

Case No. 154

Foster Unit

CASE 154 FOSTER UNIT

Q
MALCO REFINERIES, INC.

15
P. O. BOX 660
MAIN OFFICE CCC
ROSWELL, NEW MEXICO

RECEIVED JUL 27 1954

Commissioner of Public Lands
P.O. Box 791
Santa Fe, New Mexico

Dear Sir:

We are enclosing a photostatic copy of the approval by the United States Geological Survey of our application for termination of the Foster Unit Agreement. By carbon copy of this letter, we are also sending a copy of the U.S.G.S. approval to the Oil Conservation Commission.

Very truly yours,

MALCO REFINERIES, INC.

Alys M. Norton (Mrs.)

enc.

cc Oil Conservation Commission



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

JUL 14 1954

DBA

PDH

JRM

HEH

Malco Refineries, Inc.
Post Office Box 660
Roswell, New Mexico

Gentlemen:

On July 13, 1954, effective as of July 1, 1954, Acting Director of the Geological Survey, Arthur A. Baker, approved the termination of the Foster unit agreement, New Mexico, I-See. No. 636, approved December 10, 1948, pursuant to the last sentence of section 18 thereof.

One copy of the approved application is enclosed for your record. It is requested that you send notice of this approval to each interested working interest owner, lessee, and lessor at their last known address.

Very truly yours,

For the Director

Enclosure

JUN 23 1934
U. S. GEOLOGICAL SURVEY
BIRMINGHAM, NEW MEXICO



Whereas, the undersigned, owner of the mineral interest in the working interest in the Foster Well Agreement, T. 22N. R. 2E, hereby agrees to the termination of the said Foster Well Agreement, pursuant to the provisions of Section 23 thereof, and respectfully requests approval of the Director of the United States Geological Survey to said termination.

In support of this Application for Termination, the following is respectfully submitted:

(1) Pursuant to Section 3 of said Well Agreement, the Foster Well No. 1, located in the NE 1/4 of Section 24, Township 22 South, Range 2 East, Eddy County, New Mexico was drilled to a depth of 1000'.

(2) The following formation logs were recorded:

Charlotte, 4000'

(3) No commercial oil or gas showings were encountered in any of the zones penetrated.

(4) The well was plugged and abandoned November 11, 1933.

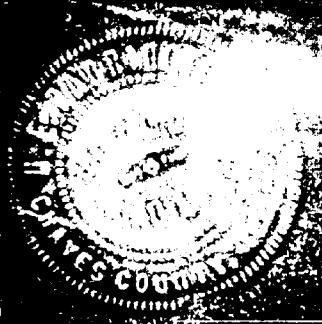
The undersigned working interest owner believes it is reasonably determined that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested, and results of deep tests in the area do not indicate favorable possibilities of production in deeper horizons, and therefore is not willing to incur the expense and risk of any additional test wells.

Dated this 21st day of June 1934.


L. L. Lusk

WILLIAM H. HARRIS, JR.





OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

July 2, 1954

C
O
P
Y

Malco Refineries, Inc.
P. O. Box 660
Roswell, New Mexico

Subject: Termination of Foster Unit Agreement

Gentlemen:

Reference is made to your letter of June 22, 1954 regarding your proposal to terminate the above captioned unit.

Please be advised that such termination is approved by the New Mexico Oil Conservation Commission as of this date, subject to like action of the U. S. Geological Survey and the Commissioner of Public Lands of the State of New Mexico

Very truly yours,

R. R. SPURRIER
Secretary and Director

RRS:c

cc: Commissioner of Public Lands
Santa Fe, New Mexico

U. S. Geological Survey
P O Box 6721
Roswell, N.M.

Oil Conservation Commission
Artesia, N.M.

Malco Refineries, Inc.

P. O. BOX 660
ROSWELL, NEW MEXICO

June 22, 1954

154
MAIN OFFICE OCC
JUN 22 AM 9:23
H. E. Harrington

Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

Enclosed herewith, please find copy of an
Application For Approval Of Termination Of The
Foster Unit Agreement, Eddy County, New Mexico,
the original of which has been filed with the
U. S. Geological Survey and a copy of which has
been filed with the Commissioner of Public Lands.

Your favorable action of this Application
is respectfully requested.

Very truly yours,

MALCO REFINERIES, INC.

H. E. Harrington
H. E. Harrington

HEH:les
Encl.

DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

IN THE MATTER OF THE)	APPLICATION FOR APPROVAL OF
UNIT AGREEMENT)	TERMINATION OF THE
FOR THE DEVELOPMENT AND OPERATION)	FOSTER UNIT AGREEMENT
OF THE FOSTER UNIT AREA,)	PURSUANT TO SECTION 18
COUNTY OF EDDY, STATE OF)	THEREOF
NEW MEXICO)	

To: THE HONORABLE DIRECTOR OF THE GEOLOGICAL SURVEY,
DEPARTMENT OF THE INTERIOR, WASHINGTON, D.C.:

Malco Refineries, Inc., as Unit Operator and as owner of one hundred per centum (100%) of the working interest signatory to the Foster Unit Agreement, I Sec. No. 636, hereby agrees to the termination of the said Foster Unit Agreement, pursuant the provisions of Section 18 thereof, and respectfully requests approval of the Director of the United States Geological Survey to said termination.

In support of this Application for Termination, the following is respectfully submitted:

(1) Pursuant to Section 8 of Said Unit Agreement, the Foster Unit Well No. 1, located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 26, Township 20 South, Range 23 East, Eddy County, New Mexico was drilled to a depth of 3502'.

(2) The following formation tops were recorded:

Glorietta 2477'

(3) No commercial oil or gas showings were encountered in any of the zones penetrated.

(4) The well was plugged and abandoned November 11, 1948.

The undersigned working interest owner believes it is reasonably determined that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested, and results of deep tests in the area do not indicate favorable possibilities of production in deeper horizons, and therefore is not willing to incur the expense and risk of any additional test wells.

Dated this 21st day of June 1954.

ATTEST:

Joe W. Lasker
Secretary

MALCO REFINERIES, INC.

By Donald B. Carlson
Vice President

STATE OF NEW MEXICO)
COUNTY OF CHAVES)

On this 21st day of June, 1954, before me appeared Donald B. Anderson, to me personally known, who being by me duly sworn, did say that he is the Vice President of Maseo Refineries, Inc. and that the seal affixed to said instrument is the Corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Donald B. Anderson acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal 21st day of June, 1954.

My Commission expires:

6-30-56

H. E. Harrington
Notary Public

January 4, 1954

Mr. H. E. Harrington
Mule Refineries, Inc.
P. O. Box 660
Roswell, New Mexico

Re: Foster Unit Agreement
Eddy County, New Mexico

Dear Sir:

We have your letter dated December 9, 1953 together with a copy of your application requesting that the term of the agreement and the time within which to comply with further drilling requirements for the development and operation of the Foster Unit Agreement be extended to December 31, 1954.

The undersigned hereby consents to the extension of time of six months from and after December 31, 1953, provided, however, similar authorization is granted by the Director of the United States Geological Survey and Oil Conservation Commission.

Very truly yours,

E. S. WALKER
Commissioner of Public Lands

cc: U. S. Geological Survey (3)
Roswell, New Mexico
Oil Conservation Commission (1)
Santa Fe, New Mexico

et

ILLEGIBLE

November 20, 1952

Malco Refineries, Inc.
P.O. Box 660
Roswell, New Mexico

ALL NEW MEXICO STATE CASE 154

Attention: H. E. Harrington

Dear Sir:

We have your letter dated November 18, 1952 to ether with a copy of your application submitted to the United States Geological Survey requesting that the term of the Foster Unit Agreement be extended until December 31, 1953.

The undersigned hereby consents to the extension of time of twelve months from and after December 31, 1952, within which to comply with further drilling requirements for the Foster Unit Agreement; provided, however, similar authorization for extension is granted by the Director of the United States Geological Survey.

Very truly yours,

W. H. H. H.
W. H. H. H.,
Commissioner of Public Lands

cc: U. S. Geological Survey (3)
Oil Conservation Commission (1)

et

ILLEGIBLE

October 1, 1951

154

Malco Refineries, Inc.
Box 660
Roswell, New Mexico

Attention: Mr. H. E. Harrington

Re: Foster Unit Area

Gentlemen:

In accordance with your request of August 24, 1951 I am pleased to inform you that I approve the resignation of Magnolia Petroleum Company as Unit Operator of the Unit Area set out in the caption hereof and the proposal of Malco Refineries, Inc., to be Successor Unit Operator of the Foster Unit Area; provided, however, like approval is had and obtained by Malco Refineries, Inc., from the proper officials of the Department of Interior and this office provided with a duly executed and federally approved copy for its files.

Very truly yours,

GUY SHEPARD
Commissioner of Public Lands

cc: U. S. Geological Survey
Roswell, New Mexico

Oil Conservation Commission
Santa Fe, New Mexico

J. M. HERVEY
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.

WILLIAM C. SCHAUER

LAW OFFICES
HERVEY, DOW & HINKLE
ROSWELL, NEW MEXICO

January 31, 1951

11-22-51 154

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

We enclose herewith copy of letter from the Director of the United States Geological Survey approving the application of the Magnolia Petroleum Company for an extension of the term and the time within which to commence drilling a second well in accordance with the terms of the Foster Unit Agreement, Eddy County, New Mexico, and which extension has heretofore been approved by the Commissioner of Public Lands.

Yours very truly,

HERVEY, DOW & HINKLE

By 

CEH/se
Encl.

COPY

UNITED STATES
DEPARTMENT OF THE INTERIOR

Geological Survey
Washington 25, D.C.

Magnolia Petroleum Company
P. O. Box 672
Roswell, New Mexico

Gentlemen:

On January 10, 1951, Acting Director of the Geological Survey, Thomas B. Nolan, approved the application filed by your company as unit operator, requesting an extension of the term of the unit agreement and the time within which to commence drilling the second test well for the Foster Unit Area, Eddy County, New Mexico, I-Sec. No. 636, approved December 10, 1948. The approved extension is for a period of time expiring December 31, 1951, for both the term and the commencement of the second test well.

Enclosed are two approved copies of the application for your records. It is requested that you furnish the State of New Mexico, or any other interested principal, with whatever evidence of this approval is deemed appropriate.

Very truly yours,

S/ H.J. Duncan
For the Director

Enclosures

copy to: Roswell 2 (with 2 app'd copies of appl'n)
GAO (with 1 app'd copy of appl'n)
BLM2:

Santa Fe L.O. (with 1 app'd copy of appl'n)
Washington (ltr. only)
Peter Q. Nyce (ltr.)

EMPilkinton:fhs:1-16-51

December 14, 1950

James H. How and Frank
Attorneys at Law
Roswell, New Mexico

Attention: Mr. C. B. Irvine and George J. Hunter, Jr.

Re: Application for Extension of Foster Unit Agreement
Magnolia Petroleum Company

Gentlemen:

I have read your application for extension of the term of the Unit Agreement mentioned in the caption hereon until December 31, 1951 and for extension of time thereunder within which further drilling must be commenced on said Unit Area.

Having no objection to said extension of the term of Foster Unit Agreement from December 31, 1950 until December 31, 1951, I approve the same; and I approve also the time for commencement of drilling of a second well on said area until July 31, 1951, provided however, the foregoing consents and approvals are conditioned upon like consents and approvals being had and obtained from the proper federal authorities.

Very truly yours,


GUY SHEPARD, Commissioner

ILLEGIBLE

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

4 October 1948

Mr. Clarence E. Hinkle
Roswell, New Mexico

Dear Mr. Hinkle

Attached is order adopted by the Commission with regard
to the Foster Unit Agreement, Case 154.

Very truly yours,

RRS:bep

C

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P

Y

J. M. HERVEY
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.

GEORGE H. HUNKER, JR.

LAW OFFICES
HERVEY, DOW & HINKLE
ROSWELL, NEW MEXICO

August 2, 1948

Mr. George Graham
State Land Office
Santa Fe, New Mexico

Dear George:

Re: Foster Unit Area, Eddy County,
New Mexico.

I believe you stated after the hearing in connection with the above unit agreement that you desired me to draft the Order of the Commission. I enclose original and several copies which is the same form as the Order which was used in connection with the approval of the Burro Hills Unit Agreement. If this is satisfactory, please have the Order entered and I would appreciate your mailing me two signed copies of the same.

Yours very truly,

HERVEY, DOW & HINKLE

By 

CEH:mmh

Enc.

CERTIFICATE OF APPROVAL BY COMMISSIONER
OF PUBLIC LANDS, STATE OF NEW MEXICO, OF
UNIT AGREEMENT FOR THE DEVELOPMENT AND
OPERATION OF THE FOSTER UNIT AREA, EDDY
COUNTY, STATE OF NEW MEXICO.

There having been presented to the undersigned, Commissioner of Public Lands of the State of New Mexico, for examination and agreement for the development and operation of the Foster Unit Area, Eddy County, New Mexico, bearing date of August 10, 1948, in which the Magnolia Petroleum Company, a corporation is designated as Operator, and which has been executed by various parties owning and holding oil and gas leases embracing lands within the unit area, 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 field;

(b) That under the operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its lands in the area affected;

(c) That the agreement is in other respects for the best interest of the State;

(d) That the agreement provides for the unit operation of the field, for the allocation of production, and the sharing of proceeds from a part of the area covered by the agreement on an acreage basis as specified in the agreement.

NOW, THEREFORE, by virtue of the authority conferred upon me by Chapter 88 of the New Mexico Session Laws of 1943, approved April 14, 1943, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the unit agreement above referred to for the development and operation of the Foster Unit Area, Eddy County, New Mexico, subject to all of the provisions of the aforesaid act.

Executed this the 14th day of Sept., 1948.

John B. Miles
Commissioner of Public Lands of the
State of New Mexico

CERTIFICATION-DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the act approved February 25, 1920, 41 Stat. 437; 30 U.S.C. secs. 181, et seq., as amended by the act of August 8, 1946, 60 Stat. 950, and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C.F.R. sec. 4.611, 12 F.R. 6784, I do hereby:

A. Approve the attached agreement for the development and operation of the Foster 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.

DEC 10 1948

Dated _____

Thomas B. Nolan
Acting Director,
United States Geological Survey

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 154

ORDER NO. 786

THE APPLICATION OF THE MAGNOLIA PETROLEUM
COMPANY FOR AN ORDER OF APPROVAL OF PROPOSED
FOSTER UNIT AGREEMENT WHOSE UNIT AREA COVERS
10,291.91 ACRES SITUATED IN TOWNSHIPS 20 $\frac{1}{2}$
and 20 SOUTH, RANGES 22, 23 and 24 EAST, IN
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at ten o'clock
A. M., July 29, 1948, at Santa Fe, New Mexico, before the Oil
Conservation Commission of New Mexico, hereinafter referred to
as "Commission".

NOW, on this the 29th day of July, 1948, the
Commission having before it for consideration the testimony
adduced at the hearing of said case and being fully advised
in the premises:

FINDS that the proposed unit plan will in
principle tend to promote the conservation of oil and gas and the
prevention of waste;

IT IS THEREFORE ORDERED:

That the order herein shall be known as the:

"FOSTER UNIT AGREEMENT ORDER"

SECTION 1. (a) That the project herein shall be
known as the Foster Unit Agreement and shall hereinafter be
referred to as the Project.

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

SECTION 2. That the Foster Unit Agreement Plan shall
be and 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 of
said agreement shall not be considered as waiving or relinquishing
in any manner any rights, duties or obligations which are now
or may hereafter be vested in the New Mexico Oil Conservation

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

SECTION 3. (a) That the Unit Area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

T. 20 $\frac{1}{2}$ S., R. 22 E.

Lots 1 and 2, S $\frac{1}{2}$ SE $\frac{1}{4}$ Section 33,
Lots 1, 2, 3, 4, S $\frac{1}{2}$ S $\frac{1}{2}$ Section 34,
Lots 1, 2, 3, 4, S $\frac{1}{2}$ S $\frac{1}{2}$ Section 35,
Lots 1, 2, 3, 4, S $\frac{1}{2}$ S $\frac{1}{2}$ Section 36.

T. 20 S., R. 23 E.

S $\frac{1}{2}$ Section 13,
S $\frac{1}{2}$ Section 14,
All Sections 22, 23, 24, 25, 26, 27,
28, 33, 34, 35, 36.

T. 20 $\frac{1}{2}$ S., R. 23 E.

Lots 1, 2, 3, 4, 5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$
Section 31; Lot 4, SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 32

T. 20 S., R. 24 E.

Lots 3 and 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ Section 18;
Lots 1, 2, 3 and 4, E $\frac{1}{2}$ W $\frac{1}{2}$ Section 19;
Lots 1, 2, 3 and 4, E $\frac{1}{2}$ W $\frac{1}{2}$ Section 30;
Lots 1, 2, 3 and 4, E $\frac{1}{2}$ W $\frac{1}{2}$ Section 31.

Eddy County, New Mexico, containing
10,291.91 acres, more or less.

(b) The Unit Area may be enlarged or diminished as provided in said Plan.

SECTION 4. That the unit operator shall file with the Commission an executed original, or executed counterparts thereof, of the Foster Unit Agreement not later than 30 days after the effective date thereof.

SECTION 5. That any party owning rights in the unitized substances who does not commit such rights to said Unit Agreement before the effective date thereof may thereafter become a party thereto by subscribing to such Agreement or a counterpart thereof. The Unit Operator shall file with the Commission within 30 days an original of any such counterpart.

SECTION 6. That the order herein shall become effective on the first day of the calendar month next following the approval of the Commissioner of Public Lands and the Secretary of the Interior and shall terminate ipso facto on the termination of said Unit Agreement. The last Unit Operator shall immediately notify the Commission in writing of such termination.

DONE at Santa Fe, New Mexico, on this the 31st
day of August, 1948.

OIL CONSERVATION COMMISSION

THOMAS J. MABRY, CHAIRMAN

John E. Miles

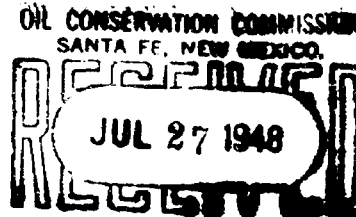
JOHN E. MILES, MEMBER

R. R. Spurrer

R. R. SPURRIER, SECRETARY

STATE LAND OFFICE
Santa Fe, New Mexico

July 23, 1948



Harvey, Dow & Hinkle
Attorneys at Law
Loswell, New Mexico

Re: Magnolia Petroleum Company's
Foster Unit Agreement, Saddy
County, New Mexico

Attention of Mr. Clarence E. Hinkle:

Gentlemen:

Having examined the proposed unit agreement of the development and operation of the Foster Unit Area, Saddy County, New Mexico, and noting that it follows substantially the form of agreements heretofore deemed satisfactory, I am pleased to advise that I approve of the same as to form.

Final approval as to form and substance will be withheld until after Oil Conservation Commission hearing and approval thereon.

Enclosed is Official Receipt No. 1-10301 for the amount of \$115.00 in payment of filing fees with application.

Original and four copies hereof are enclosed. Please furnish Foster Morrell, O. L. C. C. with three copies.

Very truly yours,

John E. Miles
JOHN E. MILES
Commissioner of Public Lands

JEM:GAG:min
enclosure

ILLEGIBLE

STATE OF NEW MEXICO
OFFICE OF STATE GEOLOGIST
SANTA FE, NEW MEXICO

July 16, 1940

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

Re: Case No. 154

Dear Mr. Hinkle:

This is to advise you that the above captioned case, in the matter of the application of Magnolia Petroleum Company for approval of the Foster Unit Area, Eddy County, New Mexico, will be heard at 10:00 o'clock a.m., July 29, 1940, Santa Fe, New Mexico, in the House of Representatives.

Very truly yours,

GEORGE A. GRAHAM, Attorney

STATE OF NEW MEXICO
OFFICE OF STATE GEOLOGIST
SANTA FE, NEW MEXICO

July 12, 1948

C

THE SANTA FE NEW MEXICAN
Santa Fe, New Mexico

O

RE: Notice of Publication - Cases 152,
153, 154, 155, and 156

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Gentlemen:

Please publish the enclosed notice once, immediately. Please
proof-read the notice carefully and send a copy of the paper
carrying such notice.

Y

UPON COMPLETION OF THE PUBLICATION, PLEASE SEND PUBLISHER'S
AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, accompanied
by voucher executed in duplicate. The necessary blanks are
enclosed.

Very truly yours,

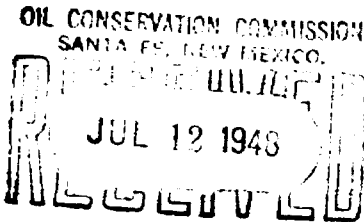
GEORGE A. GRAHAM, Attorney

J. M. HERVEY
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.

GEORGE H. HUNKER, JR.

LAW OFFICES
HERVEY, DOW & HINKLE
ROSWELL, NEW MEXICO

July 8, 1948



Graham - set for 29-5?

Mr. R. R. Spurrier
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

154

Re: Foster Unit Area, Eddy County,
New Mexico.

Dear Dick:

We hand you herewith in triplicate application of the Magnolia Petroleum Company for approval of the Foster Unit Area, Eddy County, New Mexico. The Magnolia is commencing operations on a test well on the unit area and it is anxious to have a hearing on the application as quickly as possible. I hope that you will be able to set the hearing down as quickly as possible. I would appreciate your sending me a copy of the Notice of Hearing.

With kindest regards, we are

Yours sincerely,

HERVEY, DOW & HINKLE

By *Clarence E. Hinkle*

CEH:mmh

Enc.

NOTICE OF APPLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives notice, pursuant to law, of the following public hearings to be held July 29, 1943, beginning at 10:00 o'clock a.m. on that day in the City of Santa Fe, New Mexico

LIST OF CASES TO BE HEARD

All named parties in the following cases,
and notice to the public:

Case No. 132

In the matter of the application of Grayburg Oil Company of New Mexico and Western Production Company, Inc., for an order granting permission to drill twenty-eight unorthodox locations on leases within the boundaries of the Grayburg Cooperative and Unit Area in T.17 N., R.27 E. and 30 E., N.M.P.M., in the Grayburg-Jackson pool, Eddy County, New Mexico.

Case No. 134

In the matter of the application of Magnolia Petroleum Company, a corporation of Dallas, Texas, for approval of the Foster Unit Area and Agreement, covering and including the following described lands: Lots 1 and 2, S.1/4, section 33; Lots 1, 2, 3, 4, and 5, S.1/4, S.1/4, section 34; Lots 1, 2, 3, 4, and 5, S.1/4, S.1/4, section 35; Lots 1, 2, 3, and 4, S.1/4, section 36, T.20 N., R.22 E.; S.1/4, section 13, T.20 N., R.22 E.; all sections 22, 23, 24, 25, 26, 27, 28, 31, 34, 35, and 36, T.20 N., R.22 E.; Lots 1, 2, 3, 4, and 5, S.1/4, S.1/4, section 31; Lot 4, S.1/4, section 32, T.20 N., R.22 E.; Lots 3 and 4, S.1/4, section 19; Lots 1, 2, 3, and 4, S.1/4, section 19; Lots 1, 2, 3, and 4, S.1/4, section 30; Lots 1, 2, 3, and 4, S.1/4, section 31, T.20 N., R.24 E., N.M.P.M., containing 10,269.50 acres, more or less, in Eddy County, New Mexico.

Case No. 135

In the matter of the application of the New Mexico Oil Conservation Commission, at the request of the Lea County Operators Committee for an order clarifying and amending Commission Order No. 52, dated February 1, 1937, and relating to rules and regulations for Lea County pools.

Case No. 136

In the matter of the application of the New Mexico Oil Conservation Commission, at the request of the Lea County Operators Committee for an order amending Commission Order No. 712 of August 4, 1942, and known as the Lea - Eddy - Chaves Counties New Mexico Gas Oil Ratio Order.

Given under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico on July 14, 1943.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

BY

H. L. SHUPPES, Secretary

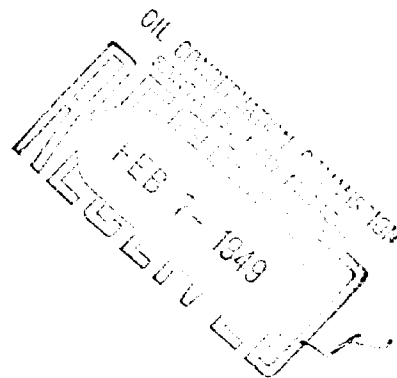
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J. M. HERVEY
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.

GEORGE H. HUNKER, JR.

LAW OFFICES
HERVEY, DOW & HINKLE
ROSWELL, NEW MEXICO

February 3, 1949.



New Mexico Oil Conservation Commission,
Santa Fe, New Mexico.

Re: Foster Unit Area,
I-Sec. No. 636.

Gentlemen:

We hand you herewith an approved copy of the
Unit Agreement for the development and operation of the
Foster Unit Area, Eddy County, New Mexico.

Yours very truly,

HERVEY, DOW & HINKLE

By [Signature]

CEH:MC
Encl.

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE FOSTER UNIT AREA

EDDY COUNTY

STATE OF NEW MEXICO

RECEIVED
OCT 11 1948

I. SEC. No. 636

U.S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

This agreement, entered into as of the 10 day of August, 1948, 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 or gas interests in the unit area subject to this agreement; and

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, 30 U.S.C. secs. 181, et. seq., as amended by the Act of August 8, 1946, 50 Stat. 950, authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating under a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof, for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Chap. 88, Laws 1943) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Chap. 72, Laws 1935) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Foster Unit Area 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 unit area and agree severally among themselves as follows:

ENABLING ACT AND REGULATIONS

1. The 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, and as to non-Federal land applicable State laws are accepted and made part of this agreement.

UNIT AREA

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

NEW MEXICO PRINCIPAL MERIDIAN

T. 20 $\frac{1}{2}$ S., R. 22 E. - Sec. 33, Lots 1 and 2, S $\frac{1}{2}$ SE $\frac{1}{4}$;
Sec. 34, Lots 1, 2, 3, 4 and S $\frac{1}{2}$ SE $\frac{1}{4}$;
Sec. 35, Lots 1, 2, 3, 4 and S $\frac{1}{2}$ SE $\frac{1}{4}$;
Sec. 36, Lots 1, 2, 3 & 4, S $\frac{1}{2}$ SE $\frac{1}{4}$;
T. 20 S., R. 23 E. - Sec. 13, S $\frac{1}{2}$; Sec. 14, S $\frac{1}{2}$;
Secs. 22, 23, 24, 25, 26, 27, 28, 33, 34, 35, 36, All
T. 20 $\frac{1}{2}$ S., R. 23 E. - Sec. 31, Lots 1, 2, 3, 4 & 5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$;
Sec. 32, Lot 4, SW $\frac{1}{4}$ SW $\frac{1}{4}$;
T. 20 S., R. 24 E. - Sec. 18, Lots 3 and 4, E $\frac{1}{2}$ SW $\frac{1}{4}$;
Sec. 19, Lots 1, 2, 3 and 4, E $\frac{1}{2}$ W $\frac{1}{4}$;
Sec. 30, Lots 1, 2, 3 and 4, E $\frac{1}{2}$ W $\frac{1}{4}$;
Sec. 31, Lots 1, 2, 3 and 4, E $\frac{1}{2}$ W $\frac{1}{4}$;
Eddy County, New Mexico, containing 10,291.91 acres, more or less.

Exhibit A attached hereto is a map showing the unit area and the known ownership of all land and leases in said area. Exhibit B attached hereto is a schedule showing the percentage and kind of ownership of oil and gas interests in all land in the unit area. Exhibits A and B shall be revised by the Unit Operator whenever changes in the unit area or other changes render such revision necessary, and not less than six copies of the revised exhibits shall be filed with the Oil and Gas Supervisor.

The above-described unit area shall be expanded or contracted, whenever such action is necessary or desirable to conform with the purposes of this agreement, in the following manner;

(a) Unit Operator, on its own motion or on demand of the Director of the U. S. Geological Survey, hereinafter referred to as Director, or on demand of the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as Commissioner, 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.

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

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor and Commissioner 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.

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

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

UNITIZED SUBSTANCES

3. All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

UNIT OPERATOR

4. The Magnolia Petroleum Company, a corporation, with offices at Dallas, Texas, is hereby designated as Unit Operator and by signature hereto commits to this agreement all interests in unitized substances vested in it as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances.

The Unit Operator may resign as Unit Operator whenever not in default under this agreement, but no Unit Operator shall be relieved from the duties and obligations of Unit Operator for

a period of 6 months after it has served notice of intention to resign on all owners of working interests subject hereto and the Director and Commissioner, unless a new Unit Operator shall have been selected and approved and shall have assumed the duties and obligations of Unit Operator prior to the expiration of said 6-month period. Upon default or failure in the performance of its duties or obligations under this agreement the Unit Operator may be removed by a majority vote of owners of working interests determined in like manner as herein provided for the selection of a successor Unit Operator. Prior to the effective date of relinquishment by or within 6 months after removal of Unit Operator, the duly qualified successor Unit Operator shall have an option to purchase on reasonable terms all or any part of the equipment, material, and appurtenances in or upon the land subject to this agreement, owned by the retiring Unit Operator and used in its capacity as such operator, or if no qualified successor operator has been designated, the working interest owners may purchase such equipment, material, and appurtenances. At any time within the next ensuing 3 months any equipment, material, and appurtenances not purchased and not necessary for the preservation of wells may be removed by the retiring Unit Operator, but if not removed shall become the joint property of the owners of unitized working interests in the participating area or, if no participating area has been established, in the entire unit area. The termination of the rights as Unit Operator under this agreement shall not terminate the right, title, or interest of such Unit Operator in its separate capacity as owner of interests in unitized substances.

SUCCESSOR UNIT OPERATOR

5. Whenever the Unit Operator shall relinquish the right as Unit Operator or shall be removed, the owners of the unitized working interests in the participating area on an acreage basis, or in the unit area on an acreage basis until a participating area shall have been established, shall select a new Unit Operator. A majority vote of the working interests qualified to vote shall be required to select a new Unit Operator; PROVIDED, That, if a majority but less than 75 percent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of at least one additional working interest owner shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Director and Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Commissioner at their election may declare this unit agreement terminated.

UNIT ACCOUNTING AGREEMENT

6. If the Unit Operator is not the sole owner of working interests, all costs and expenses incurred in conducting unit operations hereunder and the working interest benefits accruing hereunder shall be apportioned among the owners of unitized working interests in accordance with a unit accounting agreement by and between the Unit Operator and the other owners of such 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 accounting agreement". No such 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 accounting agreement this unit agreement shall prevail. Three true copies of any unit accounting agreement executed pursuant to this section shall be filed with the Supervisor.

RIGHTS AND OBLIGATIONS OF UNIT OPERATOR

7. 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, and disposing of the unitized substances are hereby vested in 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.

The Unit Operator shall pay all costs and expenses of operation with respect to the unitized land. If and when the Unit Operator is not the sole owner of all working interests,

such costs shall be charged to the account of the owner or owners of working interests, and the Unit Operator shall be reimbursed therefor by such owners and shall account to the working interest owners for their respective shares of the revenue and benefits derived from operations hereunder, all in the manner and to the extent provided in the unit accounting agreement. The Unit Operator shall render each month to the owners of unitized interests entitled thereto an accounting of the operations on unitized land during the previous calendar month, and shall pay in value or deliver in kind to each party entitled thereto a proportionate and allocated share of the benefits accruing hereunder in conformity with operating agreements, leases, or other independent contracts between the Unit Operator and the parties hereto either collectively or individually.

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

DRILLING TO DISCOVERY

8. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location to be approved by the Supervisor, if such location is upon lands of the United States, and if upon State lands or

patented lands, such location shall be approved by the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as the Commission, and thereafter continue such drilling diligently until a well not less than 3700 feet in depth has been drilled, unless at a lesser depth unitized substances shall be discovered which can be produced in paying quantities or the Unit Operator shall at any time establish to the satisfaction of the Supervisor as to wells on Federal land, or the Commission as to wells on State land or patented land, that further drilling of said well would not be warranted. If the first or any subsequent test well fails to result in 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 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 on Federal land or the Commissioner if on State land or patented land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign, as provided in Section 4 hereof, after any well drilled under this section is placed in a satisfactory condition for suspension or is plugged and abandoned pursuant to applicable regulations. The Director, and the 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 comply with the drilling provisions of this section, the Director and Commissioner may, after reasonable notice to the Unit Operator and each working interest owner, lessee, and lessor at their last known addresses, declare this unit agreement terminated.

The drilling of an initial test well to the depth and in the manner hereinabove specified by the Magnolia Petroleum Company shall satisfy the requirement set forth hereinabove for the drilling of such well, notwithstanding that such well may have been commenced or completed prior to the effective date of this agreement.

PLAN OF FURTHER DEVELOPMENT AND OPERATION

9. Within 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, the Commissioner, and the Commission, an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Commissioner, and Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission, a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for exploration of the unitized area and for the determination of the commercially productive area thereof in each and every productive formation and shall be as complete and adequate as the Supervisor, the Commissioner, and the Commission 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, Commissioner, and the Commission. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. All parties hereto agree that after completion of one commercially productive well no further wells, except such as may be necessary to afford protection against operations not under this agreement, shall be drilled except in accordance with a plan of development approved as herein provided.

PARTICIPATION AFTER DISCOVERY

10. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director, the Commissioner, and the Commission a schedule, based on subdivision of the public land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all land in said schedule on approval of the Director, the Commissioner and the Commission to constitute a participating area, effective as of the date of first production. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from

and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month following the date of first authentic knowledge or information on which such revision is predicated, unless a more appropriate effective date is specified in the schedule. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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

In the absence of agreement at any time between the Unit Operator, the Director, the Commissioner, and the Commission as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable

to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor and the Commissioner and the amount thereof deposited with the District Land Office of the Bureau of Land Management and the Commissioner of Public Lands, respectively, to be held as unearned money until the 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 as to wells on Federal land and the Commissioner as to wells on State land, and the Commission as to patented land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall be allocated to the land on which the well is located so long as that well is not within a participating area established for the pool or deposit from which such production is obtained.

ALLOCATION OF PRODUCTION

11. All unitized substances produced from each participating area established under this agreement, except any part thereof used for production or development purposes hereunder, 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 that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the said participating area. 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.

DEVELOPMENT OR OPERATION ON NON-PARTICIPATING LAND

12. Any party hereto, other than the Unit Operator, owning or controlling a majority of the working interests in any unitized land not included in a participating area and having thereon a regular well location in accordance with a well-spacing pattern established under an approved plan of development and operation may drill a well at such location at his own expense, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such well in like manner as other wells are drilled by the Unit Operator under this agreement.

If such well is not drilled by the Unit Operator and results in production such that the land upon which it is situated may properly be included in a participating area, the party paying the cost of drilling such well shall be reimbursed as provided in the unit accounting agreement for the cost of drilling similar wells in the unit area, and the well shall be operated pursuant to the terms of this agreement as though the well had been drilled by the Unit Operator.

If any well drilled by the Unit Operator or by an owner of working interests, as provided in this section, obtains production insufficient to justify inclusion of the land on which said well is situated in a participating area, said owner of working interests at his election, within 30 days after determination of such insufficiency, shall be wholly responsible for and

may operate and produce the well at his sole expense and for his sole benefit. If such well was drilled by the Unit Operator and said owner of working interests elects to operate said well, he shall pay the Unit Operator a fair salvage value for the casing and other necessary equipment left in the well.

Wells drilled or produced at the sole expense and for the sole benefit of an owner of working interest other than the Unit Operator shall be operated pursuant to the terms and provisions of this agreement. Royalties in amount or value of production from any such well shall be paid as specified in the lease affected.

ROYALTIES AND RENTALS

13. The Unit Operator, on behalf of the parties hereto, shall pay in value or deliver in kind, according to the rights of the parties established by underlying leases or agreements, all royalties due upon production allocated to unitized land and shall pay all rentals or minimum royalties due on unitized land. All such payments or deliveries in kind shall be charged by the Unit Operator to the appropriate working interest owners as provided in the unit accounting agreement. Nothing herein contained shall operate to relieve the lessees of Federal or State land from their obligations under the terms of their respective leases to pay rentals and royalties.

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.

Rental or minimum royalty for land of the United States subject to this agreement shall be paid at the rates specified in the respective Federal leases, or such rental or minimum royalty may be waived, suspended, or reduced to the extent authorized by law and applicable regulations.

CONSERVATION

14. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances, to the end that the maximum efficient yield may be obtained without waste, as defined by or pursuant to State or Federal law or regulation; and production of unitized substances shall be limited to such production as can be put to beneficial use with adequate realization of fuel and other values.

DRAINAGE

15. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal land or as approved by the Commissioner as to State land.

LEASES AND CONTRACTS CONFORMED TO AGREEMENT

16. The parties hereto holding interests in leases embracing unitized land of the United States or of the State of New Mexico consent that the Secretary and Commissioner, respectively, may, and said Secretary and Commissioner, by their approval of this agreement do hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of such leases and the regulations in respect thereto, to conform said requirements to the provisions of this agreement, but otherwise the terms and conditions of said leases shall remain in full force and effect.

Said parties further consent and agree, and the Secretary and Commissioner by their approval hereof determine, that during the effective life of this agreement, drilling and producing operations performed by the Unit Operator upon any unitized land will be accepted and deemed to be operations under and for the benefit of all unitized leases embracing land of the United States and the State of New Mexico; and that no such lease shall be deemed to expire by reason of failure to produce wells situated on land therein embraced. Any Federal lease for a term of 20 years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force until the termination hereof. Any other Federal lease or state lease committed hereto shall continue in force as to the committed land so long as the lease remains committed hereto, provided a valuable deposit of unitized substances is discovered prior to the expiration date of the primary term of such lease. Authorized suspension of all operations and production on the

unitized land shall be deemed to constitute authorized suspension with respect to each unitized lease.

The parties hereto holding interests in land within the unit area other than Federal land consent and agree, to the extent of their respective interests, that all leases or other contracts concerning such land shall be modified to conform to the provisions of this agreement and shall be continued in force and effect during the life of this agreement.

COVENANTS RUN WITH LAND

17. The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary and as to State land shall be subject to approval by the Commissioner.

EFFECTIVE DATE AND TERM

18. This agreement shall become effective upon approval by the Commissioner and Secretary and shall terminate on December 31, 1950, unless (a) such date of expiration is extended by the Director and 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 and after notice of

intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and the Commissioner, or (c) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which case the agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities; or (d) it is terminated as provided in section 5 or section 8 hereof. This agreement may be terminated at any time by not less than 75 percentum, on an acreage basis, of the owners of working interests signatory hereto with the approval of the Director and the Commissioner.

RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION

19. All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this agreement, 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; provided further that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately-owned lands subject to

this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

CONFLICT OF SUPERVISION

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

UNAVOIDABLE DELAY

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

COUNTERPARTS

22. This agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document, or this agreement may be ratified with like force and effect by a separate instrument in writing specifically referring hereto. Any separate counterpart, consent, or ratification duly executed after approval hereof by the Secretary and the Commissioner shall be effective on the first day of the month next following the filing thereof with the Supervisor and the Commissioner, unless objection thereto is made by the Director or Commissioner and notice of such objection is served upon the appropriate parties within 60 days after such filing.

FAIR EMPLOYMENT

23. The Unit Operator shall not discriminate against any employee or applicant for employment because of race, creed, color, or national origin, and an identical provision shall be incorporated in all subcontracts.

LOSS OF TITLE

24. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join this unit agreement, so that such tract is not committed to this unit agreement, there shall be such re-adjustment of participation as may be required on account of such failure of title. In the event of a dispute as to title or as to any interest in unitized land, the Unit Operator may withhold payment or delivery on account thereof 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 shall be withheld but such funds shall be deposited with the District Land Office of the Bureau of Land Management and Commissioner of Public Lands of the State of New Mexico, respectively, 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.

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

ATTEST:

W. H. Grauberg
Asst. Secretary
Aug. 13, 1948
Date

MAGNOLIA PETROLEUM COMPANY

By *S. A. Thompson*
Vice-President

APPROVED	
Legal	<i>[Signature]</i>
Title R	<i>[Signature]</i>
Gas	<i>[Signature]</i>
Land	<i>[Signature]</i>

ATTEST:

H. M. Carter
Secretary
August 17, 1948
Date

SOUTHERN UNION PRODUCTION COMPANY

By *J. C. [Signature]*
Vice President

Date

Date

Aug. 10, 1948
Date

Aug. 10, 1948
Date

August 11, 1948
Date

Aug 11, 1948
Date

Aug 11, 1948
Date

Aug. 12, 1948
Date

Aug. 16, 1948
Date

Aug 21 - 1948
Date

August 23, 1948
Date

Aug. 25, 1948
Date

Date

Date

Arthur F. Moore

Constance Marshall
Virginia C. Marshall

B. B. Bell
Josephine Locke

McGarrigle
Linda B. Farris

Georgia
Margaret M. (Mrs.) Childress

V. G. Foss
E. H. Ross

Allan Sidney Johnson
Rene Johnson

Betty R. Doolittle
Barbara B. Doolittle

Carol Carter
Rosa Lee Carter

W. D. Welser
Marion J. Welser

STATE OF New Mexico
COUNTY OF Chaves

On this 10 day of August, 1948, before me personally appeared J. C. Moore & wife Lillian D. Moore, to me known to be the person s described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

Ernesta Lopez Nelson
Notary Public

My commission expires

January 19, 1950

STATE OF New Mexico
COUNTY OF Chaves

On this 10 day of August, 1948, before me personally appeared James G. Marshall & wife Virginia C. Marshall, to me known to be the person s described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

Ernesta Lopez Nelson
Notary Public

My commission expires:

January 19, 1950

STATE OF New Mexico
COUNTY OF Eddy

On this 11 day of August, 1948, before me personally appeared R. B. Rodde & wife Josephine Rodde, to me known to be the person s described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

Flaura Coggins
Notary Public

My commission expires:

October 27, 1950

STATE OF ~~NEW YORK~~)
COUNTY OF TEXAS)
DALLAS

On this 13th day of August, 1948, before me appeared S. A. Thompson, to me personally known, who, being by me duly sworn, did say that he is the Vice-President of Magnolia Petroleum Company, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said S. A. Thompson acknowledged said instrument to be the free act and deed of said corporation.
Witness my hand and seal.

My Commission Expires:

June 1, 1949

Joan Stephens
Notary Public
JOAN STEPHENS, Notary Public
in and for Dallas County, Texas

STATE OF _____ }
COUNTY OF _____ } SS

On this _____ day of _____, 19____, before
me personally appeared _____,
to me personally known who being by me duly sworn, did say
that he is the _____ President of _____

and that the seal affixed to said instrument is the corporate
seal of said corporation, and that said instrument was signed
and sealed in behalf of said corporation by authority of its
Board of Directors, and said _____
acknowledged said instrument to be the free act and deed of
said corporation.

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

Notary Public

My Commission Expires

STATE OF Texas }
COUNTY OF Dallas } SS

On this 17th day of August, 19____, before
me personally appeared J. C. Reid,
to me personally known who being by me duly sworn, did say
that he is the Vice President of _____
Southern Union Production Company
and that the seal affixed to said instrument is the corporate
seal of said corporation, and that said instrument was signed
and sealed in behalf of said corporation by authority of its
Board of Directors, and said J. C. Reid
acknowledged said instrument to be the free act and deed of
said corporation.

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

Faye Griffin
Notary Public

My Commission Expires

FAYE GRIFFIN

Notary Public, Dallas County, Texas

June 1, 1949

STATE OF New Mexico
COUNTY OF Eddy

On this 11 day of August, 1948, before me personally appeared M. C. Parish, Jr. and wife Linda B. Parish, to be known to be the person s described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My commission expires
October 29, 1950

Thomas Conyon
Notary Public

STATE OF New Mexico
COUNTY OF Concho

On this 11 day of August, 1948, before me personally appeared Robert Johnson and wife Margaret M. (Mc) Johnson, to be known to be the person s described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My commission expires:
January 17, 1950

Ernie Lewis Wilson
Notary Public

STATE OF Texas
COUNTY OF Lubbock

On this 12 day of August, 1948, before me personally appeared Vera Rose Hubbard, C. E. Rose, to be known to be the person s described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My commission expires:
June 1, 1949

Sam J. Steele
Notary Public

STATE OF Texas
COUNTY OF Brewer

On this 16 day of August, 1948, before me personally appeared Charles Johnson & wife, to be known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My commission expires
June 1, 1949

Arthur L. Holland
Notary Public

STATE OF Texas
COUNTY OF El Paso

On this 21 day of August, 1948, before me personally appeared Garry R. Doherty & wife Carolyn Brooke Doherty, to be known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

C. BERRY, Notary Public
In and for El Paso County, Texas
My commission expires June 1, 1949

C. Berry
Notary Public

STATE OF Texas
COUNTY OF El Paso

On this 23 day of August, 1948, before me personally appeared Carlos Castro & wife Rosa Lee Castro, to be known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My commission expires:
June 1, 1949

Harold J. Keith
Notary Public

HAROLD J. KEITH, Notary Public, El Paso Co., Texas. My Commission Expires June 1, 1949

STATE OF California
COUNTY OF Orange

On this 25 day of Aug, 1948, before me
personally appeared M. A. Helich and wife
Marion J. Helich, to be known to be the person
described in and who executed the foregoing instrument, and
acknowledged that they executed the same as their
free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and
affixed my official seal the day and year in this certificate
above written.

My commission expires
My Commission Expires Jan. 22, 1961

Margaret Gustin
Notary Public

STATE OF _____
COUNTY OF _____

On this _____ day of _____, 194____, before me
personally appeared _____
_____, to be known to be the person
described in and who executed the foregoing instrument, and
acknowledged that he executed the same as _____
free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and
affixed my official seal the day and year in this certificate
above written.

My commission expires:

Notary Public

STATE OF _____
COUNTY OF _____

On this _____ day of _____, 194____, before me
personally appeared _____
_____, to be known to be the person
described in and who executed the foregoing instrument, and
acknowledged that he executed the same as _____
free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and
affixed my official seal the day and year in this certificate
above written.

My commission expires:

Notary Public

EXHIBIT "B"FOSTER UNIT AREAHEDA COUNTY, NEW MEXICOSCHEDULE SHOWING THE NATURE AND EXTENT OF
OWNERSHIP OF OIL AND GAS RIGHTS IN ALL LANDS
IN THE UNIT AREA

<u>OWNERSHIP OIL AND GAS LEASES OR APPLICATIONS</u>	<u>LAS CRUCES SERIAL NUMBER</u>	<u>NO. OF ACRES</u>
<u>FEDERAL LANDS</u>		
<u>Albert Sidney Johnson</u> S $\frac{1}{2}$ Sec. 13, S $\frac{1}{2}$ Sec. 14, N $\frac{1}{2}$ Sec. 22, N $\frac{1}{2}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 24, T. 20 S., R. 23 E.	064766	1,360
<u>J. E. Moore</u> S $\frac{1}{2}$ Sec. 22, N $\frac{1}{2}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 26, T. 20 S., R. 23 E. Lots 1,2,3,4 and S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 34, Lots 1,2,3,4 and S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 35, T. 20 $\frac{1}{2}$ S., R. 22 E.	063367	1,435.27
<u>M. C. Parrish, Jr.</u> All Sec. 23, T. 20 S., R. 23 E.	064754	640
<u>Vera Ross</u> S $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ Sec. 24, T. 20 S., R. 23 E.	064771	240
<u>M. W. Childress</u> N $\frac{1}{2}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 27, T. 20 S., R. 23 E.	065883	480
<u>Margaret W. Childress</u> All Sec. 28, T. 20 S., R. 23 E.; Lots 1, 2, S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 33, T. 20 $\frac{1}{2}$ S., R. 22 E.	066036	789.92
<u>W. D. Welsch</u> All Sec. 25, S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 26, S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 27, All Sec. 34 and 35, T. 20 S., R. 23 E.	063311	2,240
<u>James Q. Marshall</u> All Sec. 33, T. 20 S., R. 23 E.	063303	640
<u>Lottie F. Moore</u> Lots 1,2,3,4 and 5, S $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 31, T. 20 $\frac{1}{2}$ S., R. 23 E.	065881	291.39
<u>R. B. Rodke</u> Lots 3 and 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 18, T. 20 S., R. 24 E.	065530	158.85
<u>Carlos Carter</u> Lots 1,2,3 and 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 19, Lots 1,2,3, and 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 30, Lots 1 and 2, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 31, T. 20 S., R. 24 E.	062885	794.79

OWNERSHIP OIL AND GAS
LEASES OR APPLICATIONS

LAS CRUCES
SERIAL NUMBER

NO. OF
ACRES

Barry R. Doolittle

066070

159.73

Lots 3 and 4, E $\frac{1}{2}$ SW $\frac{1}{2}$ Sec. 31, T. 20 S., R. 24 E.

TOTAL FEDERAL LANDS

9,229.95

STATE LANDS

PRESENT OWNER OF LEASE

LEASE NO.

ACRES

Magnolia Petroleum Company

E-1626
dated 12-10-47

285.88

N $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.,
Lot 1, S $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 36, T. 20 $\frac{1}{2}$ S., R. 22 E.

Magnolia Petroleum Company

B-10,044
dated 1-18-43

40

SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.

Magnolia Petroleum Company

B-8341
dated 9-23-39

87.26

Lots 3 and 4 Sec. 36, T. 20 $\frac{1}{2}$ S., R. 22 E.

Magnolia Petroleum Company

B-9377
dated 11-7-41

40

SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.

Magnolia Petroleum Company

B-8109
dated 4-11-39

80

E $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.

Magnolia Petroleum Company

B-8890
dated 11-25-40

40

NW $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.

Otto Behrens

B-9797
dated 9-3-42

40

SW $\frac{1}{4}$ EW $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.

J. T. Boswell and S. J. Dooley

B-9373
dated 10-30-41

40

NW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.

Atkins S. Hopkins

B-10255
dated 4-26-43

40

SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.

Harry G. Van Note

B-9983
dated 12-29-42

40

NE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.

<u>PRESENT OWNER OF LEASE</u>	<u>LEASE NO.</u>	<u>ACRES</u>
<u>Magnolia Petroleum Company</u> SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.	B-8272 dated 8-1-39	40
<u>Southern Union Production Company</u> NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.	B-9845 dated 10-1-42	40
<u>Magnolia Petroleum Company</u> SE $\frac{1}{4}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.	B-9845 dated 10-1-42	80
XXXXXXXXXXXX <u>Magnolia Pet. Company</u> Lot 2, Sec. 36, T. 20 $\frac{1}{2}$ S., R. 22 E.	B-9426 dated 12-4-41	44.94
<u>Magnolia Petroleum Company</u> SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 36, T. 20 $\frac{1}{2}$ S., R. 22 E.	B-10061 dated 2-9-43	40
XXXXXXXXXXXX <u>Magnolia Petroleum Company</u> Lot 4 Sec. 32, T. 20 $\frac{1}{2}$ S., R. 23 E.	B-10061 dated 2-9-43	43.88
<u>Magnolia Petroleum Company</u> SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 32, T. 20 $\frac{1}{2}$ S., R. 23 E.	B-10191 dated 3-31-43	40
		<hr/>
TOTAL STATE LANDS		1,061.96

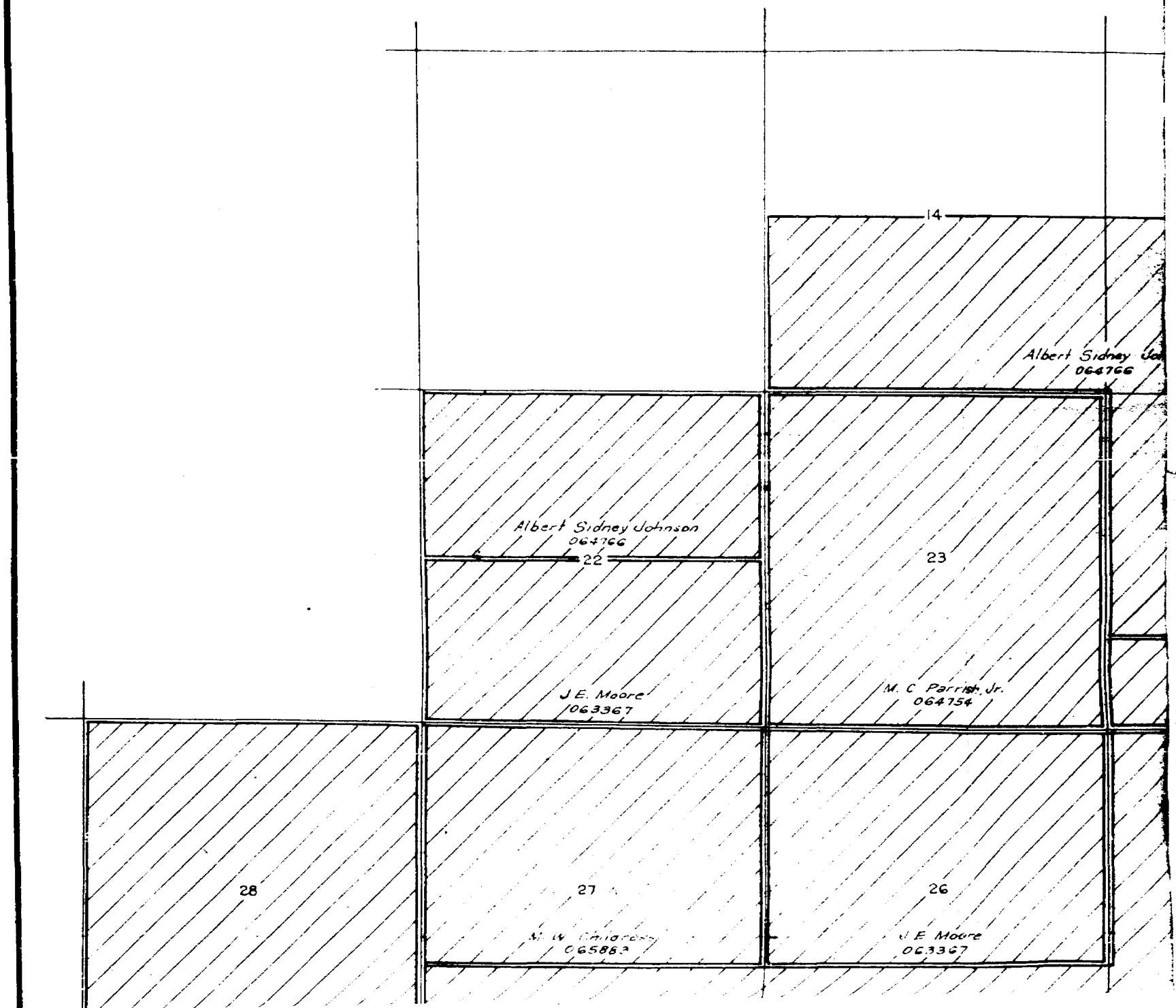
TOTAL LANDS IN FOSTER UNIT AREA 10,291.91 acres

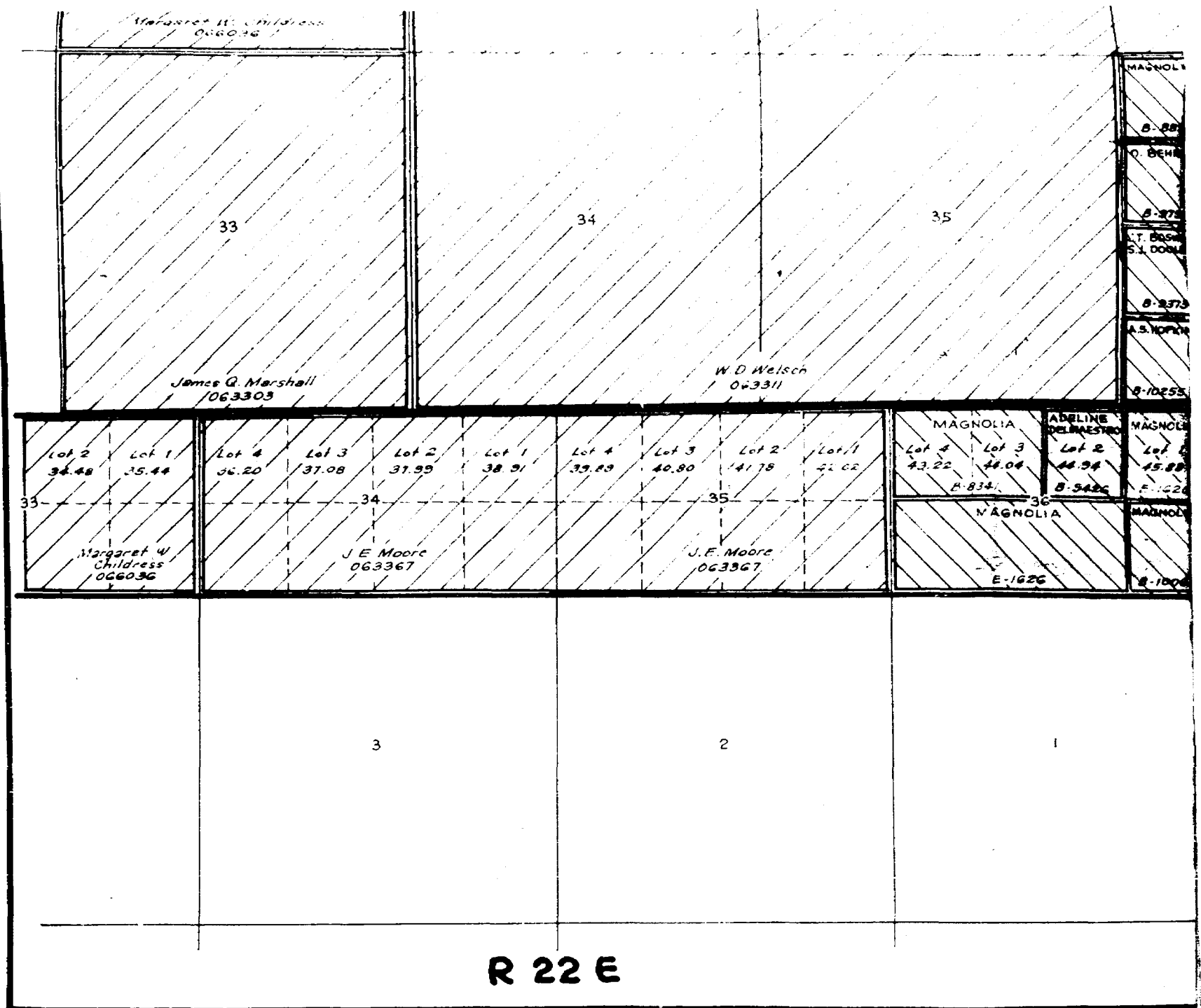
R E C A P I T U L A T I O N

Federal Lands 9,229.95 acres
State Lands 1,061.96 acres

TOTAL NUMBER OF ACRES IN
FOSTER UNIT AREA 10,291.91

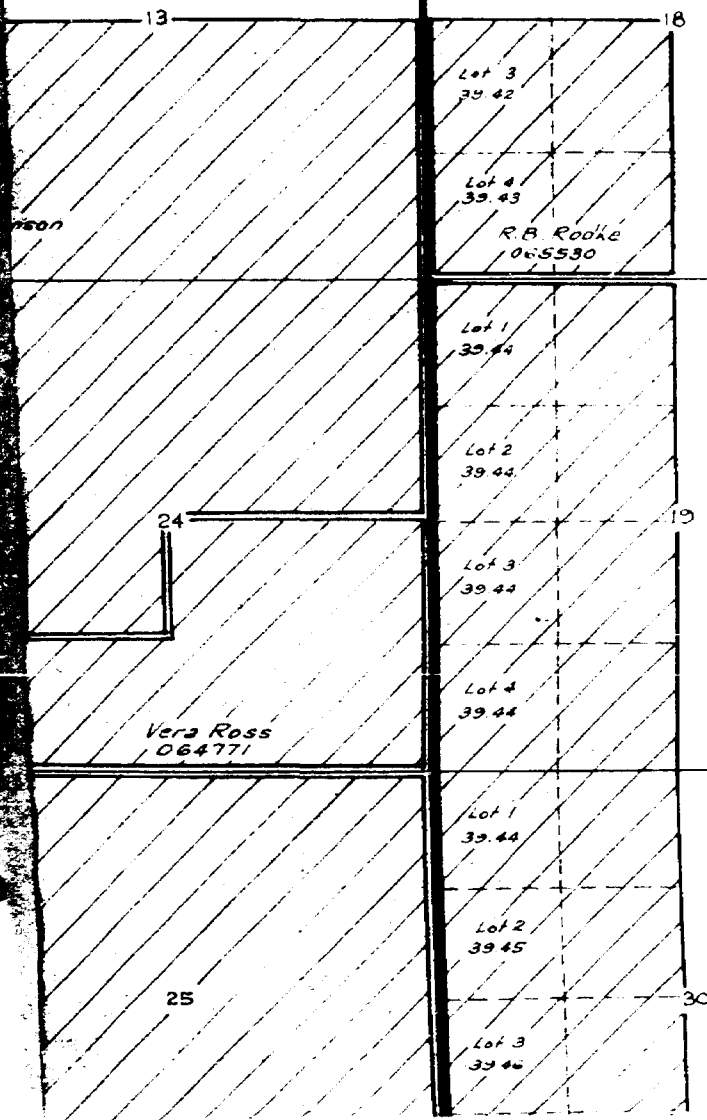
R 23 E

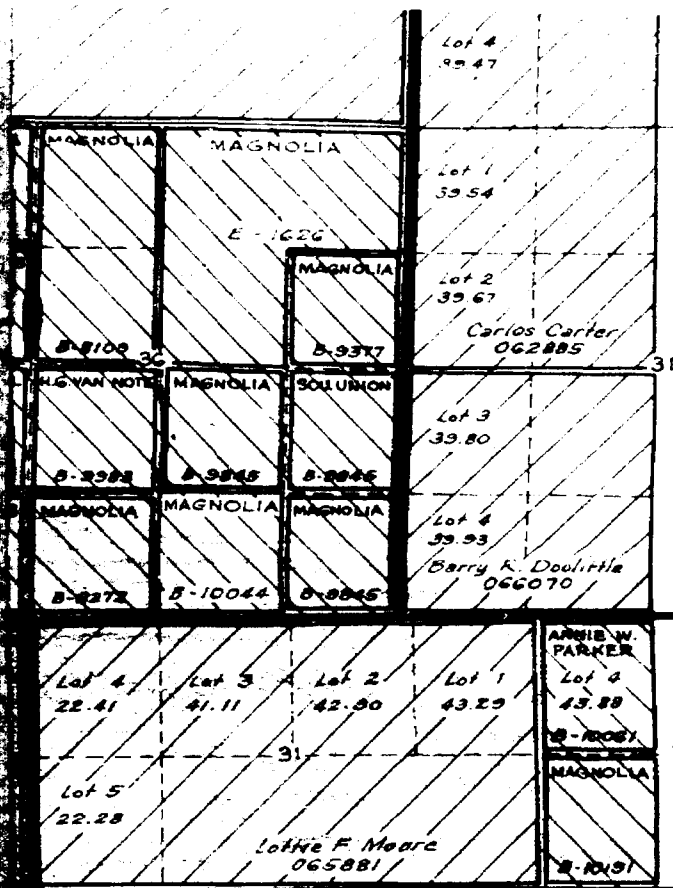




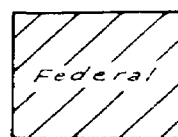
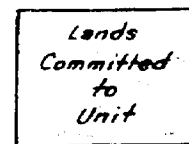
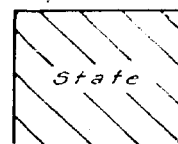
R24E

T
20
S





LEGEND



AREA IN EDDY CO., NEW MEXICO FOSTER UNIT

TOTAL STATE ACREAGE: 1,061.96
 TOTAL GOVERNMENT ACREAGE: ~~9,227.54~~
 4,229.95
 TOTAL ACREAGE IN UNIT: ~~10,289.50~~
 10,291.91

R 23 E

EXHIBIT "A"

EXHIBIT "B"
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTEREST IN ALL LANDS
IN THE FOSTER UNIT AGREEMENT

FEDERAL LANDS

Tract No.	Description	No. of Acres	Has Cruces Serial No.	% Royalty Payable to United States	Record Owner of Lease or Application	% of Overriding Royalty Under Option Agreement, Operating Agreement or Assignment and Owner	Working Interest Owner and % of Interest
1	S $\frac{1}{2}$ Sec. 13, S $\frac{1}{2}$ Sec. 14, N $\frac{1}{2}$ Sec. 22, N $\frac{1}{2}$ Sec. 24, T. 20 S., R. 23 E.	1,360	064766	12 $\frac{1}{2}$ %	Albert Sidney Johnson	Albert Sidney Johnson, 2% under Option Agreement	Magnolia Petr. Co., 85 $\frac{1}{2}$ % under Option Agreement
2	S $\frac{1}{2}$ Sec. 22, N $\frac{1}{2}$ Sec. 26, T. 20 S., R. 23 E. Lots 1, 2, 3, 4 & S $\frac{1}{2}$ Sec. 34, Lots 1, 2, 3, 4 & S $\frac{1}{2}$ Sec. 35, T. 20 S., R. 22 E.	1,435.27	063367	12 $\frac{1}{2}$ %	J. E. Moore	J. E. Moore, 3% under Option Agreement	Magnolia Petr. Co., 84 $\frac{1}{2}$ % under Option Agreement
3	All Sec. 23, T. 20 S., R. 23 E.	640	064754	12 $\frac{1}{2}$ %	M.C. Parrish, Jr.	M.C. Parrish, Jr., 2% under Option Agreement	Magnolia Petr. Co., 85 $\frac{1}{2}$ % under Option Agreement
4	S $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ Sec. 24, T. 20 S., R. 23 E.	240	064771	12 $\frac{1}{2}$ %	Vera Ross	Vera Ross, 2% under Option Agreement	Magnolia Petr. Co., 85 $\frac{1}{2}$ % under Option Agreement
5	N $\frac{1}{2}$ Sec. 27, T. 20 S., R. 23 E.	480	065883	12 $\frac{1}{2}$ %	M.W. Childress	M.W. Childress, 3% under Option Agreement	Magnolia Petr. Co., 84 $\frac{1}{2}$ % under Option Agreement
6	All Sec. 28, T. 20 S., R. 23 E.; Lots 1, 2, S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 33, T. 20 S., R. 22 E.	789.92	066036	12 $\frac{1}{2}$ %	Margaret W. Childress	Margaret W. Childress, 3% under Option Agreement	Magnolia Petr. Co., 84 $\frac{1}{2}$ % under Option Agreement
7	All Sec. 25, S $\frac{1}{2}$ Sec. 26; S $\frac{1}{2}$ Sec. 27; All Sec. 34 and 35, T. 20 S., R. 23 E.	2,240	063311	12 $\frac{1}{2}$ %	W. D. Welsh	W. D. Welsh, 3% under Option Agreement	Magnolia Petr. Co., 84 $\frac{1}{2}$ % under Option Agreement

OPTION GRANT

Tract No.	Description	No. of Acres	Las Cruces Serial No.	% Royalty Payable to United States	Record Owner of Lease or Application	% of Overriding Royalty Under Option Agreement, Operating Agreement or Assignment and Owner	Working Interest Owner and % of Interest
8	All Sec. 33, T. 20 S., R. 23 E.	640	063303	12 $\frac{1}{2}$ %	James Q. Marshall	James Q. Marshall 3% under Option Agreement	Magnolia Petr. Co., 84 $\frac{1}{2}$ % under Option Agreement
9	Lots 1, 2, 3, 4 & 5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 31 T. 20 $\frac{1}{2}$ S., R. 23 E.	291.39	065881	12 $\frac{1}{2}$ %	Lottie F. Moore	Lottie F. Moore 3% under Option Agreement	Magnolia Petr. Co., 84 $\frac{1}{2}$ % under Option Agreement
10	Lots 3 & 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 18, T. 20 S., R. 24 E.	158.85	065530	12 $\frac{1}{2}$ %	R. B. Rodke	R. B. Rodke, 2% under Option Agreement	Magnolia Petr. Co., 85 $\frac{1}{2}$ % under Option Agreement
11	Lots 1, 2, 3 & 4, E $\frac{1}{2}$ W $\frac{1}{2}$ Sec. 19, Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$ Sec. 30, Lots 1 & 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 31, T. 20 S., R. 24 E.	794.79	062885	12 $\frac{1}{2}$ %	Carlos Carter	Carlos Carter, 2% under Option Agreement	Magnolia Petr. Co., 85 $\frac{1}{2}$ % under Option Agreement
12	Lots 3 & 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 31, T. 20 S., R. 24 E.	159.73	066070	12 $\frac{1}{2}$ %	Barry R. Doolittle	Barry R. Doolittle 2% under Option Agreement	Magnolia Petr. Co., 85 $\frac{1}{2}$ % under Option Agreement
	Total Federal Lands	9,229.95					

	STATE LANDS						
					Lease		
					Record Owner &	% of Overriding Royalty	
					% of Royalty Payable to State of New Mexico	and Owner	
					Interest		
13	N $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 36 T. 20 S., R. 23 E., Lot 1, S $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 36, T. 20 $\frac{1}{2}$ S., R. 22 E.	285.88	T-1626 12-10-47	12 $\frac{1}{2}$ %	Magnolia Petroleum Company 87 $\frac{1}{2}$ %	None	
14	SW $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 36, T. 20S., R. 23 E.	40	B-10,044 1/18/43	12 $\frac{1}{2}$ %	Magnolia Petroleum Company, 87 $\frac{1}{2}$ %	None	

Tract No.	Description	No. of Acres	Serial No. & Date of Lease	% of Royalty Payable to State of New Mexico	Record Owner & % of Working Interest	% of Overriding Royalty and Owner
15	Lots 3 & 4 Sec. 36, T. 20 $\frac{1}{2}$ S., R. 22 E.	87.26	E-8341 9-23-39	12 $\frac{1}{2}$ %	Magnolia Petroleum Company, 87 $\frac{1}{2}$ %	None
16	SE $\frac{1}{4}$ Sec. 36, T. 20S., R. 23 E.	40	E-9377 11-7-41	12 $\frac{1}{2}$ %	Magnolia Petroleum Company, 87 $\frac{1}{2}$ %	None
17	SW $\frac{1}{4}$ Sec. 36, T. 20S., R. 23 E.	80	E-8109 4-11-39	12 $\frac{1}{2}$ %	Magnolia Petroleum Company, 85%	Arch Foster & Gertrude L. Ernolds, 2 $\frac{1}{2}$ %
18	NE $\frac{1}{4}$ Sec. 36, T. 20S., R. 23 E.	40	E-8890 11-25-40	12 $\frac{1}{2}$ %	Magnolia Petroleum Company, 87 $\frac{1}{2}$ %	None
19	SW $\frac{1}{4}$ Sec. 36, T. 20S., R. 23 E.	40	E-9797 9-3-42	12 $\frac{1}{2}$ %	Otto Deuren, 87 $\frac{1}{2}$ %	None
20	NE $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.	40	E-9373 10-30-41	12 $\frac{1}{2}$ %	J.T. Boswell and S.J. Dooley, 87 $\frac{1}{2}$ %	None
21	SW $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.	40	E-10255 4-26-43	12 $\frac{1}{2}$ %	Atkins C. Hopkins, 87 $\frac{1}{2}$ %	None
22	NE $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.	40	E-9983 12-29-42	12 $\frac{1}{2}$ %	Larry G. Van Note, 87 $\frac{1}{2}$ %	None
23	SE $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.	40	E-8272 2-1-39	12 $\frac{1}{2}$ %	Magnolia Petroleum Company, 87 $\frac{1}{2}$ %	None
24	NE $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.	40	E-9845 10-1-42	12 $\frac{1}{2}$ %	Southern Union Production Company, 87 $\frac{1}{2}$ %	None
25	SE $\frac{1}{4}$ Sec. 36, T. 20 S., R. 23 E.	80	E-9845 10-1-42	12 $\frac{1}{2}$ %	Magnolia Petroleum Company, 84 $\frac{1}{2}$ %	Frank H. McIlhannon, 3%
26	Lot 2, Sec. 36, T. 20 $\frac{1}{2}$ S., R. 22 E.	44.94	E-9426 12-4-41	12 $\frac{1}{2}$ %	Magnolia Petroleum Company, 87 $\frac{1}{2}$ %	None

Tract No.	Description	No. of Acres	Serial No. & Date of Lease	% of Royalty Payable to State of New Mexico	Record Owner & % of Working Interest	% of Overriding Royalty and Owner
27	SW 1/4 Sec. 36, T. 20 S., R. 22 E.	40	B-10061 2-9-43	12 1/2%	Magnolia Petroleum Company, 87 1/2%	None
28	Lot 4 Sec. 32, T. 20 S., R. 23 E.	43.88	B-10061 2-9-43	12 1/2%	Magnolia Petroleum Company, 87 1/2%	None
29	SW 1/4 Sec. 32, T. 20 S., R. 23 E.	40	B-10191 3-31-43	12 1/2%	Magnolia Petroleum Company, 84 1/2%	Harry Yukon, 3%
Total State Lands		1,061.96				

TOTAL LANDS IN FOSTER UNIT AREA - 10,291.91 acres

RECAPITULATION

Federal Lands 9,229.95 acres
State Lands 1,061.96 acres

TOTAL NUMBER OF ACRES IN
FOSTER UNIT AREA 10,291.91

R23E

T
20
S

4275

4300

4250

4225

4200

4175

4150

4125

4100

4075

4050

4025

4000

Locke Foster Ranch

23

23

24

4160 R
4178 G
4181 R
4193 S

4100 S

4062 S

4053 S

4042 S

4030 S

4018 S

4006 S

4000 S

4000 S

4000 S

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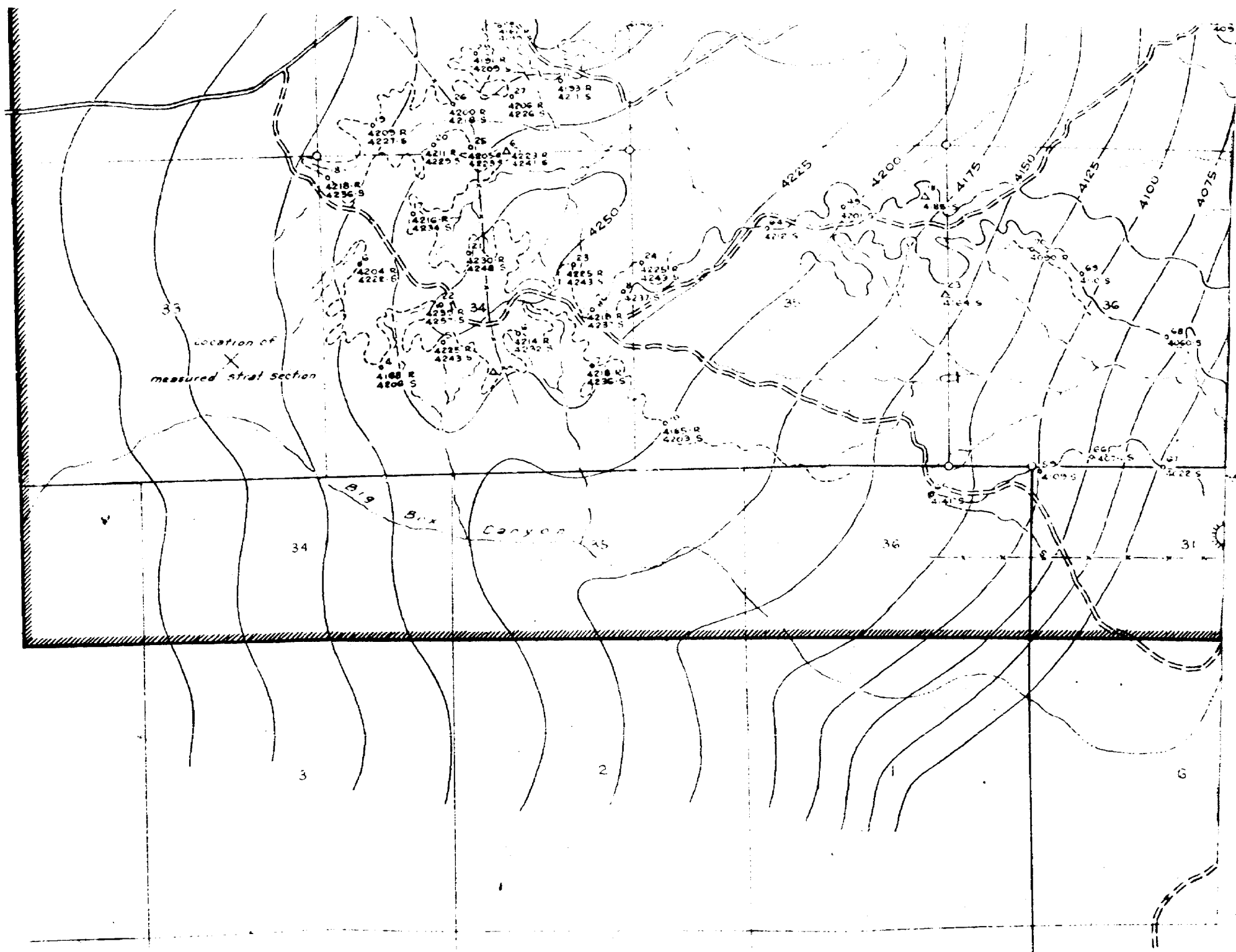
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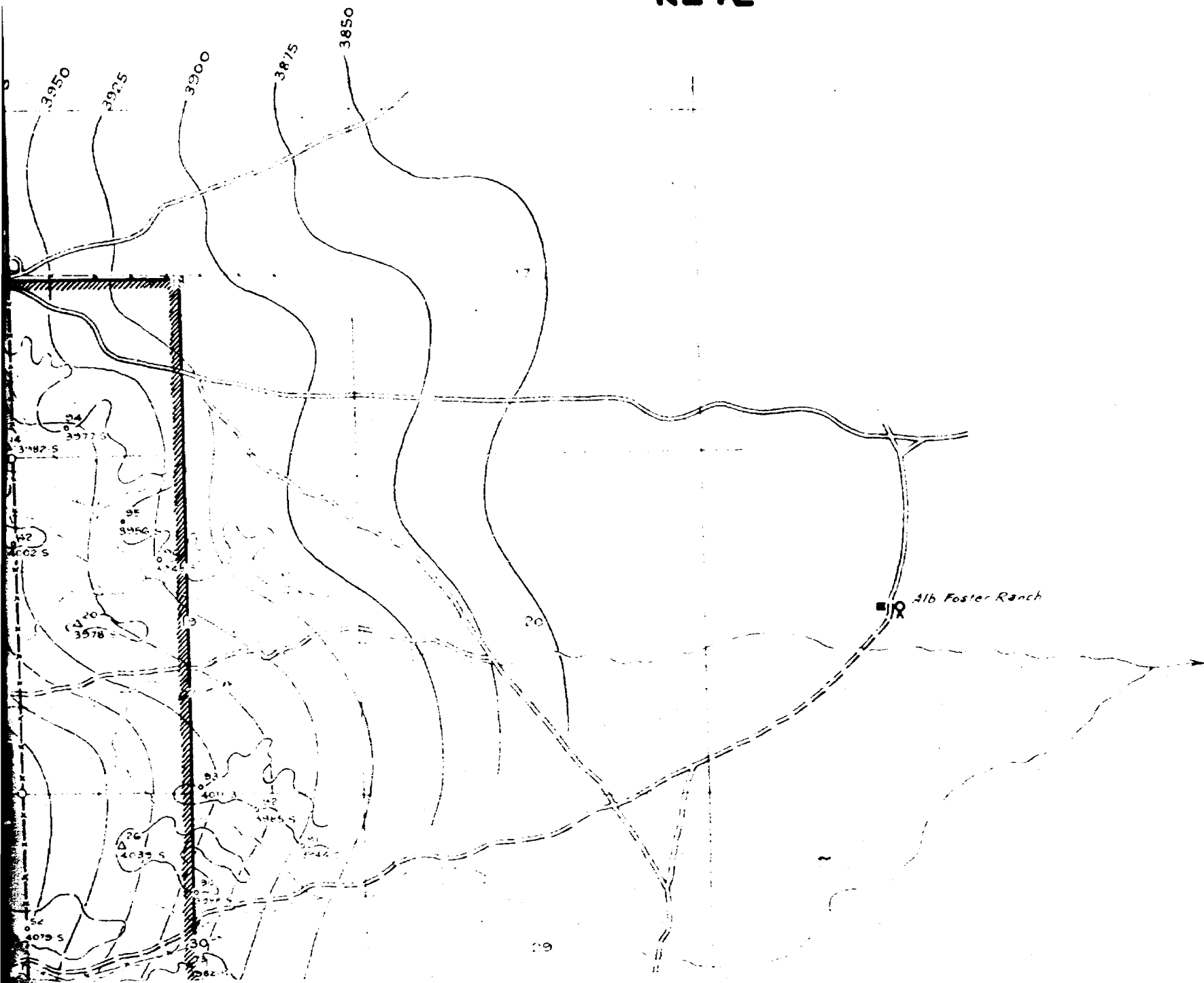
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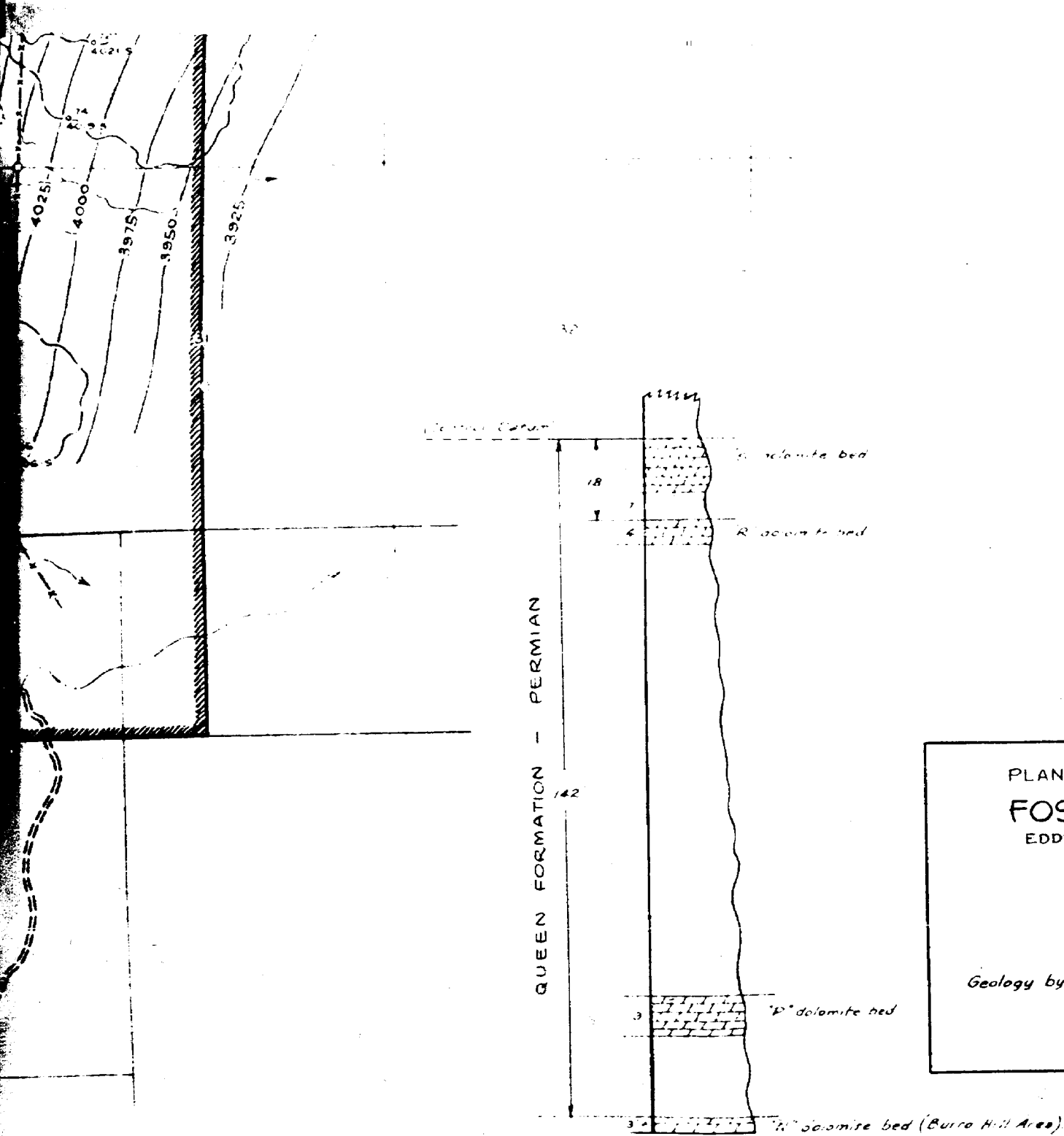
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R24E





PLANE TABLE STRUCTURE MAP
FOSTER ANTICLINE
 EDDY COUNTY, NEW MEXICO

SCALE: 1" = 2000'

Geology by Milton Hruby - Inst. by Robey Clark

Geological Department,
 Magnolia Petroleum Co.,
 Roswell, New Mexico.

EXHIBIT "A"

NEW MEXICO OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

APPLICATION FOR APPROVAL OF FOSTER UNIT AREA

EDDY COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

COMES the undersigned, the MAGNOLIA PETROLEUM COMPANY, a corporation, of Dallas, Texas, and files herewith three copies of a proposed Unit Agreement for the development and operation of the Foster Unit Area, Eddy County, New Mexico, and hereby makes application for the approval of said Unit Agreement by the New Mexico Oil Conservation Commission as provided by law, and in support thereof shows:

1. That the Unit Area designated in said Unit Agreement covers a total of 10,289.50 acres situated in Townships 20 and 20 $\frac{1}{2}$ South, Ranges 22, 23 and 24 East, N.M.P.M., Eddy County, New Mexico. That 9,227.54 acres of the lands in said proposed Unit Area are lands of the United States, and 1,061.96 acres are lands of the State of New Mexico. That said Unit Area is more particularly described by the plat attached to said Unit Agreement, made a part thereof and for purposes of identification marked Exhibit "A".

2. That the owners of all of the oil and gas leases, or pending applications therefor, embrace lands of the United States and the Magnolia Petroleum Company, which owns or holds oil and gas leases issued by the State of New Mexico covering a substantial portion of the lands of the State of New Mexico embraced in said Unit Area, have all agreed to commit the same to said Unit Agreement.

3. That the Unit Area described in the proposed Unit Agreement has heretofore been designated by the Director of the United States Geological Survey as suitable and proper for unitization, and that all lands embraced therein are believed to be situated upon the same geological structure, and that there is attached hereto, made a part hereof, and for purposes of identification marked Exhibit "A", a plain table structure map based upon the geology of Milton Hraby, Graduate Geologist employed by the Magnolia Petroleum Company, and which shows the relationship between the geological structure and the proposed unit area, and that said map is the same one submitted to the United States Geological Survey, and upon which the designation made by the Director was based, and which is to be treated as confidential.

4. That the undersigned, Magnolia Petroleum Company, is designated as the Unit Operator in said agreement and the Unit Operator is given the authority under the terms of said agreement to carry on all operations which are necessary for the development and operation of the Unit Area for oil and gas, subject to the regulations of the Secretary of the Interior, the Commissioner of Public Lands of the State of New Mexico, and the New Mexico Conservation Commission, and the terms of the respective leases. That the Magnolia Petroleum Company is preparing to commence immediate operations on the drilling of a test well for oil and gas to be located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 26, Township 20 South, Range 23 East, N.M.P.M., upon lands of the United States, and which will be in the approximate center of the proposed Unit Area, and that said well is to be drilled to a depth of 3700 feet, unless at a lesser depth unitized substances should be discovered which can be produced in paying quantities.

5. That said Unit Agreement is in substantially the same form as Unit Agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico, the Secretary of the

Interior and the New Mexico Oil Conservation Commission, and it is believed that operations to be carried on under the terms thereof will promote the economical and efficient recovery of oil and gas to the end that the maximum yield may be obtained from the field or area, if oil or gas should be discovered in paying quantities, and the production is to be limited to such production as may be put to beneficial use with adequate realization of fuel and other values, and it is further believed that such agreement will be in the interest of conservation of oil and gas and the prevention of waste as contemplated by the Oil Conservation Statutes of the State of New Mexico.

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 the Secretary of the United States, an approved copy of the said agreement will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a public hearing be held on the matter of the approval of said Unit Agreement as provided by the Statutes of the State of New Mexico and the regulations of the New Mexico Oil Conservation Commission, and upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission.

Respectfully submitted,
MAGNOLIA PETROLEUM COMPANY

S. P. Hamilton