

CASE 2872: Application of TEXACO
INC. for approval of the WOOLLEY
UNIT AGREEMENT.

CASE No.
2872

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Texaco Inc. for a unit
agreement, Eddy County, New Mexico.
Applicant, in the above-styled cause,
seeks approval of the Woolley Unit
Area comprising 2,080 acres of State
and Federal lands in Township 17 South,
Range 30 East, Eddy County, New Mexico.

Case No. 2872

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

August 7, 1963

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.
PHONE 243-6691

SANTA FE, N. M.
PHONE 983-9671

FARMINGTON, N. M.
PHONE 325-1182

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 7, 1963

TRANSCRIPT OF HEARING

IN THE MATTER OF:

Application of Texaco Inc. for a unit
agreement, Eddy County, New Mexico.
Applicant, in the above-styled cause,
seeks approval of the Woolley Unit
Area comprising 2,080 acres of State
and Federal lands in Township 17 South,
Range 30 East, Eddy County, New Mexico.

Case 2872

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 2872.

MR. DURRETT: Application of Texaco Inc. for a unit
agreement, Eddy County, New Mexico.

MR. WHITE: Charles White appearing on behalf of the
Applicant. We have two witnesses to be sworn.

(Witnesses sworn.)

D. D. FARRIS

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

DIRECT EXAMINATION

BY MR. WHITE:

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.
PHONE 243-6691

SANTA FE, N. M.
PHONE 983-3971

FARMINGTON, N. M.
PHONE 325-1182



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PARLINGTON, N. M.
PHC IE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691

Q Will you state your name, please?

A D. D. Farris.

Q By whom are you employed and in what capacity?

A Texaco Inc. I'm District Land Man for the Roswell

District.

Q Are you familiar with the subject application?

A Yes, sir.

Q Will you briefly state what Texaco is seeking?

A We seek approval for the Woolley Unit Area which calls for the drilling of an 11,350 Morrow sand test.

(Whereupon, Applicant's Exhibit No. 1 was marked for identification.)

Q Will you refer to what has been marked Exhibit No. 1 and identify it and explain it, please?

A That is an ownership map of a portion of Township 17 South, Range 30 East, Eddy County, New Mexico, showing the outline of the Woolley Unit Area consisting of 1440 acres of Federal lands, 640 acres of State of New Mexico land, totaling 2,080 acres.

Q Are there any fee lands included?

A No fee land within the unit area.

(Whereupon, Applicant's Exhibit No. 2 was marked for identification.)



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243 6091

Q Will you now refer to Exhibit No. 2 and state what that is and explain it?

A That is a schedule of ownership showing the various tract numbers, the acreage therein, the serial numbers, royalties within each tract, lessees of record, over-riding royalty ownership and working interest ownership.

Q It is otherwise self-explanatory, is it not?

A Yes, sir.

Q Have all the owners agreed to enter into the unit agreement?

A No, sir.

Q What per cent of the working interest have joined?

A Eighty-seven per cent.

Q How about the over-riding, what per cent do you anticipate?

A We anticipate when all of the consent and ratification agreements are in, to have in excess of 90%.

(Whereupon, Applicant's Exhibit No. 3 was marked for identification.)

Q Will you now refer to Exhibit 3 and state what that is, please?

A That is the unit agreement covering the operation of the Woolley Unit.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-669

Q Has the agreement been approved by the United States Geological Survey?

A Yes, sir.

Q Has it been approved by the Public Land Commissioner of New Mexico?

A Yes, sir.

Q Will there be any changes in the agreement to your knowledge?

A No, sir.

Q Did the agreement commit the unit operator to drill a test well?

A Yes, sir.

Q When is the well to be drilled and to what formation?

A This well will be commenced sometime prior to August 31, 1963, and will be drilled to a depth sufficient to test the Morrow sand formation at approximately 11,300 feet.

Q Will all the formations encountered be unitized?

A No, sir.

Q Who will be the unit operator?

A Texaco Inc.

Q Does the unit agreement provide for an extension of the acreage at a later date?

A Yes, sir.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1192

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-4504

Q Were Exhibits 1 and 2 prepared by you or under your direction?

A Yes, sir.

MR. WHITE: At this time we offer Exhibits 1 through 3.

MR. UTZ: Exhibits 1 through 3 will be entered into the record.

(Whereupon, Applicant's Exhibits 1, 2 and 3 were offered and admitted in evidence.)

Q Does that conclude your testimony?

A Yes. I might add that you had asked whether all formations would be unitized, and the formations will be, those units or formations below the base of the San Andres formation.

Q They will be unitized?

A Yes, sir, all formations below that.

MR. WHITE: That concludes our direct.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Farris, do you have the location of the obligation well?

A Yes, sir. The well, the proposed location on the first well will be in the Southeast Quarter of the Northwest Quarter of Section 16, 17 South, 30 East.

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



The witness may be excused.

(Witness excused.)

WILLIAM E. RUSSELL

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

DIRECT EXAMINATION

BY MR. WHITE:

Q Will you state your full name, please?

A William E. Russell.

Q By whom are you employed and in what capacity?

A I'm employed by Texaco as District Geologist in the Roswell District.

Q Have you previously testified before the New Mexico Oil Conservation Commission or an Examiner?

A I have not.

Q Will you briefly state your educational and professional background?

A I received a Master's Degree in geology from Texas Christian University as well as a Bachelor of Arts Degree from that same school, and have been employed as a petroleum geologist by Texaco for ten years.

Q Are you familiar with the area involved in the subject application?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691



A Yes, I am.

Q Have you made a geological study of the area involved?

A Yes. We have made structural and stratigraphic studies supplemented by geophysical work in the area.

(Whereupon, Applicant's Exhibit No. 4 was marked for identification.)

Q Will you refer to Exhibit 4 and explain what that portrays?

A Exhibit 4 is a plat on a scale of one inch equals 2,000 feet, showing the area of the proposed Woolley Unit. The plat has on it structural contours on top of the Morrow sand section and superimposed on the structural contours are two isopach lines representing thicknesses of 50 feet of clean Morrow sands in this area.

The area between the two 50-foot isopach lines is interpreted to be greater than 50, the area to the north and south of those lines indicate to have less than 50 feet of Morrow sand.

Q Mr. Russell, is there any Morrow production in the immediate area adjacent to the unit?

A There is Morrow production approximately three-quarters of a mile west of the unit in the Great Western No. 1 Grayburg Deep Unit. That well is located on the plat in Township 17 South, Range 30 East, Section 18 in the Southeast of the Northwest

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.
PHONE 243-6691

SANTA FE, N. M.
PHONE 243-5271

FARMINGTON, N. M.
PHONE 325-1182



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3871

ALBUQUERQUE, N. M.
PHONE 243-6601

Quarter.

Q Is there any other production?

A There is shallow production from the Grayburg and San Andres from several wells on and outside of the unit area.

Q Any deeper than the San Andres?

A There are no wells producing from formations deeper than the San Andres within the unit area.

Q Is the proposed location of the subject well depicted on Exhibit 4?

A Yes. The yellow arrow stuck to the exhibit indicates the approximate location of the proposed test. You will note that a No. 7 well is located approximately in the center of that 40-acre tract, being the Southeast of the Northwest of Section 16. The proposed Morrow test will essentially be a twin to that well.

Q Should this well prove to be a commercial well, is it reasonable to presume that the remaining acreage within the unit would be equally productive commercially?

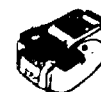
A Yes.

Q Do you anticipate any other pay zones below the San Andres?

A Yes, we do.

Q What formations?

A Beginning with the shallowest of the prospective for-



nations, the Glorieta, Middle Wolfcamp Reef, Cisco, Canyon, and possibly Atoka would be prospective in this area.

Q Have you made provisions to test these zones?

A Yes, we have, in our proposed drilling program we will evaluate and test these zones as we go down.

Q In your opinion would the granting of this application be in the best interest of conservation and the prevention of waste?

A Yes, sir.

Q Was Exhibit 4 prepared by you or under your direction?

A Yes, it was.

MR. WHITE: We offer Exhibit 4.

MR. UTZ: Without objection, Exhibit 4 will be entered into the record.

(Whereupon, Applicant's Exhibit No. 4 was offered and admitted in evidence.)

MR. WHITE: That concludes our testimony.

MR. UTZ: Are there questions of the witness?

CROSS EXAMINATION

BY MR. UTZ:

Q Is this considered to be a stratigraphic trap?

A Yes, it is.

Q And you anticipate the Morrow sand at about what depth?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691



A The top of the Morrow sand will be at approximately 10,880 feet. We are proposing to drill to 11,300 to penetrate the entire Morrow section.

MR. UTZ: Any further questions of the witness? The witness may be excused.

(Witness excused.)

MR. UTZ: Are there statements in this case? We'll take the case under advisement.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1162

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6631



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 883-3971

ALBUQUERQUE, N. M.
PHONE 243-6651

STATE OF NEW MEXICO)
) SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 21st day of August, 1963.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:

June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the hearing of Case No. 2872 heard by me on *Aug 7*, 19*63*.
[Signature]
Examiner
New Mexico Oil Conservation Commission



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

EXAMINER HEARING

IN THE MATTER OF:

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Area comprising 2,080 acres of State
and Federal lands in Township 17 South,
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Case No. 2872

BEFORE: Elvio A. Utz, Examiner.

TRANSCRIPT OF HEARING

August 7, 1963

DEARNLEY-MEIER REPORTING SERVICE, Inc.

WASHINGTON, D. C.
PHONE 325-1182

SANTA FE, N. M.
PHONE 963-3971

ALBUQUERQUE, N. M.
PHONE 243-6691

DEARNLEY-MEYER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 7, 1963

EXAMINER HEARING

IN THE MATTER OF:)
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Application of Texaco Inc. for a unit)
agreement, Eddy County, New Mexico.)
Applicant, in the above-styled cause,)
seeks approval of the Woolley Unit)
Area comprising 2,080 acres of State)
and Federal lands in Township 17 South,)
Range 30 East, Eddy County, New Mexico.)

Case 2872

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

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MR. DURRETT: Application of Texaco Inc. for a unit
agreement, Eddy County, New Mexico.

MR. WHITE: Charles White appearing on behalf of the
Applicant. We have two witnesses to be sworn.

(Witnesses sworn.)

D. D. FARRIS

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

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BY MR. WHITE:



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
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ALBUQUERQUE, N. M.
PHONE 243-6691

PAGE 3

Q Will you state your name, please?

A D. D. Farris.

Q By whom are you employed and in what capacity?

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Q Are you familiar with the subject application?

A Yes, sir.

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A That is the unit agreement covering the operation of the Woolley Unit.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

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ALBUQUERQUE, N. M.
PHONE 243-6691

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A Yes, sir.

Q Has it been approved by the Public Land Commissioner of New Mexico?

A Yes, sir.

Q Will there be any changes in the agreement to your knowledge?

A No, sir.

Q Did the agreement commit the unit operator to drill a test well?

A Yes, sir.

Q When is the well to be drilled and to what formation?

A This well will be commenced sometime prior to August 31, 1963, and will be drilled to a depth sufficient to test the Morrow sand formation at approximately 11,300 feet.

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A No, sir.

Q Who will be the unit operator?

A Texaco Inc.

Q Does the unit agreement provide for an extension of the acreage at a later date?

A Yes, sir.



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SANTA FE, N. M.
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ALBUQUERQUE, N. M.
PHONE 243-6691

Q Were Exhibits 1 and 2 prepared by you or under your direction?

A Yes, sir.

MR. WHITE: At this time we offer Exhibits 1 through 3.

MR. UTZ: Exhibits 1 through 3 will be entered into the record.

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A Yes, sir. The well, the proposed location on the first well will be in the Southeast Quarter of the Northwest Quarter of Section 16, 17 South, 30 East.

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



The witness may be excused.

(Witness excused.)

WILLIAM E. RUSSELL

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

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BY MR. WHITE:

Q Will you state your full name, please?

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Q Have you previously testified before the New Mexico Oil Conservation Commission or an Examiner?

A I have not.

Q Will you briefly state your educational and professional background?

A I received a Master's Degree in geology from Texas Christian University as well as a Bachelor of Arts Degree from that same school, and have been employed as a petroleum geologist by Texaco for ten years.

Q Are you familiar with the area involved in the subject application?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1162

SANTA FE, N. M.
PHONE 193-3571

ALBUQUERQUE, N. M.
PHONE 243 6691



A Yes, I am.

Q Have you made a geological study of the area involved?

A Yes. We have made structural and stratigraphic studies supplemented by geophysical work in the area.

(Whereupon, Applicant's Exhibit No. 4 was marked for identification.)

Q Will you refer to Exhibit 4 and explain what that portrays?

A Exhibit 4 is a plat on a scale of one inch equals 2,000 feet, showing the area of the proposed Woolley Unit. The plat has on it structural contours on top of the Morrow sand section and superimposed on the structural contours are two isopach lines representing thicknesses of 50 feet of clean Morrow sands in this area.

The area between the two 50-foot isopach lines is interpreted to be greater than 50, the area to the north and south of those lines indicate to have less than 50 feet of Morrow sand.

Q Mr. Russell, is there any Morrow production in the immediate area adjacent to the unit?

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FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6591

Quarter.

Q Is there any other production?

A There is shallow production from the Grayburg and San Andres from several wells on and outside of the unit area.

Q Any deeper than the San Andres?

A There are no wells producing from formations deeper than the San Andres within the unit area.

Q Is the proposed location of the subject well depicted on Exhibit 4?

A Yes. The yellow arrow stuck to the exhibit indicates the approximate location of the proposed test. You will note that a No. 7 well is located approximately in the center of that 40-acre tract, being the Southeast of the Northwest of Section 16. The proposed Morrow test will essentially be a twin to that well.

Q Should this well prove to be a commercial well, is it reasonable to presume that the remaining acreage within the unit would be equally productive commercially?

A Yes.

Q Do you anticipate any other pay zones below the San Andres?

A Yes, we do.

Q What formations?

A Beginning with the shallowest of the prospective for-



DEARNLEY-MEIER REPORTING SERVICE, Inc.

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ALBUQUERQUE, N. M.
PHONE 243-6691

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Q Have you made provisions to test these zones?

A Yes, we have, in our proposed drilling program we will evaluate and test these zones as we go down.

Q In your opinion would the granting of this application be in the best interest of conservation and the prevention of waste?

A Yes, sir.

Q Was Exhibit 4 prepared by you or under your direction?

A Yes, it was.

MR. WHITE: We offer Exhibit 4.

MR. UTZ: Without objection, Exhibit 4 will be entered into the record.

(Whereupon, Applicant's Exhibit No. 4 was offered and admitted in evidence.)

MR. WHITE: That concludes our testimony.

MR. UTZ: Are there questions of the witness?

CROSS EXAMINATION

BY MR. UTZ:

Q Is this considered to be a stratigraphic trap?

A Yes, it is.

Q And you anticipate the Morrow sand at about what depth?



A The top of the Morrow sand will be at approximately 10,660 feet. We are proposing to drill to 11,300 to penetrate the entire Morrow section.

MR. UTZ: Any further questions of the witness? The witness may be excused.

(Witness excused.)

MR. UTZ: Are there statements in this case? We'll take the case under advisement.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

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DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691

STATE OF NEW MEXICO)
) SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 21st day of August, 1963.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:

June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2872, heard by me on *Aug 7* 1963.
[Signature], Examiner
New Mexico Oil Conservation Commission



2872

JAN 19 1965

MAILED
JAN 27 1965

Lawco Inc.
P. O. Box 3149
Midland, Texas

Dear Sir:

On June 23, 1964, I, H. J. Duncan, Director, Texas A. M. E. Center,
acting Director of the Texas A. M. E. Center, advised the termination of
the Woolley unit, No. 1, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971,
1972, pursuant to the last paragraph of Article 20 thereof.

Enclosed is one copy of the approved application for your records.
We request that you furnish notice of this approval to each inter-
ested Working Interest owner, lessee, and holder at their last
known address.

Sincerely yours,

H. J. DUNCAN

For the Director

Enclosure

✓ cc: Roswell 2 (w/2 copies approved application)

RECEIVED

MAIN OFFICE

OCT 14 PM 3 2

2872

October 14, 1964

Texaco Inc.
P. O. Box 3100
Midland, Texas

Re: Woolley Unit
Eddy County, New Mexico

Attention: Mr. K. H. Griffin

Gentlemen:

Pursuant to your letter of October 5, 1964, enclosing nine copies of Application for Approval of Initial Participating Area for the Morrow Formation.

We are returning eight unapproved copies, and suggest you refer to our letter dated August 5, 1964, in which we definitely stated we did not concur with your findings that well No. 1 was capable of producing unitized substances in paying quantities pursuant to the terms of the Unit Agreement. We would also suggest that due to your not having commenced a second test well six months after the completion of the first test well as provided for under Section 2, that under the terms of the Unit Agreement you are in default and subject to termination of the Agreement.

We suggest you terminate the Unit Agreement and form a Communitization on spacing as set forth by the Oil Conservation Commission for the production from this well.

Texasco Inc.
Attention: Mr. K. H. Griffin
October 14, 1964
page 2

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:
Ted Bilberry, Director
Oil & Gas Department

ESW/nmr/v

cc:

United States Geological Survey
P. O. Drawer 1857
Roswell, New Mexico
Attention: Mr. John A. Anderson

Oil Conservation Commission
Santa Fe, New Mexico

1964 AUG 6 PM 2:37

2872

August 5, 1964

Texaco, Inc.
P. O. Box 3100
Midland, Texas

Re: Woolley Unit, Eddy County, New Mexico
Initial Participating Area

Attention: Mr. M. T. Maxwell

Gentlemen:

We are not approving your application for the Initial Morrow Participating Area as submitted to us under your application dated June 19, 1964.

We have made a complete review of your Woolley Unit Well No. 1 and we do not concur with your findings that this well is capable of producing unitized substances in paying quantities pursuant to the terms of the unit agreement, therefore this well can not be considered a discovery well.

We are retaining one copy of this application and returning eight unapproved copies.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

ESJW/cmr/min
Enclosures - 8
cc: United States Geological Survey - Roswell
Oil Conservation Commission - Santa Fe

MAIN OFFICE OCC

1964 JUN 26 PM 4:25

2872

June 26, 1964

Texaco, Inc.
P. O. Box 3109
Midland, Texas

Re: Woolley Unit, Eddy County,
New Mexico--Initial Participating
Area

Attention: Mr. R. T. Maxwell

Gentlemen:

Your application of June 19 requesting approval of the initial Morrow participating area for the Woolley Unit, Eddy County, New Mexico, has been received in this office for consideration. The application is based upon information contributed by unit well No. 1 in the SE/4 NW/4 Sec. 16, T-17S, R-30E, which was completed on December 31, 1963, for an initial potential of 258.8 MCF of gas per day from the Morrow 11,102 - 11,143 feet.

Your application does not contain sufficient information to enable this office to agree that the well is capable of producing unitized substances in paying quantities pursuant to Section 9 of the unit agreement. We need the following additional information:

1. A determination by Texaco, Inc., as unit operator, that unit well No. 1 is capable of producing

Texaco, Inc.
June 26, 1964
-page 2-

unitized substances in sufficient quantities to
repey the cost of drilling and producing operations,
with a reasonable profit.

2. An estimate of the recoverable reserves from the
Morrow attributable to unit well No. 1.
3. The reservoir data from which the reserves were
calculated; including the initial bottom hole
pressure, assumed abandonment pressure, bottom
hole temperature, gas gravity, pay thickness,
porosity, and water saturation. The electrical
logs and available core analysis should also
be furnished.
4. An economic evaluation of the well; including
well cost, operating cost and estimated pay
out time.
5. A copy of the back pressure test by which you
estimate the deliverability of the well against
the anticipated 600 psig line pressure.

Your application should also be supplemented with a
geological report justifying the lands proposed as the initial
Morrow participating area.

Upon receipt of the above requested information, your
application will be given further consideration.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

ESJW/mm/mim
cc: United States Geological Survey
P. O. Drawer 1857
Roswell, New Mexico
Attention: Mr. Carl Traywick

Oil Conservation Commission
Santa Fe, New Mexico

2872

August 9, 1963

Texaco, Inc.
P. O. Box 2148
Roswell, New Mexico

Re: Woolley Unit Agreement,
Eddy County, New Mexico

Attention: Mr. D. D. Farris

Gentlemen:

The Woolley Unit was heard by Elvis A. Uts, Examiner for the Oil Conservation Commission August 7, 1963, Case Number 2672. Mr. Uts has advised this office that this Unit Agreement will be approved by the Oil Conservation Commission.

Therefore, the Commissioner of Public Lands has approved the Woolley Unit Agreement as of August 9, 1963.

We are handing to your Mr. Ferguson ten originally signed Certificates of Approval. Also enclosed is Official Receipt No. G-22566 in the amount of Twenty-five (\$25.00) Dollars which covers the filing fee.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

ESJW/mmr/rs
cc: Oil Conservation Commission

United States Geological Survey

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission



P. O. BOX 871
SANTA FE

LAND COMMISSIONER
E. B. JOHNNY WALKER
MEMBER

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

August 9, 1963

Mr. Charlie White
Gilbert, White & Gilbert
Attorneys at Law
Post Office Box 787
Santa Fe, New Mexico

Re: Case No. 2872
Order No. 2873
Applicant: R-2545 and R-2546
Texaco Inc.

Dear Sir:

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

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, JR.
Secretary-Director

ix/

Carbon copy of order also sent to:

Hobbs OCC X

Artesia OCC X R-2545

Antec OCC

OTHER

Case 2872

Heard. 8-7-63

Rec. 8-7-63

1. Grant Texas the Wooley unit
agreements using usual unit
order.

2. Have advised Mrs. Ray. we are
approving it.

3. Buy Prob.

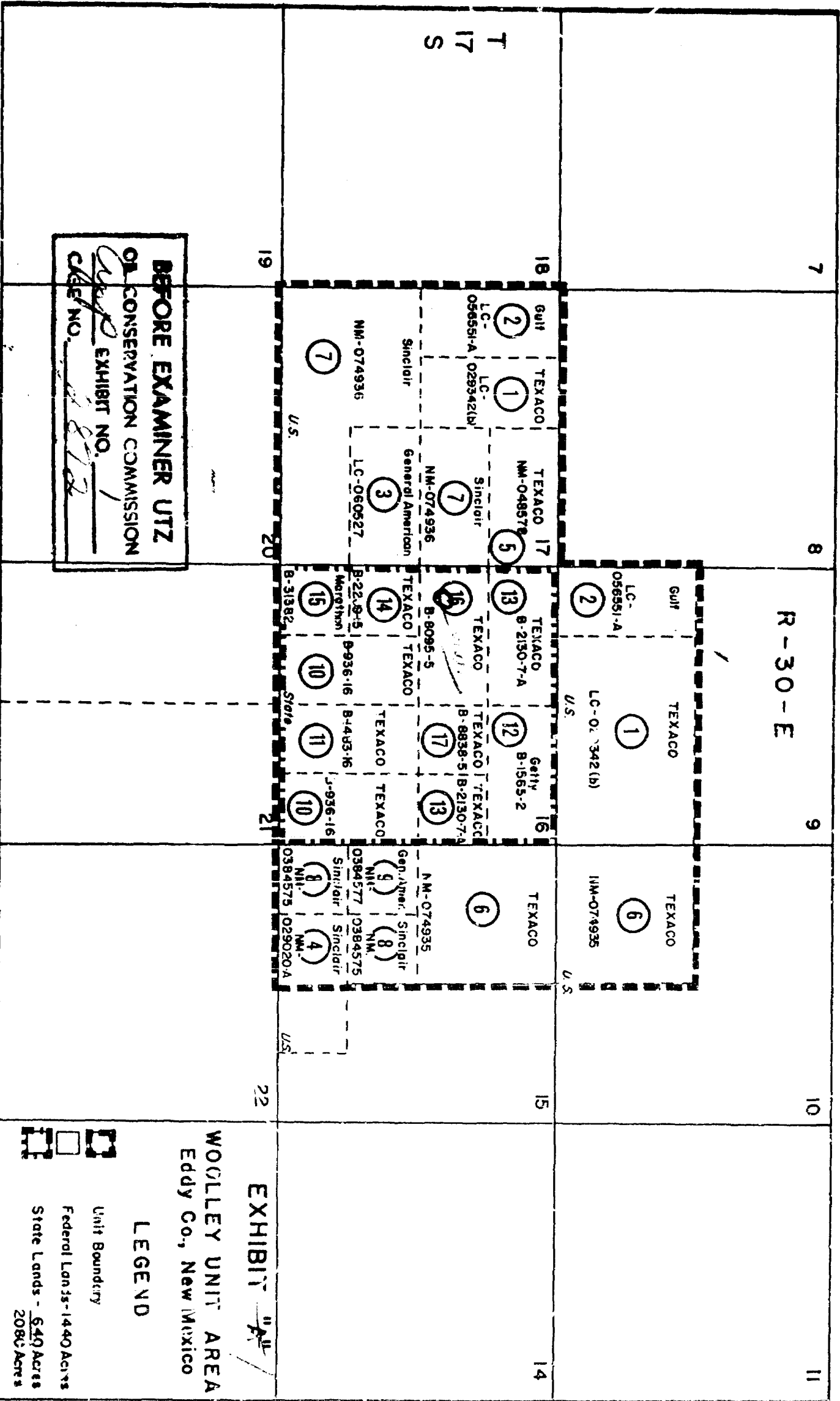
— *Thos. J. [Signature]*

WOOLLEY UNIT AREA
TOWNSHIP 17 SOUTH, RANGE 30 EAST
EDDY COUNTY, NEW MEXICO

EXHIBIT "B" - SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	ORR AND PERCENTAGE	W.I. AND PERCENTAGE
<u>Federal Land</u>							
1	E/2 NW/4 Sec. 17, SE/4, E/2 SW/4 Sec. 9	320	LC-029342(b) 6-1-61	USA Sliding Scale "D" Royalty Schedule	Texaco Inc.	M.A. Woolley and S.A. Woolley-\$1,000 p/acre out of 5%	Texaco
2	W/2 SW/4 Sec. 9 and W/2 NW/4 Sec. 17	160	LC-056551-A 7-1-58	USA 12 1/2 % Sliding Scale "D" Royalty Schedule	Gulf Oil Corporation	Mable S. Brigham J. D. Atwood	2-1/2 % 2-1/2 % Gulf
3	N/2 SE/4 Sec. 17	80	LC-060527 10-1-42	USA Sliding Scale "D" Royalty Schedule	General American Oil Company of Texas	None	General American
4	SE/4 SW/4 Sec. 15	40	NM-029020-A 10-1-57	USA Step Scale "C" Royalty Schedule	Sinclair Oil and Gas Company	J.G. Catlett Co. Kirby Production Co. Ward H. Maris Helen Starke Morgan May Taylor Parker J. S. Ward	1/3 % 2/3 % 1 % 2-1/2 % 2 % 1 % Sinclair
5	N/2 NE/4 Sec. 17	80	NM-048578 9-1-58	USA Step Scale "C" Royalty Schedule	Texaco Inc.	None	Texaco
6	SW/4 Sec. 10 and NW/4 Sec. 15	320	NM-074935 11-1-61	USA Sliding Scale "D" Royalty Schedule	Texaco Inc.	M.A. Woolley and S.A. Woolley-\$1,000 p/acre out of 5%	Texaco
7	SW/4, S/2 SE/4, S/2 NE/4 Sec. 17	320	NM-074936 8-1-55	USA Sliding Scale "D" Royalty Schedule	Sinclair Oil and Gas Company	None	Sinclair

ORR AND PERCENTAGE	W. M. AND PERCENTAGE
None	Marathon Oil Company
Alma Walsh Mallison 1-1/4%	Texaco
Dora M. Johnson 5/3%	
Moreland H. Hartwell 5/3%	
Bright, Schirf, and Kennedy-\$720,000 pay- able out of 2 1/2%	
Alma Walsh Mallison 1-1/4%	Texaco
Dora M. Johnson 5/3%	
Moreland H. Hartwell 5/3%	
Bright, Schirf, and Kennedy-\$720,000 pay- able out of 2 1/2%	



WOOLLEY UNIT AREA
TOWNSHIP 17 SOUTH, RANGE 30 EAST
EDDY COUNTY, NEW MEXICO

EXHIBIT "B" - SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	ORR AND PERCENTAGE	W.I. AND PERCENTAGE
<u>Federal Land</u>							
1	E/2 NW/4 Sec. 17, SE/4, E/2 SW/4 Sec. 9	320	LC-029342(b) 6-1-61	USA Sliding Scale "D" Royalty Schedule	Texaco Inc.	M.A. Woolley and S.A. Woolley-\$1,000 p/acre out of 5%	Texaco
2	W/2 SW/4 Sec. 9 and W/2 NW/4 Sec. 17	160	LC-056551-A 7-1-58	USA 12 1/2% Sliding Scale "D" Royalty Schedule	Gulf Oil Corporation	Mable S. Brigham J. D. Atwood	Gulf
3	N/2 SE/4 Sec. 17	80	LC-060527 10-1-42	USA Sliding Scale "D" Royalty Schedule	General American Oil Company of Texas	None	General American
4	SE/4 SW/4 Sec. 15	40	NM-029020-A 10-1-57	USA Step Scale "C" Royalty Schedule	Sinclair Oil and Gas Company	J.G. Catlett Co. Kirby Production Co. Ward H. Maris Helen Starke Morgan May Taylor Parker J. S. Ward	Sinclair
5	N/2 NE/4 Sec. 17	80	NM-048578 9-1-58	USA Step Scale "C" Royalty Schedule	Texaco Inc.	None	Texaco
6	SW/4 Sec. 10 and NW/4 Sec. 15	320	NM-074935 11-1-61	USA Sliding Scale "D" Royalty Schedule	Texaco Inc.	M.A. Woolley and S.A. Woolley-\$1,000 p/acre out of 5%	Texaco
7	SW/4, S/2 SE/4, S/2 NE/4 Sec. 17	320	NM-074936 8-1-55	USA Sliding Scale "D" Royalty Schedule	Sinclair Oil and Gas Company	None	Sinclair

None

BEFORE EXAMINER UTZ

OIL CONSERVATION COMMISSION

CASE NO. 2872 EXHIBIT NO. 2

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND DATE OF LEASE	BASIC ROYALTY ANT PERCENTAGE	LESSEE OF RECORD	ORR AND PERCENTAGE	W.I. AND PERCENTAGE
8	SW/4 SW/4, NE/4 SW/4 Sec. 15	80	NM-0384575 1-1-58	USA NE/4 SW/4 - 12 1/2% SW/4 SW/4 - Sliding Scale "D" Royalty Schedule	Sinclair Oil and Gas Company	None	Sinclair
9	NW/4 SW/4 Sec. 15	40	NM-0384577 10-1-42	USA Sliding Scale "D" Royalty Schedule	General American Oil Company of Texas	None	General American
9 FEDERAL TRACTS 1,440 ACRES OR 69.2% OF UNIT AREA							
State Land							
10	E/2 SW/4, E/2 SE/4 Sec. 16	160	B-936-16 6-6-32	STATE 12 1/2%	Texaco Inc.	Alma Walsh Mallison 1-1/4% Dora M. Johnson 5/8% Moreland H. Hartwell 5/8% Bright, Schliff, and Kennedy-\$720,000 pay- able out of 2 1/2%	Texaco
11	W/2 SE/4 Sec. 16	80	B-1483-16 12-19-32	STATE 12 1/2%	Texaco Inc.	Alma Walsh Mallison 1-1/4% Dora M. Johnson 5/8% Moreland H. Hartwell 5/8% Bright, Schliff, and Kennedy-\$720,000 pay- able out of 2 1/2%	Texaco
12	N/2 NE/4 Sec. 16	80	B-1565-2 12-29-32	STATE 12 1/2%	<i>GETTY OIL</i> Texaco Inc. <i>Company</i> Company	None	Getty Oil Company
13	N/2 NW/4, SE/4 NE/4 Sec. 16	120	B-2130-7-A 9-11-33	STATE 12 1/2%	O. H. Randel	E. C. Donohue, Wilma Elliot Donohue and O.H. Randel-\$90,000 payable out of 5%	Texaco Inc.
14	NW/4 SW/4 Sec. 16	40	B-2209-15 11-7-33	STATE 12 1/2%	Texaco Inc.	Alma Walsh Mallison 1-1/4% Dora M. Johnson 5/8% Moreland H. Hartwell 5/8% Bright, Schliff, and Kennedy-\$720,000 pay- able out of 2 1/2%	Texaco

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	ORR AND PERCENTAGE	W.I. AND PERCENTAGE
15	SW/4 SW/4 Sec. 16	40	B-3138-2 3-8-34	STATE 12 1 / 2 %	R. D. Collier	None	Marathon Oil Company
16	S/2 NW/4 Sec. 16	80	B-8095-5 4-10-39	STATE 12 1 / 2 %	Texaco Inc.	Alma Walsh Mallison 1-1/4% Dora M. Johnson 5/8% Moreland H. Hartwell 5/3% Bright, Schiff, and Kennedy-\$720,000 payable out of 2 1 / 2 %	Texaco
17	SW/4 NE/4 Sec. 16	40	B-8638-5 10-10-40	STATE 12 1 / 2 %	Texaco Inc.	Alma Walsh Mallison 1-1/4% Dora M. Johnson 5/8% Moreland H. Hartwell 5/3% Bright, Schiff, and Kennedy-\$720,000 payable out of 2 1 / 2 %	Texaco

3 STATE TRACTS 40 ACRES OR 30.8% OF UNIT AREA

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 7, 1963

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

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

- CASE 2871: Application of Bolack-Greer, Inc. for a unit agreement, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Canada Ujitos Unit Area comprising 35,829.84 acres of Federal and Fee lands in Townships 25 and 26 North, Ranges 1 East and 1 West, Rio Arriba County, New Mexico.
- CASE 2872: Application of Texaco Inc. for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Woolley Unit Area comprising 2,080 acres of State and Federal lands in Township 17 South, Range 30 East, Eddy County, New Mexico.
- CASE 2873: Application of Texaco Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Barry Unit Area comprising 2427.24 acres of State land in Township 21 South, Ranges 33 and 34 East, Lea County, New Mexico.
- CASE 2874: Application of Murphy H. Baxter for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the East Rocky Arroyo Unit Area comprising 2560 acres of Federal, State and Fee lands in Township 21 South, Range 25 East, Eddy County, New Mexico.
- CASE 2875: Application of Perry R. Bass for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to drill a gas well at an unorthodox location 1980 feet from the South line and 660 feet from the West line of Section 21, Township 19 South, Range 32 East, Lusk Morrow Gas Pool, Lea County, New Mexico.
- CASE 2876: Application of Consolidated Oil & Gas, Inc. for an unorthodox location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks permission to recomplete its Jicarilla No. 4-8 at an unorthodox Blanco-Mesaverde Pool location 1550 feet from the North line and 890 feet from the West line of Section 8, Township 26 North, Range 5 West, Rio Arriba County, New Mexico.
- CASE 2877: Application of Continental Oil Company for an extension of the provisions of Order R-2476, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an extension of the provisions of Order R-2476 which authorized certain interference tests and transfer of allowables between wells during the tests in the Oil Center Blinebry Pool.

CASE 2355: (Reopened) In the matter of Case 2355 being reopened pursuant to the provisions of Order No. R-2051-A, which order extended the temporary 320-acre proration units for the Bluit-Wolfcamp Gas Pool, Roosevelt County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 160-acre proration units.

CASE 2635: (Reopened) In the matter of Case 2635 being reopened pursuant to the provisions of Order No. R-2325, which order established temporary 80-acre proration units for the Inhe-Pennsylvanian Oil Pool, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 40-acre proration units.

CASE 2878: Application of Humble Oil & Refining Company for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the triple completion (tubingless) of its New Mexico State "S" Well No. 25, located in Unit N of Section 2, Township 22 South, Range 37 East, Lea County, New Mexico, to produce oil from the Penrose-Skelly and Wantz Abo Pools and an undesignated Granite Wash zone through parallel strings of 2-7/8 inch casing cemented in a common well bore.

CASE 2879: Application of Humble Oil & Refining Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its State "M" lease in Sections 19, 20, 29, 30 and 31, Township 22 South, Range 37 East, Lea County, New Mexico, by the initial injection of water into the Queen formation of the Langlie Mattix and Eumont Pools through six wells located in Sections 20, 29, and 30. Applicant further seeks the contraction of the Eumont Pool by the deletion therefrom of all of Section 19 and the S/2 SW/4 and NE/4 SW/4 of Section 20, Township 22 South, Range 37 East, and the extension of the Langlie-Mattix Pool to include said acreage.

CASE 2880: Application of Marathon Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Box Canyon Unit Area comprising 10,560.48 acres of State, Federal and Fee lands in Townships 21 and 22 South, Range 21 East, Eddy County, New Mexico.

TEXACO
INC.

PETROLEUM PRODUCTS



DOMESTIC PRODUCING DEPARTMENT
MIDLAND DIVISION

P. O. BOX 510
MIDLAND, TEXAS

July 16, 1963

Mr. J. M. Durrett, Jr.
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Jim:

Thank you for your letter of July 12, advising that our application for approval of the Woolley Unit, Eddy County, New Mexico, has been set for August 7, 1963. This hearing date is satisfactory.

One lease to be included in the Unit has an expiration date of August 31, 1963, and, therefore, it may be necessary for Texaco to ask that the Commission give all due consideration to acting upon this application as soon as possible after the hearing. Thank you for your time and consideration in this matter.

Yours very truly,

C. R. Black
C. R. Black
Division Proration Engineer

CRB-MM

DOCKET MAILED

Date 7/29/63

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DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 7, 1963

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

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TEXACO
INC.

PETROLEUM PRODUCTS

DOMESTIC PRODUCING DEPARTMENT
MIDLAND DIVISION



P. O. BOX 3100
MIDLAND, TEXAS

July 16, 1963

Mr. J. M. Durrett, Jr.
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Jim:

Thank you for your letter of July 12, advising that our application for approval of the Woolley Unit, Eddy County, New Mexico, has been set for August 7, 1963. This hearing date is satisfactory.

Our lease to be included in the Unit has an expiration date of August 31, 1963, and, therefore, it may be necessary for Texaco to ask that the Commission give all due consideration to acting upon this application as soon as possible after the hearing. Thank you for your time and consideration in this matter.

Yours very truly,

C. R. Black
C. R. Black
Division Proration Engineer

CRB-MM

DOCKET MAILED

Date 7/29/63

TEXACO
INC.

PETROLEUM PRODUCTS



DOMESTIC PRODUCING DEPARTMENT
MIDLAND DIVISION

P. O. BOX 122
MIDLAND, TEXAS

July 11, 1963

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attn: Mr. A. L. Porter, Jr.

Gentlemen:

Texaco Inc. respectfully requests that a hearing be set to consider our application for approval of the Woolley Unit, Eddy County, New Mexico. The Unit Area will consist of state and federal acreage and contain 2080 acres located in Sections 9, 10, 15, 16, and 17, T-17-S, R-30-E, Eddy County, New Mexico.

Your consideration in setting this matter for hearing on the first available Examiner hearing docket will be greatly appreciated. If additional information is desired, please do not hesitate to advise.

Yours very truly,

C. R. Black

C. R. Black
Division Production Engineer

CRB-MM

DOCKET MAILED

Date _____

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

Jan 28/2-

July 12, 1963

C
O
P
Y

Mr. C. R. Black
Division Proration Engineer
Tenneco Inc.
P. O. Box 3109
Midland, Texas

Dear Bob:

We have your application and letter of July 11, 1963, concerning approval of the Woolley Unit, Eddy County, New Mexico.

We have a hearing scheduled for July 24, 1963. However, this hearing has been advertised and in view of the weekend, I am certain the newspapers would not be able to run the ad in time to give the necessary ten days' notice.

The next scheduled examiner hearing will be held on August 7, 1963. We tentatively are docketing this case for the August 7 hearing. Please advise me if this is not satisfactory and we will try to make some special arrangements.

Very truly yours,

J. M. DURRETT, Jr.
Attorney

JMD/esr

TEXACO
INC.

PETROLEUM PRODUCTS



DOMESTIC PRODUCING DEPARTMENT
MIDLAND DIVISION

P. O. BOX 2100
MIDLAND, TEXAS

July 11, 1963

Mr. Jim Durrett
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Jim:

By our letter of July 11, we requested that a hearing be set to consider our application for approval of the Woolley Unit, Eddy County, New Mexico. In this letter I asked that the hearing be set on the first available Examiner hearing docket. This request was made in view of the fact that we have an expiring lease included in this unit. Therefore, I would certainly appreciate it if you would advise me as soon as possible as to the date this application will be set for hearing. I will be looking forward to seeing you in Santa Fe.

Yours very truly,

C. R. Black
Division Proration Engineer

CRB-MM

*Hearing July 24th is adv + not time for special ad
next hearing August 7th*

DRAFT

JEB/ear

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 2872

Order No. R- ~~2872~~
2545

APPLICATION OF TEXACO INC.
FOR APPROVAL OF THE WOOLLEY
UNIT AGREEMENT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 7, 1963, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this _____ day of August, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Texaco Inc., seeks approval of the Woolley Unit Agreement covering 2,080 acres, more or less, of State and Federal lands in Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico.

(3) That approval of the proposed Woolley Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

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

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Woolley Unit Area, and such plan shall be known as the Woolley Unit Agreement Plan.

(3) That the Woolley Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Woolley Unit, or relative to the production of oil or gas therefrom.

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO
TOWNSHIP 17 SOUTH, RANGE 30 EAST

Section 9: S 1/2
Section 10: S 1/4
Section 15: W 1/2
Sections 16 and 17: acc.

containing 2,080 acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Woolley

Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

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

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

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

~~No Exhibit "A"~~

UNIT AGREEMENT
WOOLLEY UNIT
EDDY COUNTY, NEW MEXICO

Index

Preamble

Agreement Proper

Map of Unit Area.....Exhibit "A"
Schedule of Ownership.....Exhibit "B"

Certification - Determination

Certificate of Approval

UNIT AGREEMENT
WOOLLEY UNIT
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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
WOOLLEY UNIT AREA
COUNTY OF EDDY
STATE OF NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 1st day of July, 1963 by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

W I T N E S S E T H:

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral 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 (Chapter 72, Laws of 1935, as amended by Chapter 193, Laws of 1937, Chapter 166, Laws of 1941, and Chapter 168, Laws of 1949) to approve this agreement and the conservation provisions hereof; and

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

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

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

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

2. UNIT AREA. The following described land is hereby designated and recognized as constituting the Woolley Unit Area:

Township 17 South, Range 30 East,
New Mexico Principal Meridian

Section 9: S/2
Section 10: SW/4
Section 15: W/2
Section 16: All
Section 17: All

situated in Eddy County, New Mexico, containing 2,080 acres, more or less.

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

requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner", and not less than six (6) copies of the revised exhibits shall be filed with the Supervisor, and two (2) copies thereof shall be filed with the Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

The above described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

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

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

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

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

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within five (5) years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said five-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than ninety (90) days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than thirty (30) days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within ten (10) years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director and the Commissioner. The unit operator shall, within ninety (90) days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and the Commissioner and promptly notify all parties in interest.

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

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil and gas in the hereinabove specified lands committed to this agreement, as to all formations below the base of the San Andres formation which, for the purposes of this agreement is identified at 4,145 feet on the Schlumberger electric log of the General American No. 17 Burch "A" well, located in the Southeast Quarter of the Southeast Quarter (SE/4 SE/4) of Section 18, Township 17 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, are unitized and designated as "unitized substances" under the terms of this agreement and said lands shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

4. UNIT OPERATOR. Texaco Inc., a Delaware corporation, with offices at Midland, Texas is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in it 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

interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

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

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

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new Unit Operator.

Such removal shall be effective upon notice thereof to the Director and Commissioner.

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

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

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

(b) the selection shall have been filed with the Supervisor and approved by the 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.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs, and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid in the first instance by Unit Operator and such costs and expenses so paid by Unit Operator shall be apportioned among and borne by the owners of working interests and the Unit Operator reimbursed, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this Unit Agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor, and one (1) true copy with the Commissioner prior to approval of this agreement by the Director.

Notwithstanding any provision contained herein to the contrary, if any, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the Unit Operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

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

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Commissioner if on State land, or by the Commission if on privately owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit), or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land, the Commissioner if on State land, or the Commission if on privately owned land, that further drilling of said well would be unwarranted or impracticable; provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 11,300 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land, or of the Commissioner if on State land, or the Commission if on privately owned

land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and 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.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time, before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner, a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall (a) specify the number and location of any wells to be drilled and the proposed order and time for such drilling; and (b) to the extent practicable specify the operating practices regarded as necessary and

advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Commissioner. Such 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 the Commissioner are authorized to grant a reasonable extension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director and the Commissioner, a schedule, based on subdivisions 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 and the Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of the initial participating area. Said schedule also shall 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, and any two or more participating areas so established may

be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Commissioner. 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, or to exclude land then regarded as reasonably proved not 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 in which is obtained the knowledge or information on which such revision is predicated, provided, however that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and Commissioner. 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 adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director and the Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby 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 for Federal lands, and the Commissioner for State lands, and the Commission as to privately owned lands, and the amount thereof deposited as directed by the Supervisor and Commissioner respectively to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor, as to wells drilled on Federal land, and Commissioner as to wells drilled on State land, the Commission as to wells drilled on privately owned 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, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

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

produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS. Any party or parties hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, the Commissioner as to State land and the Commission as to privately owned land, at such party's or parties' sole risk, cost and expense drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, or drill any well not mutually agreed to by all interested parties, unless within ninety (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 any well drilled as aforesaid by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement, and the well shall thereafter be operated by Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled as aforesaid by a working interest owner obtains production in quantities insufficient to justify the inclusion in a participating area of the land upon which such well is situated,

such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The United States and any State and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interests not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws, and regulations, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

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

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

15. RENTAL SETTLEMENT. Rentals or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States, unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations were within the time therein specified commenced upon the land covered thereby or rentals paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become

payable during the term thereof as extended by this agreement and thereafter until the required drilling operations are commenced upon the land covered thereby or some portion of such land is included in a participating area.

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

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

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

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every

part or separately owned tract 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 their respective predecessors in interest, or any of them.

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Commissioner or their duly authorized representatives shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on

unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two (2) years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

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

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

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

"Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two (2) years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary

any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the Lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

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

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

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable

of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and Commissioner, or

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

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than seventy-five (75) per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

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

modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; 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 developing 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 land subject to this agreement as to the quantity and rate of production in the absence of the specific written approval thereof by the Commission.

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

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any 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 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 the 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 agreement 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.

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

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

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

26. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, 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, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which are hereby incorporated by reference in this agreement.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs

and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a nonworking interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such nonworking interest. Joinder by any owner of a nonworking interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in

order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the Commissioner and the Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within sixty (60) days by the Director or Commissioner, and such joinder is approved by the Commissioner as to State lands.

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

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

WORKING INTEREST OWNERS

Approved:

TEXACO Inc.

Terms: _____

Form: _____

By _____
Attorney-in-Fact

UNIT AGREEMENT
WOOLLEY UNIT
EDDY COUNTY, NEW MEXICO

Index

Preamble

Agreement Proper

Map of Unit Area.....Exhibit "A"

Schedule of Ownership.....Exhibit "B"

Certification - Determination

Certificate of Approval

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	3
CASE NO.	2872

UNIT AGREEMENT
WOOLLEY UNIT
EDDY COUNTY, NEW MEXICO

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
WOOLLEY UNIT AREA
COUNTY OF EDDY
STATE OF NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 1st day of July, 1963 by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

W I T N E S S E T H:

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral 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 (Chapter 72, Laws of 1935, as amended by Chapter 193, Laws of 1937, Chapter 166, Laws of 1941, and Chapter 168, Laws of 1949) to approve this agreement and the conservation provisions hereof; and

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

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

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

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

2. UNIT AREA. The following described land is hereby designated and recognized as constituting the Woolley Unit Area:

Township 17 South, Range 30 East,
New Mexico Principal Meridian

Section 9: S/2
Section 10: SW/4
Section 15: W/2
Section 16: All
Section 17: All

situated in Eddy County, New Mexico, containing 2,060 acres, more or less.

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

requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner", and not less than six (6) copies of the revised exhibits shall be filed with the Supervisor, and two (2) copies thereof shall be filed with the Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

The above described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

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

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

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

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

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within five (5) years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said five-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than ninety (90) days' time lapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than thirty (30) days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within ten (10) years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director and the Commissioner. The unit operator shall, within ninety (90) days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and the Commissioner and promptly notify all parties in interest.

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

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil and gas in the hereinabove specified lands committed to this agreement, as to all formations below the base of the San Andres formation which, for the purposes of this agreement is identified at 4,145 feet on the Schlumberger electric log of the General American No. 17 Burch "A" well, located in the Southeast Quarter of the Southeast Quarter (SE/4 SE/4) of Section 18, Township 17 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, are unitized and designated as "unitized substances" under the terms of this agreement and said lands shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

4. UNIT OPERATOR. Texaco Inc., a Delaware corporation, with offices at Midland, Texas is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in it 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

interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

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

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

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new Unit Operator.

Such removal shall be effective upon notice thereof to the Director and Commissioner.

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

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

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

(b) the selection shall have been filed with the Supervisor and approved by the 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.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs, and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid in the first instance by Unit Operator and such costs and expenses so paid by Unit Operator shall be apportioned among and borne by the owners of working interests and the Unit Operator reimbursed, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this Unit Agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor, and one (1) true copy with the Commissioner prior to approval of this agreement by the Director.

Notwithstanding any provision contained herein to the contrary, if any, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the Unit Operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

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

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Commissioner if on State land, or by the Commission if on privately owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Morrow formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit), or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land, the Commissioner if on State land, or the Commission if on privately owned land, that further drilling of said well would be unwarranted or impracticable; provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 11,300 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land, or of the Commissioner if on State land, or the Commission if on privately owned

land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and 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.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time, before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner, a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall (a) specify the number and location of any wells to be drilled and the proposed order and time for such drilling; and (b) to the extent practicable specify the operating practices regarded as necessary and

advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Commissioner. Such 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 the Commissioner are authorized to grant a reasonable extension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director and the Commissioner, a schedule, based on subdivisions 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 and the Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of the initial participating area. Said schedule also shall 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, and any two or more participating areas so established may

be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Commissioner. 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, or to exclude land then regarded as reasonably proved not 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 in which is obtained the knowledge or information on which such revision is predicated, provided, however that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and Commissioner. 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 adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director and the Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby 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 for Federal lands, and the Commissioner for State lands, and the Commission as to privately owned lands, and the amount thereof deposited as directed by the Supervisor and Commissioner respectively to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor, as to wells drilled on Federal land, and Commissioner as to wells drilled on State land, the Commission as to wells drilled on privately owned 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, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

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

produced from one participating area is used for repressuring or re-cycling purposes in another participating area, the first gas withdrawn from such last mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS. Any party or parties hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, the Commissioner as to State land and the Commission as to privately owned land, at such party's or parties' sole risk, cost and expense drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, or drill any well not mutually agreed to by all interested parties, unless within ninety (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 any well drilled as aforesaid by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement, and the well shall thereafter be operated by Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled as aforesaid by a working interest owner obtains production in quantities insufficient to justify the inclusion in a participating area of the land upon which such well is situated,

such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The United States and any State and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interests not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws, and regulations, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

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

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

15. RENTAL SETTLEMENT. Rentals or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States, unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations were within the time therein specified commenced upon the land covered thereby or rentals paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become

payable during the term thereof as extended by this agreement and thereafter until the required drilling operations are commenced upon the land covered thereby or some portion of such land is included in a participating area.

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

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

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

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every

part or separately owned tract 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 their respective predecessors in interest, or any of them.

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Commissioner or their duly authorized representatives shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on

unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two (2) years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

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

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

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

"Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two (2) years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary

any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the Lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

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

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

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable

of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and Commissioner, or

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

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than seventy-five (75) per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

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

modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; 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 developing 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 land subject to this agreement as to the quantity and rate of production in the absence of the specific written approval thereof by the Commission.

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

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any 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 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 the 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 agreement 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.

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

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

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

26. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, 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, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which are hereby incorporated by reference in this agreement.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs

and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a nonworking interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such nonworking interest. Joinder by any owner of a nonworking interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in

order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the Commissioner and the Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within sixty (60) days by the Director or Commissioner, and such joinder is approved by the Commissioner as to State lands.

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

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

WORKING INTEREST OWNERS

Approved:

TEXACO Inc.

Terms: _____

Form: _____

By _____
Attorney-in-Fact

**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

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

**CASE No. 2872
Order No. R-2545**

**APPLICATION OF TEXACO INC.
FOR APPROVAL OF THE WOOLLEY
UNIT AGREEMENT, EDDY COUNTY,
NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 7, 1963, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 9th day of August, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Texaco Inc., seeks approval of the Woolley Unit Agreement covering 2,080 acres, more or less, of State and Federal lands in Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico.

(3) That approval of the proposed Woolley Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

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

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the

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CASE No. 2872
Order No. R-2545

development and operation of the Woolley Unit Area, and such plan shall be known as the Woolley Unit Agreement Plan.

(3) That the Woolley Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Woolley Unit, or relative to the production of oil or gas therefrom.

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO
TOWNSHIP 17 SOUTH, RANGE 30 EAST

Section 9: S/2
Section 10: SW/4
Section 15: W/2
Sections 16 and 17: All

containing 2,080 acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

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

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

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CASE No. 2872
Order No. R-2545

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

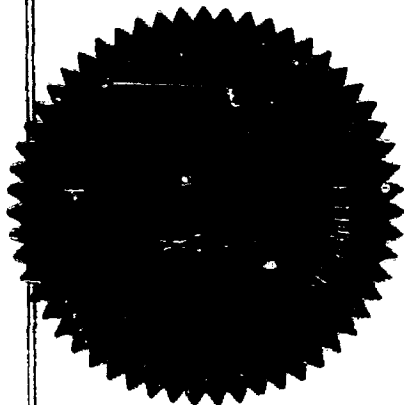
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

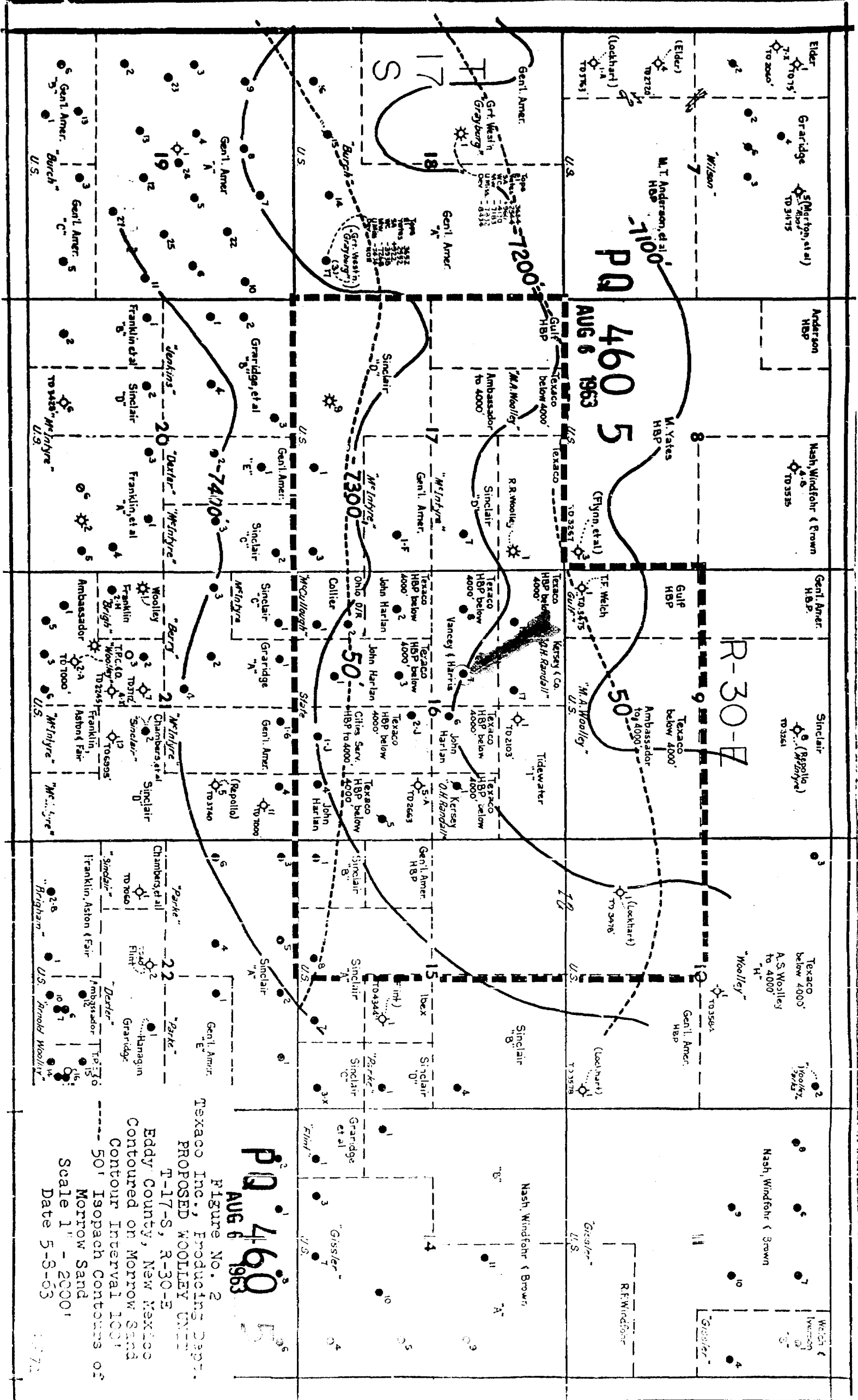
Jack M. Campbell
JACK M. CAMPBELL, Chairman

E. S. Walker
E. S. WALKER, Member

A. J. Porter, Jr.
A. J. PORTER, JR., Member & Secretary



esr/



HUMBLE OIL & REFINING COMPANY
SOUTHWEST REGION
P. O. BOX 1597
ROSWELL, NEW MEXICO
September 12, 1963

REGISTERED MAIL

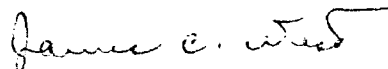
Mrs. Ida Rodriguez
N. M. Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Dear Ida:

Enclosed are the exhibits I borrowed yesterday.

Thanks for the help.

Very truly yours,



James C. West

JCW:eh
Enclosures

Boxer 1837
Roswell, New Mexico 88261

September 11, 1963

Tenneco Inc.
P. O. Box 2248
Roswell, New Mexico

Attention: Mr. D. D. Parris

Gentlemen:

We hereby acknowledge receipt of the following described
ratifications and joinders relating to the Woolley unit
agreement, No. 14-63-9081-8342, New Mexico:

<u>Joinder to</u>	<u>Date Filed</u>	<u>Executed by</u>
Unit agreement	September 5, 1963	A. S. Woolley and Roland Rich Woolley, overriding royalty owners in Federal land unit tracts 1 and 6.
Unit agreement	September 5, 1963	M. A. Woolley, overriding royalty owner in Federal land unit tracts 1 and 6.

The above joinders will be effective October 1, 1963, upon
compliance with sec. 15 of the unit agreement providing that
subsequent joinders shall be effective the first day of the
month after filing with the Supervisor, Commissioner and
Commission.

Copies of the ratifications and joinders are being distributed to
the appropriate Federal offices.

Sincerely yours,

(ORIG. SGD.) JOHN A. ANDERSON

JOHN A. ANDERSON
Regional Oil & Gas Supervisor

Copy to: Washington (w/cy joinders) NMOCC - Santa Fe (ltr. only)
BLM - Santa Fe (w/cy joinder) Com. of Pub. Lands (lr. only)
Artesia (w/cy joinder)
Accounts