
as it covers and includes lands and mineral interest of the State of New Mexico; and,

WHEREAS, the Oil Conservation Commission of the State of New Mexico is author-  
ized by an Act of the Legislature (Chapter 72, Laws of 1935, as amended by Chapter  
193, Laws of 1937; Chapter 166, Laws of 1941; and Chapter 168, Laws of 1949) to ap-  
prove this agreement and the conservation provisions hereof; and,

WHEREAS, the parties hereto hold sufficient interests in the \_\_\_\_\_  
OJO CHISO Unit Area covering the land hereinafter des-  
cribed to give reasonably effective control of operations therein; and

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

herein set forth;

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

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

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

T-22-S, R-34-E, N.M.P.M.  
Secs. 14, 15; All  
Secs. 21, 22, 23; All  
Secs. 26, 27, 28; All

Containing 5,120.00 Acres, more or less.

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

hereinafter referred to as "Land Commissioner," and not less than five (5) copies of the revised Exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director," or on demand of the Land Commissioner, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably, the first day of a month subsequent to the date of notice.

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

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

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

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands



shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid five-year period shall become participating in the same manner as during said five-year period. However, when such diligent drilling operations cease, all non-participating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Land Commissioner and promptly notify all parties in interest.

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

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

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

4. UNIT OPERATOR. BRUNSON AND McKNIGHT, INC.  
is hereby designated as Unit Operator and by signature hereto as Unit Operator



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

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

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

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

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

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

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

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

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

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs, and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working-interest owners and the

Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working-interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working-interest owners as may be agreed upon by Unit Operator and the working-interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one true copy with the Land Commissioner, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Land Commissioner, if on State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Devonian formation has been tested.

\_\_\_\_\_, or until at a lesser depth unitized substances shall be discovered which can be produced in paying

quantities (to-wit: quantities sufficient to repay the costs of drilling, completing and producing operations, with a reasonable profit) or the Unit Operator shall, at any time, establish to the satisfaction of the Supervisor if on Federal land, or the Land Commissioner if on State land, that further drilling of said well would be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 14,600 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the Land Commissioner if on State land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit

for the approval of the Supervisor and the Land Commissioner a plan for an additional specified period for the development and operation of the unitized land.

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

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

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

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

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

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Land Commissioner, the Unit Operator shall submit for approval by the Supervisor and the Land Commissioner a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor and the Land Commissioner to constitute a participating area, effective as of the date of completion of such well or the

effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor and the Land Commissioner. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Supervisor and the Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor and the Land Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

In the absence of agreement at any time between the Unit Operator and the Supervisor and the Land Commissioner as to the proper definition or redefinition

of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Supervisor and the Land Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands and the Land Commissioner for the State lands and the amount thereof shall be deposited, as directed by the Supervisor and the Land Commissioner, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

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

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp, and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor and Land Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working-interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby



agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was last defined at the time of such final production.

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

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

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

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and the Unit Operator, or the working-interest owner in case



of the operation of a well by a working-interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working-interest owners responsible therefor under existing contracts, laws, and regulations, or by the Unit Operator, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of operations approved by the Supervisor and the Land Commissioner, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of operations or as may otherwise be consented to by the Supervisor and the Land Commissioner as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working-interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall

operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

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

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

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

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

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

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

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

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

(d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States and State of New Mexico committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such terms so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in

accordance with the provisions of the Mineral Leasing Act Revision of 1960.

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

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

(h) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall

remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas; said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and the Land Commissioner or his duly authorized representative, and shall terminate five (5) years from said effective date unless

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

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

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

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

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law.

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

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

23. NOTICES. All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses



set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

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

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not. No unit obligation which is suspended under this section shall become due less than thirty (30) days after it has been determined that the suspension is no longer applicable. Determination of creditable "Unavoidable Delay" time shall be made by the unit operator subject to approval of the Supervisor and the Land Commissioner.

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

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

funds due the United States or the State of New Mexico should be withheld, but such funds shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

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



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

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

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

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

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

If the fee owner of the unitized substances does not accept the working-interest rights subject to this agreement and the unit operating agreement or lease, such lands as above-provided within six (6) months after the surrendered or forfeited working-interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners or working interests shall compensate the fee owner of unitized sub-

stances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made, for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interest subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within thirty (30) days. In the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

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

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

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

33. SURFACE MANAGEMENT STIPULATION. Nothing in this agreement shall modify the special Federal-lease stipulations relating to surface management, attached to and made a part of Oil and Gas Leases covering lands within the Unit Area.

34. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working-interest owners, nor any of them, shall be subject to any forfeiture, termination, or expiration of any right hereunder or under any leases or contracts subject hereto,

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34. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working-interest owners, nor any of them, shall be subject to any forfeiture, termination, or expiration of any right hereunder or under any leases or contracts subject hereto,

or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the working-interest owners, or any of them, are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Commission, agree that all powers and authority vested in the State Commission in and by any provisions of this agreement are vested in the State Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

BRUNSON AND McKNIGHT, INC.

ATTEST:

BY

\_\_\_\_\_  
President

BY

\_\_\_\_\_  
Secretary

STATE OF NEW MEXICO)  
COUNTY OF CHAVES )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of May, 1973, by \_\_\_\_\_, President of BRUNSON AND McKNIGHT, INC., a New Mexico corporation on behalf of said corporation.

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

My Commission Expires:  
\_\_\_\_\_

or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the working-interest owners, or any of them, are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Commission, agree that all powers and authority vested in the State Commission in and by any provisions of this agreement are vested in the State Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

BRUNSON AND McKNIGHT, INC.

ATTEST:

BY \_\_\_\_\_  
President

BY \_\_\_\_\_  
Secretary

STATE OF NEW MEXICO)  
COUNTY OF CHAVES )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of May, 1973, by \_\_\_\_\_, President of BRUNSON AND McKNIGHT, INC., a New Mexico corporation on behalf of said corporation.

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

My Commission Expires:  
\_\_\_\_\_



EXHIBIT "B"  
SCHEDULE SHOWING LANDS AND OWNERSHIP  
WITHIN THE OJO CHISO UNIT AREA  
TOWNSHIP 22 SOUTH, RANGE 34 EAST, N.M.P.M.  
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LANDS	ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING AND PERCENTAGE
All Lands are in T-22-S, R-34-E, NMPM							
1.	Sec. 15; N $\frac{1}{2}$ Sec. 21; E $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ Sec. 26; E $\frac{1}{2}$ SE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 27; W $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$	1440.00	NM-0195029 8-31-73	U.S.A. 12.5%	Superior Oil Company	Walter Morrison 1.90% Dix Turnbow 1.90% Ted A. Beach 0.95% Illabelle Shanahan 0.25% Total 5.00%	Superior Oil Byron M. Mc Nolan H. B
2.	Sec. 22; E $\frac{1}{2}$ , NW $\frac{1}{4}$ Sec. 27; E $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$	800.00	NM-0259210-A 5-31-74	U.S.A. 12.5%	Superior Oil Company	Norman M. Albright & Marilyn Albright, his wife, - \$750.00 out of 5.0%	Superior Oil Byron M. Mc Nolan H. B
3.	Sec. 26; E $\frac{1}{2}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , NW $\frac{1}{2}$ SE $\frac{1}{4}$	280.00	NM-0395473 6-30-73	U.S.A. 12.5%	Phillips Petroleum Co.	James O. Breen, Jr. 3.0%	Phillips Pe
4.	Sec. 26; SW $\frac{1}{2}$ SE $\frac{1}{4}$	40.00	NM-0500329 1-31-74	U.S.A. 12.5%	Western Petroleum Co.	Nancy Corde Phelps 4.5%	Western Pe
5.	Sec. 22; NW $\frac{1}{2}$ SW $\frac{1}{4}$	40.00	NM-0554510 7-31-74	U.S.A. 12.5%	Superior Oil Company	Vincent J. Duncan & Annemarie Duncan, his wife, 5.0%	Superior Oil Byron M. Mc Nolan H. B
6.	Sec. 22; E $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{2}$ SW $\frac{1}{4}$	120.00	NM-0554511-A	U.S.A. 12.5%	Superior Oil Company	The Carolina Corp. 5.0%	Superior Oil Byron M. Mc Nolan H. B

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EXHIBIT "B"  
SCHEDULE SHOWING LANDS AND OWNERSHIP  
WITHIN THE OJO CHISO UNIT AREA  
TOWNSHIP 22 SOUTH, RANGE 34 EAST, N.M.P.M.  
LEA COUNTY, NEW MEXICO

ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1440.00	NM-0195029 8-31-73	U.S.A. 12.5%	Superior Oil Company	Walter Morrison 1.90% Dix Turnbow 1.90% Ted A. Beach 0.95% Illabelle Shanahan 0.25% Total 5.00%	Superior Oil Company 25% Byron M. McKnight & Nolan H. Brunson 75%
800.00	NM-0259210-A 5-31-74	U.S.A. 12.5%	Superior Oil Company	Norman M. Albright & Marilyn Albright, his wife, - \$750.00 out of 5.0%	Superior Oil Company 25% Byron M. McKnight & Nolan H. Brunson 75%
280.00	NM-0395473 6-30-73	U.S.A. 12.5%	Phillips Petroleum Co.	James O. Breen, Jr. 3.0%	Phillips Petroleum Co. 100%
40.00	NM-0500329 1-31-74	U.S.A. 12.5%	Western Petroleum Co.	Nancy Corde Phelps 4.5%	Western Petroleum Co. 100%
40.00	NM-0554510 7-31-74	U.S.A. 12.5%	Superior Oil Company	Vincent J. Duncan & Annamarie Duncan, his wife, 5.0%	Superior Oil Company 50% Byron M. McKnight & Nolan H. Brunson 50%
120.00	NM-0554511-A	U.S.A. 12.5%	Superior Oil Company	The Carolina Corp. 5.0%	Superior Oil Company 50% Byron M. McKnight & Nolan H. Brunson 50%



TRACT NO.	DESCRIPTION OF LANDS	ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING AND PER
7.	Sec. 21; W $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$	160.00	NM-10475 9-30-79	U.S.A. 12.5%	Edward R. Hudson, Jr.	Edward R. Hudson, Jr. \$1,000.00 per acre out of ----- 6.25%	Edward R. Hudson, Jr.
8.	Sec. 15; W $\frac{1}{2}$ SW $\frac{1}{4}$	80.00	NM-15921 6-30-82	U.S.A. 12.5%	Byron McKnight	Phil Troutman 3.0%	Byron McKnight
9.	Sec. 15; SE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$	240.00	NM-17067 5-31-83	U.S.A. 12.5%	Evelyn G. Langrish	NONE None	Evelyn G. Langrish
10.	Sec. 28; All	640.00	NM-18046 3-31-83	U.S.A. 12.5%	AMOCO Production Co.	George L. Davis, Jr. & Josephine B. Davis, his wife, 2.0%	AMOCO Production Co.
TOTAL FEDERAL LANDS -		3,840.00 Acres = 75.00% of Unit Area					

STATE LANDS							
11.	Sec. 14; W $\frac{1}{2}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$	480.00	L-1504 9-17-78	State 12.5%	AMOCO Production Co.	NONE None	AMOCO Production Co.
12.	Sec. 23; S $\frac{1}{2}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$	400.00	L-1589 10-15-78	State 12.5%	AMOCO Production Co.	NONE None	AMOCO Production Co.
13.	Sec. 23; N $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$	240.00	L-4719 7-21-80	State 12.5%	Phillips Petroleum Co.	NONE None	Phillips Petroleum Co.
14.	Sec. 14; N $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$	160.00	LG-0741 10-1-82	State 12.5%	AMOCO Production Co.	NONE None	AMOCO Production Co.
TOTAL STATE LANDS -		1,280.00 Acres = 25.00% of Unit Area					

STATE LANDS								
NE <del>X</del>	480.00	L-1504 9-17-78	State 12.5%	AMOCO Production Co.	NONE	None	AMOCO Production Co.	100%
NE <del>X</del>	400.00	L-1589 10-15-78	State 12.5%	AMOCO Production Co.	NONE	None	AMOCO Production Co.	100%
NE <del>X</del>	240.00	L-4719 7-21-80	State 12.5%	Phillips Petroleum Co.	NONE	None	Phillips Petroleum Co.	100%
NE <del>SE</del>	160.00	LG-0741 10-1-82	State 12.5%	AMOCO Production Co.	NONE	None	AMOCO Production Co.	100%
<hr/> DS - 1,280.00 Acres = 25.00% of Unit Area								

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 4982

Order No. R-4547

APPLICATION OF BRUNSON AND MCKNIGHT  
FOR APPROVAL OF THE OJO CHISO  
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on  
June 6, 1963, at Santa Fe, New Mexico, before Examiner  
Richard L. Stamets.

NOW, on this \_\_\_\_\_ day of 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, Brunson and McKnight,  
seeks approval of the Ojo Chiso Unit Agreement  
covering 5,120 acres, more or less, of State, and Federal lands  
described as follows:

LEA COUNTY, NEW MEXICO  
TOWNSHIP 22 SOUTH RANGE 34 EAST, NMPM

Sections 14 and 15:  
A 1711

" ~~15~~ through 23:  
A 1711

" ~~23~~ through 28:  
A 1711

" ~~28~~ through 34:  
A 1711

**BYRON M. McKNIGHT**

PETROLEUM GEOLOGIST

TELEPHONE 505 393-7411

POST OFFICE BOX 297

HOBBS, NEW MEXICO 88240

**OJO CHISO PROSPECT**  
**T-22-S, R-34-E**  
**Lea County, New Mexico**

**GEOLOGY**

This prospect is located on the northeast edge of the Delaware Basin and as such is 8 to 10 miles west of the Central Basin Platform. On a regional basis most dips are steep from the raised Central Basin Platform into the Delaware Basin and down to the basin faulting is not uncommon.

The prospect is about equidistant between the very large Bell Lake structure to the South and the Grama Ridge structure to the North. The Bell Lake pool produces from the Permian Bone Spring, the Morrow and Atoka of Pennsylvanian age, and the Devonian (or Hunton). The Grama Ridge pool produces from only the Morrow and has only one well which penetrated the Devonian.

The only other deep test in the prospect area is the Phillips #1 Merchant located 1980' from the South line and 660' from the East line of Section 26, Township 22 South, Range 34 East. This well was drilled to a total depth of 13,600' in the Barnett formation (it did not penetrate the Devonian which is the major objective for this test). Electric log tops on this well are as follows:

Delaware Mountain Group	5,900
Bone Spring	8,585
Dean	11,030
Wolfcamp	11,427
Strawn	11,942
Atoka	12,228
Morrow	12,846
Barnett	13,520

No commercial production was found in this well and it was plugged and abandoned 11/29/71.

On the Grama Ridge structure the one well which penetrated the Devonian is the Shell 1-4 Federal located 2310' from the North line and 2310' from the West line of Section 4, Township 22 South, Range 34 East. Electric log tops on the well are as follows:

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	1
CASE NO.	4982
Submitted by	
Hearing Date	6-6-73

Delaware Mountain Group	5,610
Bone Spring	8,343
Dean	11,017
Wolfcamp	11,359
Strawn	11,733
Atoka	11,993
Morrow	12,600
Mississippi	13,830
Devonian	14,414

This well found no commercial quantities of gas in the Devonian but was completed in the Morrow from selected perforations 12,886'-13,111'. The completion date was 6/1/65.

The accompanying cross-section depicts the structural relationship between the Bell Lake structure, the Phillips #1 Merchant, the prospect area, and the Grama Ridge structure.

All available seismic indicates that the prospect consists of an anticline which is present in all horizons. It is therefore anticipated that all horizons will be encountered structurally high to both the Grama Ridge structure and the Phillips #1 Merchant which did not go deep enough to test the Devonian.

#### SEISMIC

The seismic work on this prospect was done by Mr. Colin McMillan, consulting geophysicist of Roswell, New Mexico.

#### Field and Computing Techniques

The data shown on the enclosed maps were vibrated by Amoco Production Company in 1968 using four vibrators with 15 sweeps, a 14 x 40 vibrator pilot, an offend offset, and 10 fold stack. The data was processed and played back digitally.

#### Velocity

The seismic data presented on the accompanying maps were corrected for velocity variations using formation tops from existing wells and regional velocity control. The velocity correlations tended, at the Devonian level, to tilt the datums down to the northeast.

### Data Quality

Data Quality was generally good on all horizons mapped and is considered to be reliable.

### Results

Seismic data indicates a Devonian structure with approximately 300 feet of closure. A Devonian-Bone Spring isochron map also indicates the presence of this structure. Seismic data further indicates that the crest of this structure (at the Devonian) is apparently 500 feet high to the Phillips #1 Merchant.

### PROGNOSIS

The primary objective for this test is the Devonian (Hunton) formation, which should be encountered at approximately 14,200 feet from the surface. Reservoir rock of the Devonian are usually white crystalline dolomite. Porosity is usually vuggy and fractured. In the Continental Oil Company Bell Lake #6 located in Section 6, T-23-S, R-34-E, selected perforations were made in the top several hundred feet. This well has been very prolific having produced over 27 billion cubic feet of gas. The log of this well is included in the accompanying cross-section.

The Pennsylvanian Morrow formation which is productive at Bell Lake and Grama Ridge is expected at approximately 12,600 feet. The pay section in the Morrow consists of very coarse grain clean angular sand. These sands occur as lenses throughout the Morrow section.

The Pennsylvanian Strawn formation is productive in other places of the basin but there is no production at any very close proximity to the prospect. The reservoir rocks of this age are clean algal limestone. The Strawn horizon should definitely be considered as a secondary objective. It is expected at approximately 11,800 feet.

Sands of Atoka age also produce in the area. When productive these sands are medium to coarse grain, angular and clean. The Atoka can be expected at approximately 12,100 feet.

The Permian Bone Spring is productive on the Bell Lake structure. This production comes from a clean lime section within the argillaceous limes and sands of the Bone Spring formation. The top of the Bone Spring is expected at approximately 8600 feet.

### WELL SPACING

With the exception of the Bone Spring all other primary and secondary objectives are productive of gas rather than oil. Because of depth, it is anticipated that development drilling will utilize 640 acre spacing.

**BYRON M. McKNIGHT**

PETROLEUM GEOLOGIST

TELEPHONE 505 393-7411

POST OFFICE BOX 297

HOBBS, NEW MEXICO 88240

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### WELL SPACING

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DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 6, 1973

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for July, 1973, from seventeen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico;
- (2) Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico for July, 1973.

CASE 4982: Application of Brunson and McKnight for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Ojo Chiso Unit Area comprising 5,120 acres, more or less, of Federal and State lands in Township 22 South, Range 34 East, Lea County, New Mexico.

CASE 4983: Application of Gulf Oil Corporation for simultaneous well dedication and non-standard locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of two wells to a standard 640-acre gas proration unit comprising all of Section 35, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, said wells being the W. A. Ramsay (NCT-A) Wells Nos. 20 and 7 at non-standard locations in the center of Units E and N, respectively, of said Section 35.

CASE 4749: (Reopened)

In the matter of Case No. 4749 being reopened pursuant to the provisions of Order No. R-4338, which order established special rules and regulations for the Humble City-Strawn Pool, Lea County, New Mexico, including a provision for 80-acre proration units. All interested parties may appear and show cause why said pool should be developed on other than 40-acre units.

CASE 4984: Application of Monsanto Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Miller Federal Well No. 1 located in Unit G of Section 3, Township 21 South, Range 27 East, Eddy County, New Mexico, in such a manner as to produce gas from undesignated Atoka gas pool and from the Burton Flat-Morrow Gas Pool through the casing-tubing annulus, and tubing, respectively.

CASE 4967: (Continued and readvertised from the May 9, 1973 Examiner Hearing)

Application of John M. Etcheverry for dissolution of a standard proration unit and the creation of two non-standard proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks

(Case 4967 continued from page 1)

the dissolution of the standard 160-acre proration unit comprising the SW/4 of Section 29, Township 14 South, Range 34 East, West Tres Papalotes-Pennsylvanian Pool, Lea County, New Mexico, dedicated to the Mark Production Company Etcheverry Well No. 1 located in Unit L of said Section 29, and the creation of two non-standard 80-acre proration units, one comprising the N/2 and the other the S/2 of the SW/4 of said Section 29; the first unit would be dedicated to the aforesaid Etcheverry Well No. 1 and the second unit would be dedicated to a well proposed to be drilled in Unit M of said Section 29.

CASE 4985: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Pipeline Deep Unit Area comprising 3,862 acres, more or less, of federal lands in Township 19 South, Range 34 East, Lea County, New Mexico.

CASE 4986: Application of Dalport Oil Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Queen formation underlying the E/2 of Section 17, Township 12 South, Range 31 East, Chaves County, New Mexico, to be dedicated to a well to be drilled in Unit G of said Section 17. Also to be considered will be the cost of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, the establishment of charges for supervision of said well, and the designation of applicant as operator.

CASE 4987: Application of Texaco Inc. for down-hole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Blinebry, Tubb, and Drinkard Oil Pools in the wellbore of its A. H. Blinebry Well No. 20 located in Unit E of Section 20, Township 22 South, Range 38 East, Lea County, New Mexico.

CASE 4988: Application of Texaco Inc. for down-hole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Tubb and Drinkard Oil Pools in the wellbore of its A. H. Blinebry Well No. 28 located in Unit A of Section 29, Township 22 South, Range 38 East, Lea County, New Mexico.

CASE 4989: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the amendment of the general rules governing prorated gas pools in Northwest and Southeast New Mexico as promulgated by Order No. R-1670, as amended. Rule 15 of the aforesaid general rules would be amended to provide that if a well is

(Case 4989 continued from page 2)

overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well or a well in a newly prorated pool, six times its average monthly allowable for the months available), it shall be shut in during that month and each succeeding month until it is overproduced in an amount less than six times its average monthly allowable, as determined above.

Rule 15 would be further amended to permit the Secretary-Director of the Commission to grant a pool-wide moratorium of up to three months on the shutting in of gas wells during periods of high demand emergency if a significant number of the wells in the pool are subject to being shut in.

CASE 4966: (Continued from the May 23, 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.

dearnley, meier & mc cormick

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
OIL CONSERVATION COMMISSION CONFERENCE ROOM  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
Wednesday, June 6, 1973

EXAMINER HEARING

IN THE MATTER OF:

Application of Brunson  
and McKnight for a unit  
agreement, Lea County,  
New Mexico.

Case No. 4982

BEFORE: Richard L. Stamets  
Examiner

TRANSCRIPT OF HEARING

1 MR. STAMETS: Call next Case 4982.

2 MR. CARR: Case 4982, application of Brunson and  
3 McKnight for a unit agreement, Lea County, New Mexico.

4 MR. RICHARDSON: Randolph M. Richardson, Roswell,  
5 New Mexico, appearing on behalf of the Applicant.

6 BYRON MC KNIGHT,

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

9 MR. RICHARDSON: We have a geological report  
10 consisting of six parts which has been marked Exhibits 1  
11 through 6 which we would like to submit with this case.

12 MR. CARR: Do you have another copy of the exhibits.

13 MR. RICHARDSON: Yes. He has one to testify from.

14 MR. CARR: Okay. Fine, thank you.

15 DIRECT EXAMINATION

16 BY MR. RICHARDSON:

17 Q Mr. McKnight, would you please state your name and present  
18 occupation?

19 A Byron McKnight an independent oil and gas producer in  
20 Hobbs, New Mexico.

21 Q Will you please state your educational and professional  
22 background which will enable you to testify as an expert?

23 A I'm a graduate of the University of Texas with a BS  
24 Degree in Geology and worked for Humble Oil and Refining  
25 Company for several years and been independant for six

1 years.

2 Q Are you familiar with the Ojo-Chiso area and the matters  
3 of approval of the unit agreement?

4 A Yes, I am.

5 MR. RICHARDSON: Are the qualifications acceptable?

6 MR. STAMETS: They are.

7 Q Is it a form of unit agreement prescribed by the Federal  
8 Regulations and as recently approved by the Commissioner  
9 of Public Land?

10 A Yes.

11 Q Has the unit area been designated by the USGS as an area  
12 logically suitable for development under a unit map of  
13 development?

14 A Yes, it has.

15 Q Will you please tell the Commission the total number of  
16 acres within the unit area and the number and percentage  
17 of Federal lands and State lands?

18 A The total unit acreage is 5120 acres consisting of 3,840  
19 acres of Federal lands and 1,280 acres of State land.

20 Q And the State land is what, 75, 25 percent of the total  
21 area?

22 A Represents 25 percent of the total unit area.

23 Q And the Federal land is 75 percent?

24 A Seventy-five.

25 Q Would you please tell the Commission the Township and Range

1 in which the unit is located and the approximate distance  
2 to the nearest town?

3 A The unit is located in Township 22 South, Range 34 East,  
4 Lea County, New Mexico, and is some 16 miles West of  
5 Eunice, New Mexico.

6 Q Would you please refer to your geological report at this  
7 time which has been marked Exhibits 1 through 6? Was  
8 this report prepared by you or others directed under your  
9 control and supervision?

10 A Yes, it was.

11 Q Now, would you please review the report going through the  
12 name and stating the significance of such maps and cross  
13 section and --

14 A The written report discusses the various maps for the  
15 number going from shallow to deep being the Yates, Strawn,  
16 Bone Springs, and Devonian structure maps; and we have  
17 a cross section which depicts the structural and  
18 stratigraphic relationship between the nearby producing  
19 fields and the prospect area.

20 I direct your attention to the Yates structure map  
21 which is the most well-controlled structure map that we  
22 have more well-control in shallow wells.

23 Q That is Exhibit Number 2?

24 A The location of the proposed well will be 1980 feet from  
25 the North line and 660 feet from the West line of Section



23 which you will note is on the crest of the Yates structure and will be subsequently demonstrated on the crest of the other structures.

This is basically a seismic prospect. The seismic work was done by Mr. MacMillan consulting geologist of Roswell, New Mexico; and I did the geological work that was involved with it.

The next map with depth is the Bone Spring map. This is a seismic map giving that we have no, virtually no well-control in the prospect area. We feel that we can get structurally high to the Phillips dry hole located in Section 26 on the prospect area.

Q The Bone Springs map is marked Exhibit Number 4.

A The Strawn map has been prepared for your examination.

MR. STAMETS: Exhibit Number 3 is labeled Strawn.

MR. RICHARDSON: Right. Exhibit Number 4 was Bone Springs. We got them out of order.

A The Strawn map depicts the structural configuration of the Strawn formation which will be the first or at least one of the major objectives of this test.

MR. STAMETS: We already discussed the Strawn map back in Exhibit 3. Except I think we called it Bone Springs.

THE WITNESS: Well, there is a Strawn map and there is a Bone Springs map.

1 MR. STAMETS: Which one is Exhibit 3?  
2 MR. RICHARDSON: The Strawn. The Bone Springs should  
3 be Number 4.  
4 MR. STAMETS: Okay. Which exhibits were you  
5 discussing now?  
6 THE WITNESS: We previously discussed the Bone Springs  
7 which is Exhibit 4, and now we are discussing the Strawn  
8 which is Exhibit 3.  
9 MR. STAMETS: Okay.  
10 A I placed these maps in stratigraphic order and Mr.  
11 Richardson placed them in a --  
12 Q As they came.  
13 A The Strawn will be considered one of the major objectives  
14 for the prospect. The last map is the Devonian map which  
15 is Exhibit 5, and it's considered to be the major  
16 objective for the prospect.  
17 The cross section which accompanies this report is  
18 rather large. By way of suggestion, I might suggest that  
19 you look at it some other time; but I'll be happy to go  
20 into it. It's about as big as this table, but I'll be  
21 happy to discuss it now if you like.  
22 Q Well --  
23 MR. STAMETS: What does it depict?  
24 THE WITNESS: It depicts the structural and strati-  
25 graphic relationship between the Bell Lake structure

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1 to the South which is producing Devonian gas, the Phillips  
2 dry hole in Section 26, the prospect area, and the Grama  
3 Ridge Morrow gas well which is to the North.

4 MR. STAMETS: Is that Grama Ridge Morrow off of this  
5 Exhibit Number 5?

6 THE WITNESS: No. It's the field that you just  
7 pointed to.

8 MR. STAMETS: Up to the Northwest corner of the  
9 exhibit?

10 THE WITNESS: Right.

11 Q (By Mr. Richardson) Did you draw any conclusions from  
12 your cross section?

13 A We can draw the conclusion that we think we can be  
14 structurally high to our three reference points, being  
15 the Bell Lake Field, the Phillips dry hole, and the Grama  
16 Ridge Field. This is, to reiterate, totally based on  
17 seismic.

18 MR. STAMETS: The same information that you based  
19 your structural maps on?

20 THE WITNESS: With the exception of the Yates. We  
21 have well-control for the Yates, but the rest of them are  
22 seismic.

23 Q (By Mr. Richardson) Would you please tell the Commission  
24 of the projected depth of the well?

25 A 14,600 feet. This we believe will put us several hundred

1 feet in the Devonian to adequately test the Devonian  
2 formation.

3 Q Have other working-interest owners within the unit area  
4 been contacted?

5 A Yes, they have.

6 Q Have you received any objections from any of the others?

7 A We have not.

8 Q In your opinion, what percentage of the working-interest  
9 owners will be committed to the unit and what percentage  
10 of the royalty will be committed?

11 A Well, 100 percent of the working-interest owners and all  
12 but about 5 percent of the overriding royalty owners.

13 Q And all the basic royalty will be committed?

14 A 100 percent.

15 Q In your opinion, will the operation of this area under  
16 the proposed unit manner of the operation be in the  
17 interest of conservation and prevention of waste?

18 A Yes, it will.

19 Q Will the different institutions of the State, if any,  
20 receive their fair share of production if established?

21 A Yes, they will.

22 Q In the event of production, will the correlative rights  
23 of all parties in the unit agreement be protected?

24 A Yes, they will.

25 MR. RICHARDSON: That is all I have, sir. Do you

dearnley, meier & mc cormick

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1 have any additional? We would like to introduce the  
2 exhibits into evidence.

3 MR. STAMETS: Without objection, Exhibits one through  
4 six will be admitted into evidence. Are there any  
5 questions of the witness?

6 MR. RICHARDSON: I would like to request, sir, this  
7 unit must be signed up and the well actually drilling by  
8 June the 30th; and if it's possible, we would sure like  
9 to have your order without delay.

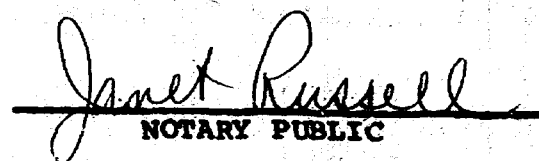
10 MR. STAMETS: Okay. We are running real short on  
11 time. If there is nothing further in this case, the  
12 witness may be excused. We will take the case under  
13 advisement.

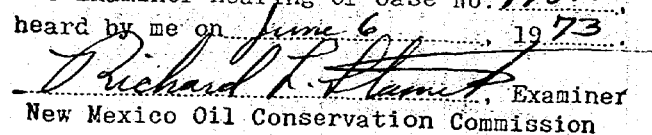
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15 \* \* \* \* \*

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

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

11   
12 NOTARY PUBLIC

13 I do hereby certify that the foregoing is  
14 a complete record of the proceedings in  
15 the Examiner hearing of Case No. 4982  
16 heard by me on June 6, 1973.  
17   
18 Examiner  
19 New Mexico Oil Conservation Commission  
20  
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24  
25

I N D E XWITNESSPAGE

BYRON MCKNIGHT

Direct Examination by Mr. Richardson

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E X H I B I T SOfferedAdmitted

Applicant's Exhibit #1

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Applicant's Exhibit #2

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Applicant's Exhibit #3

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Applicant's Exhibit #4

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Applicant's Exhibit #5

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Applicant's Exhibit #6

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dearnley, meier & mc cormick

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
OIL CONSERVATION COMMISSION CONFERENCE ROOM  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
Wednesday, June 6, 1973

EXAMINER HEARING

IN THE MATTER OF:

Application of Brunson  
and McKnight for a unit  
agreement, Lea County,  
New Mexico.

Case No. 4982

BEFORE: Richard L. Stamets  
Examiner

TRANSCRIPT OF HEARING



1 MR. STAMETS: Call next Case 4982.

2 MR. CARR: Case 4982, application of Brunson and  
3 McKnight for a unit agreement, Lea County, New Mexico.

4 MR. RICHARDSON: Randolph M. Richardson, Roswell,  
5 New Mexico, appearing on behalf of the Applicant.

6 BYRON MC KNIGHT,

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

9 MR. RICHARDSON: We have a geological report  
10 consisting of six parts which has been marked Exhibits 1  
11 through 6 which we would like to submit with this case.

12 MR. CARR: Do you have another copy of the exhibits.

13 MR. RICHARDSON: Yes. He has one to testify from.

14 MR. CARR: Okay. Fine, thank you.

15 DIRECT EXAMINATION

16 BY MR. RICHARDSON:

17 Q Mr. McKnight, would you please state your name and present  
18 occupation?

19 A Byron McKnight an independent oil and gas producer in  
20 Hobbs, New Mexico.

21 Q Will you please state your educational and professional  
22 background which will enable you to testify as an expert?

23 A I'm a graduate of the University of Texas with a BS  
24 Degree in Geology and worked for Humble Oil and Refining  
25 Company for several years and been independant for six

1 years.

2 Q Are you familiar with the Ojo-Chiso area and the matters  
3 of approval of the unit agreement?

4 A Yes, I am.

5 MR. RICHARDSON: Are the qualifications acceptable?

6 MR. STAMETS: They are.

7 Q Is it a form of unit agreement prescribed by the Federal  
8 Regulations and as recently approved by the Commissioner  
9 of Public Land?

10 A Yes.

11 Q Has the unit area been designated by the USGS as an area  
12 logically suitable for development under a unit map of  
13 development?

14 A Yes, it has.

15 Q Will you please tell the Commission the total number of  
16 acres within the unit area and the number and percentage  
17 of Federal lands and State lands?

18 A The total unit acreage is 5120 acres consisting of 3,840  
19 acres of Federal lands and 1,280 acres of State land.

20 Q And the State land is what, 75, 25 percent of the total  
21 area?

22 A Represents 25 percent of the total unit area.

23 Q And the Federal land is 75 percent?

24 A Seventy-five.

25 Q Would you please tell the Commission the Township and Range

1 in which the unit is located and the approximate distance  
2 to the nearest town?

3 A The unit is located in Township 22 South, Range 34 East,  
4 Lea County, New Mexico, and is some 16 miles West of  
5 Eunice, New Mexico.

6 Q Would you please refer to your geological report at this  
7 time which has been marked Exhibits 1 through 6? Was  
8 this report prepared by you or others directed under your  
9 control and supervision?

10 A Yes, it was.

11 Q Now, would you please review the report going through the  
12 name and stating the significance of such maps and cross  
13 section and --

14 A The written report discusses the various maps for the  
15 number going from shallow to deep being the Yates, Strawn,  
16 Bone Springs, and Devonian structure maps; and we have  
17 a cross section which depicts the structural and  
18 stratigraphic relationship between the nearby producing  
19 fields and the prospect area.

20 I direct your attention to the Yates structure map  
21 which is the most well-controlled structure map that we  
22 have more well-control in shallow wells.

23 Q That is Exhibit Number 2?

24 A The location of the proposed well will be 1980 feet from  
25 the North line and 660 feet from the West line of Section

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23 which you will note is on the crest of the Yates structure and will be subsequently demonstrated on the crest of the other structures.

This is basically a seismic prospect. The seismic work was done by Mr. MacMillan consulting geologist of Roswell, New Mexico; and I did the geological work that was involved with it.

The next map with depth is the Bone Spring map. This is a seismic map giving that we have no, virtually no well-control in the prospect area. We feel that we can get structurally high to the Phillips dry hole located in Section 26 on the prospect area.

Q The Bone Springs map is marked Exhibit Number 4.

A The Strawn map has been prepared for your examination.

MR. STAMETS: Exhibit Number 3 is labeled Strawn.

MR. RICHARDSON: Right. Exhibit Number 4 was Bone Springs. We got them out of order.

A The Strawn map depicts the structural configuration of the Strawn formation which will be the first or at least one of the major objectives of this test.

MR. STAMETS: We already discussed the Strawn map back in Exhibit 3. Except I think we called it Bone Springs.

THE WITNESS: Well, there is a Strawn map and there is a Bone Springs map.

1 MR. STAMETS: Which one is Exhibit 3?

2 MR. RICHARDSON: The Strawn. The Bone Springs should  
3 be Number 4.

4 MR. STAMETS: Okay. Which exhibits were you  
5 discussing now?

6 THE WITNESS: We previously discussed the Bone Springs  
7 which is Exhibit 4, and now we are discussing the Strawn  
8 which is Exhibit 3.

9 MR. STAMETS: Okay.

10 A I placed these maps in stratigraphic order and Mr.  
11 Richardson placed them in a --

12 Q As they came.

13 A The Strawn will be considered one of the major objectives  
14 for the prospect. The last map is the Devonian map which  
15 is Exhibit 5, and it's considered to be the major  
16 objective for the prospect.

17 The cross section which accompanies this report is  
18 rather large. By way of suggestion, I might suggest that  
19 you look at it some other time; but I'll be happy to go  
20 into it. It's about as big as this table, but I'll be  
21 happy to discuss it now if you like.

22 Q Well --

23 MR. STAMETS: What does it depict?

24 THE WITNESS: It depicts the structural and strati-  
25 graphic relationship between the Bell Lake structure

1 to the South which is producing Devonian gas, the Phillips  
2 dry hole in Section 26, the prospect area, and the Grama  
3 Ridge Morrow gas well which is to the North.

4 MR. STAMETS: Is that Grama Ridge Morrow off of this  
5 Exhibit Number 5?

6 THE WITNESS: No. It's the field that you just  
7 pointed to.

8 MR. STAMETS: Up to the Northwest corner of the  
9 exhibit?

10 THE WITNESS: Right.

11 Q (By Mr. Richardson) Did you draw any conclusions from  
12 your cross section?

13 A We can draw the conclusion that we think we can be  
14 structurally high to our three reference points, being  
15 the Bell Lake Field, the Phillips dry hole, and the Grama  
16 Ridge Field. This is, to reiterate, totally based on  
17 seismic.

18 MR. STAMETS: The same information that you based  
19 your structural maps on?

20 THE WITNESS: With the exception of the Yates. We  
21 have well-control for the Yates, but the rest of them are  
22 seismic.

23 Q (By Mr. Richardson) Would you please tell the Commission  
24 of the projected depth of the well?

25 A 14,600 feet. This we believe will put us several hundred

1 feet in the Devonian to adequately test the Devonian  
2 formation.

3 Q Have other working-interest owners within the unit area  
4 been contacted?

5 A Yes, they have.

6 Q Have you received any objections from any of the others?

7 A We have not.

8 Q In your opinion, what percentage of the working-interest  
9 owners will be committed to the unit and what percentage  
10 of the royalty will be committed?

11 A Well, 100 percent of the working-interest owners and all  
12 but about 5 percent of the overriding royalty owners.

13 Q And all the basic royalty will be committed?

14 A 100 percent.

15 Q In your opinion, will the operation of this area under  
16 the proposed unit manner of the operation be in the  
17 interest of conservation and prevention of waste?

18 A Yes, it will.

19 Q Will the different institutions of the State, if any,  
20 receive their fair share of production if established?

21 A Yes, they will.

22 Q In the event of production, will the correlative rights  
23 of all parties in the unit agreement be protected?

24 A Yes, they will.

25 MR. RICHARDSON: That is all I have, sir. Do you

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1 have any additional? We would like to introduce the  
2 exhibits into evidence.

3 MR. STAMETS: Without objection, Exhibits one through  
4 six will be admitted into evidence. Are there any  
5 questions of the witness?

6 MR. RICHARDSON: I would like to request, sir, this  
7 unit must be signed up and the well actually drilling by  
8 June the 30th; and if it's possible, we would sure like  
9 to have your order without delay.

10 MR. STAMETS: Okay. We are running real short on  
11 time. If there is nothing further in this case, the  
12 witness may be excused. We will take the case under  
13 advisement.

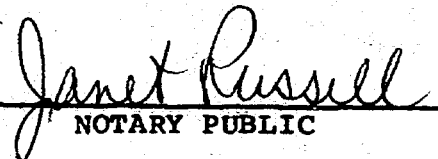
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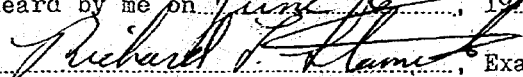
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1 STATE OF NEW MEXICO )  
2 ) ss  
3 COUNTY OF BERNALILLO )

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

11   
12 NOTARY PUBLIC

13 I do hereby certify that the foregoing is  
14 a complete record of the proceedings in  
15 the Examiner hearing of Case No. 4982  
16 heard by me on June 19, 1973.  
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18 Examiner  
19 New Mexico Oil Conservation Commission  
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BYRON MCKNIGHT

Direct Examination by Mr. Richardson

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Applicant's Exhibit #3

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Applicant's Exhibit #4

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Applicant's Exhibit #5

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Applicant's Exhibit #6

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application for Federal Exploratory Unit

Name of Applicant:

BRUNSON AND M<sup>C</sup> KNIGHT

Name of unit:

OJO CHISO

No. of acres: 5,120

Type of lands: federal + state

Township 22 South

Range 34 East

~~sections 14, 15, 21, 22, 23, 26, 27, 28~~

County - Lea

call from L. M. Richardson (Lowell)  
written application will follow