

CASE 4109: Application of HUMBLE
FOR APPROVAL OF THE SOUTH LEA
UNIT AGREEMENT, LEA COUNTY.

Case Number.

4/09

Application

Transcripts.

Small Exhibits

ETC.

7-18-69

Unit Name SOUTH LEA (Exploratory)
Operator HUMBLE OIL AND REFINING COMPANY
County LEA

4109

DATE	OCC CASE NO.	4109	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	PAYMENT FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO.	R-3740	7-17-69	8,324.16	3,202.00	5,082.16	40.00	Yes	5yrs.
Commissioner	April 28, 1969								

UNIT AREA

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Sections 5 through 9: All
Sections 15 through 22: All

5-
3200
5120
8320

TERMINATED
3-1-71
EH

7/18/69

Unit Name SOUTH LEA (Exploratory)
 Operator HUMBLE OIL & REFINING COMPANY
 County LEA

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	DATE	ACREAGE		LESSEE
								RATIFIED	NOT RATIFIED	
16	B-288-1	C.S.	15	26S	36E	All	(NOT RATIFIED)	640.00		Gulf Oil Corp.
17	OG-5712	C.S.	16	26S	36E	N/2	6-26-69	320.00		Shell Oil Company
18	K-1686	C.S.	16	26S	36E	S/2	7-14-69	320.00		Superior Oil Co.
19	K-2877-1	C.S.	19	26S	36E	Lots 1, 2, 3, 4, E/2W/2, E/2	6-13-69	642.00		Humble Oil & Ref. Company
20	K-3032	C.S.	20	26S	36E	All	6-13-69	640.00		Humble Oil & Ref. Company
21	K-5198	C.S.	22	26S	36E	N/2, SW/4	6-13-69	480.00		Humble Oil & Ref. Company
22	L-1105	C.S.	22	26S	36E	SE/4	6-13-69	160.00		Humble Oil & Ref. Company



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

71 FEB 25 11 11 AM '71

IN REPLY REFER TO:

February 23, 1971

4109

Humble Oil & Refining Company
P.O. Box 1600
Midland, Texas 79701

Attention: Mr. W. B. Leifeste

Gentlemen:

Your application for termination of the South Lea unit agreement, Lea County, New Mexico, pursuant to the last paragraph of section 20 thereof, was approved on February 23, 1971, effective as of March 1, 1971, the first day of the month following the date of filing in the Supervisor's office.

Copies of the approved termination are being furnished to the appropriate Federal offices and one approved copy is enclosed. It is requested that you furnish notice of this approval to each party affected by the termination of the South Lea unit agreement.

Sincerely yours,

N. O. FREDERICK
Regional Oil and Gas Supervisor

cc:
Washington (w/cy appln)
BIM, Santa Fe (w/cy appln)
Hobbs (w/cy appln)
BOMC, Roswell (ltr only)
NMOCC, Santa Fe (ltr only)
Com. of Pub. Lands, Santa Fe (ltr only)



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

IN REPLY REFER TO:

JAN 15 1970

Drawer 1857
Roswell, New Mexico 88201

January 14, 1970

Humble Oil and Refining Company
P. O. Box 1600
Midland, Texas 79701

Attention: Mr. W. H. Leifeste

Gentlemen:

The following described instruments relative to the commitment of interests to the South Lee unit agreement, Lea County, New Mexico, were filed in this office on January 6, 1970:

1. Ten copies each of two joinders to the unit agreement and unit operating agreement, executed on October 9, 1969, and November 14, 1969, by Atlantic Richfield Company and Redfern Development Corporation, respectively, owners of a portion of the record title and working interest under Federal tract No. 1 and fee tract No. 23.
2. Ten copies each of two joinders to the unit agreement, executed on July 30, 1969, and July 24, 1969, by Lucy G. Saith and Mobil Oil Corporation, respectively, basic royalty interest owners under fee tract No. 23.
3. One original and nine copies of a joinder to the unit agreement, executed on July 7, 1969, by Herbert S. Doolittle, overriding royalty interest owner under Federal tracts Nos. 5 and 7.

The joinders listed above are held to be effective as of February 1, 1970. On such date unit Federal tracts Nos. 1, 5, and 7 will be considered fully committed to the unit agreement. Copies of the joinders are being distributed to the Federal agencies concerned and six copies of each joinder are returned herewith. It is requested that you furnish appropriate notice of these commitments to any other interested principal.

cc:

Washington (w/cy joinders)
Hobbs (w/cy joinders)
BLM, Santa Fe (w/cy joinders)
NMOCC, Santa Fe (ltr. only)
Com. of Pub. Lands, Santa Fe
(ltr. only)
Accounting

Sincerely yours,

CARL C. TRAYWICK
Acting Oil and Gas Supervisor

Note to BLM: Federal lease New Mexico 064777 (unit tract No. 1) should be considered for segregation effective February 1, 1970, pursuant to sec. 18(h) of the unit agreement.

71 FEB 22 11 5 21

4109

February 19, 1971

Humble Oil & Refining Company
P. O. Box 1600
Midland, Texas 79701

Re: Termination of the
South Lea Unit
Lea County, New Mexico

ATTENTION: Mr. W. H. Leifeste

Gentlemen:

We are in receipt of your Termination instrument for the South Lea Unit, Lea County, New Mexico, as per Section 20 of the Unit Agreement. The Commissioner of Public Lands has this date given approval to your termination, subject to like approval by the United States Geological Survey.

Enclosed is one executed copy of the Certificate of Termination as per your request.

The effective date of the termination to be March 1, 1971.

Sincerely yours,

GORDON G. MARCUM, II, Director
Oil and Gas Department

AJA/GGM/s
encls.

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

Jim H

4109
MAR 8 1971

HUMBLE OIL & REFINING COMPANY

MIDLAND, TEXAS 79701

February 26, 1971

POST OFFICE BOX 1600

EXPLORATION DEPARTMENT
SOUTHWESTERN DIVISION

In Re: Termination of the
South Lea Unit,
Lea County, New Mexico

Commissioner of Public Lands
State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico 87501

Attention: Mr. Gordon G. Marcus II, Director
Oil & Gas Department

New Mexico Oil Conservation Commissioner
P. O. Box 2000
Santa Fe, New Mexico

Gentlemen:

We are enclosing for each of you, approved copy of termination
of South Lea Unit by the U.S.G.S. You will note that said
termination is effective March 1, 1971.

Please be assured that we have appreciated your cooperation on
this unit.

Yours Truly,

HUMBLE OIL & REFINING COMPANY

WHL
W. H. Leifeste

WHL:lv

Enclosure

RECEIVED
FEB 20 1971

CERTIFICATE OF APPROVAL
OF
TERMINATION OF SOUTH LEA UNIT AGREEMENT
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

The undersigned Commissioner of Public Lands, State of New Mexico, does hereby approve the attached Termination of Unit Agreement for the Development and Operation of the South Lea Unit Area, Lea County, New Mexico, No. 14-08-0001-11573.

Dated this the _____ day of _____, 1971.

Commissioner of Public Lands

CERTIFICATE OF APPROVAL
OF
TERMINATION OF SOUTH LEA UNIT AGREEMENT
BY SUPERVISOR, UNITED STATES GEOLOGICAL SURVEY

The undersigned Supervisor of the United States Geological Survey does hereby approve the attached Termination of Unit Agreement for the Development and Operation of the South Lea Unit Area, Lea County, New Mexico, No. 14-08-0001-11573.

Dated this the 23rd day of February, 1971.

W. W. Fredricks

Supervisor, United States Geological Survey



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

IN REPLY REFER TO:

4109
JUL 18 PM 1 33
July 17, 1969

Hinkle, Bondurant & Christy
P. O. Box 10
Roswell, New Mexico 88201

Attention: Mr. Clarence E. Hinkle

Gentlemen:

The South Lea unit agreement, Lea County, New Mexico, was approved on July 17, 1969. This agreement has been designated No. 14-02-0001-11573 and is effective as of the date of approval.

Enclosed are five approved copies of the unit agreement for your records. We request that you furnish the State of New Mexico and other interested principals with appropriate evidence of this approval.

Sincerely yours,

(ORIG. SGD.) CARL C. TRAYWICK

CARL C. TRAYWICK
Acting Oil and Gas Supervisor

cc:
Washington (w/cy appd. agreement)
BLM, Santa Fe (w/cy appd. agreement)
Hobbs (w/cy appd. agreement)
BOMC (ltr. only)
NMOCC, Santa Fe (ltr. only) ✓
Land Commissioner, Santa Fe (ltr. only)



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

21 PM 1 18
7005E

IN REPLY REFER TO:

4109

September 18, 1970

Humble Oil and Refining Company
P. O. Box 1600
Midland, Texas 79701

Gentlemen:

The South Lea unit agreement was approved on July 17, 1969, effective as of such date. Unit well No. 1 in the NE1/4 sec. 17, T. 26 S., R. 36 E., Lea County, New Mexico, was spudded on July 15, 1969, and reached a total depth of 21,240 feet in the Klamberg on March 5, 1970. This well satisfied the requirements of section 9 of the unit agreement for the initial test well. Our records indicate that the perforating and testing program for this well was completed on August 7, 1970. Accordingly we consider diligent drilling operations of the initial test well required by section 9 of the unit agreement to have ceased as of such date. Commencement of the next unit well required on or before February 7, 1971, by section 9 of the unit agreement.

Sincerely yours,

(ORIG. SGD.) CARL C. TRAYWICK

CARL C. TRAYWICK
Acting Oil and Gas Supervisor

cc:
Clarence Hinkle
Washington
Hobbs
MBOCC, Santa Fe
Con. Pub. Lands, Santa Fe

MAIN OFFICE
JUL 7 AM 8 18

July 3, 1969

4109

COPY

Hinkle, Bondurant & Christy
600 Hinkle Building
Roswell, New Mexico 88201

Re: South Lea Unit
Lea County, New Mexico

Gentlemen:

The Commissioner of Public Lands has this date approved your South Lea Unit, Lea County, New Mexico, subject to like approval by the United States Geological Survey and the Oil Conservation Commission.

Enclosed are nine (9) Certificates of Approval as per your request.

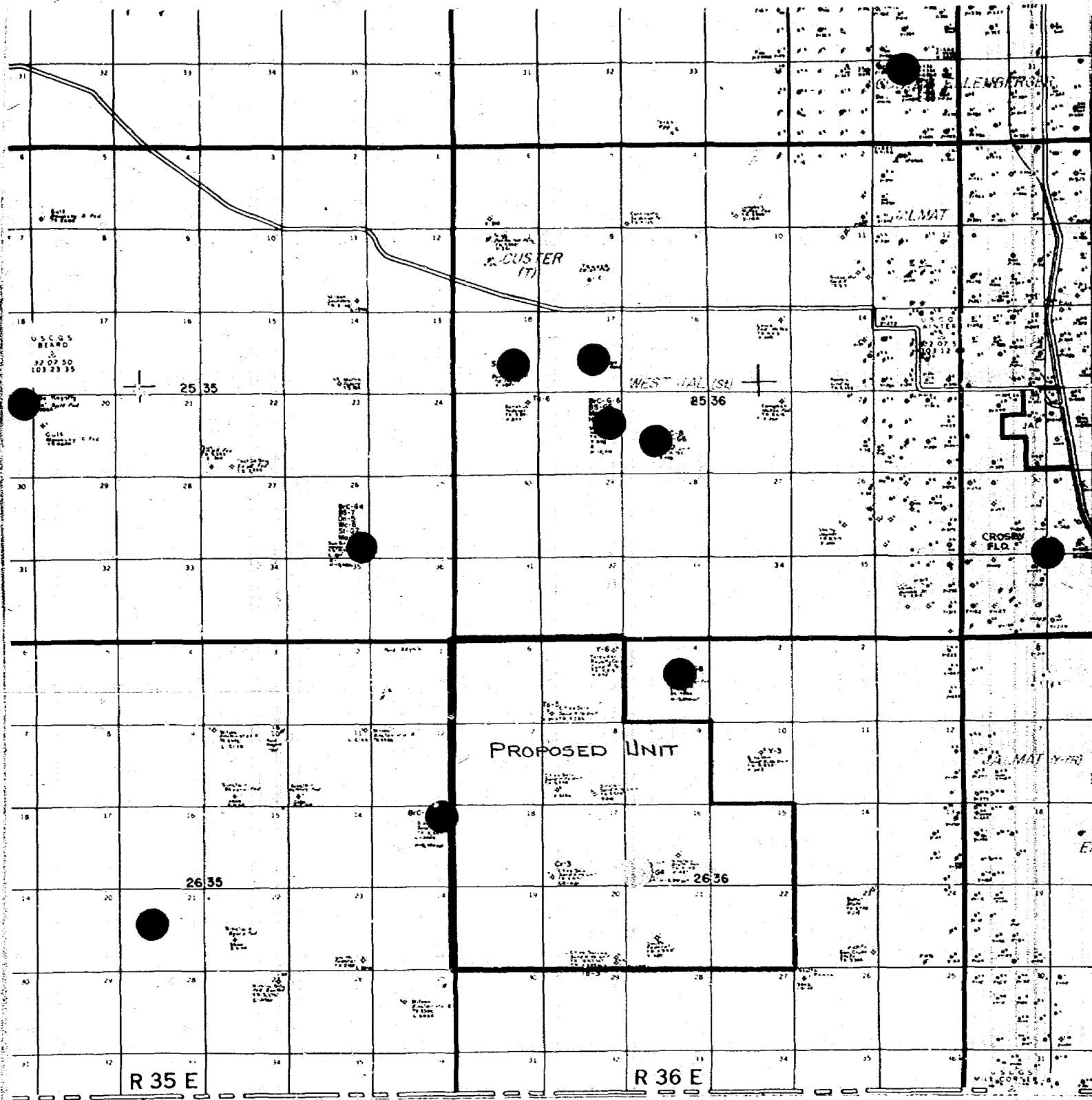
This Unit Agreement is effective upon approval by the United States Geological Survey, therefore, please furnish us a copy of their Certificate of Determination immediately so we may process this unit. We would also like to have another copy of the Unit Agreement as well as one copy of the Operating Agreement.

Very truly yours,

Ted Bilberry, Director
Oil and Gas Department

TB/ML/s
encls.

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



Case 4109

EXHIBIT



HUMBLE OIL AND REFINING COMPANY
SOUTHWESTERN DIVISION
PROPOSED SOUTH LEA UNIT
INDEX AND PENETRATION MAP

LEGEND

BONE SPRING		MORROW	
WOLFCAMP		HUNTON	
STRAWN		ELLENBURGER	
DERRY			

Silvia E. Brown

CLARENCE E. HINKLE
W. E. BONDURANT, JR.
S. B. CHRISTY IV
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR

C. D. MARTIN
PAUL J. KELLY, JR.

LAW OFFICES
HINKLE, BONDURANT & CHRISTY
600 HINKLE BUILDING
ROSWELL, NEW MEXICO 88201

July 21, 1969

25 AM 8 110
'69 JUL 25

MIDLAND, TEXAS OFFICE
521 MIDLAND TOWER
(915) MU 3-4891

TELEPHONE (505) 622-6510
POST OFFICE BOX 10

4109

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

There is enclosed herewith an approved copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area which has heretofore been approved by the Commission. You will note that the unit was approved by both the Commissioner of Public Lands and the U.S.G.S.

Yours very truly,

HINKLE, BONDURANT & CHRISTY

By Clarence E. Hinkle

CEH:cs
Enc.

CERTIFICATION - DETERMINATION

MAILED
'69 JUL 22 AM 8 40

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

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

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

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

DATED JUL 17 1969.

Acting Carl C. Traywick
Regional Oil and Gas Supervisor
United States Geological Survey

Contract Number 14-08-0001-11573

RECEIVED

JUL 7 1969

U.S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

UNIT AGREEMENT
SOUTH LEA UNIT AREA
LEA COUNTY, NEW MEXICO

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JUL 7 1969
U.S. GEOLOGICAL SURVEY
SHELLELL, NEW MEXICO

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

NO. _____

THIS AGREEMENT entered into as of the 21st day of May
1969, by and between the parties subscribing, ratifying or con-
sentsing hereto, and herein referred to as the "parties hereto".

WITNESSETH:

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 opera-
tion 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 agree-
ment 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

1 WHEREAS, the Oil Conservation Commission of the State of
2 New Mexico is authorized by an Act of the Legislature (Article 3,
3 Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this agree-
4 ment and the conservations provisions hereof; and

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

8 WHEREAS, it is the purpose of the parties hereto to conserve
9 natural resources, prevent waste, and secure other benefits obtain-
10 able through development and operation of the area subject to this
11 agreement under the terms, conditions and limitations herein set
12 forth;

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

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

29 2. UNIT AREA. The area specified on the map attached hereto
30 marked Exhibit "A" is hereby designated and recognized as

1 constituting the unit area, containing 8,324.16 acres, more or
2 less.

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

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

28 (a) Unit Operator, on its own motion or on demand of the
29 Director of the Geological Survey, hereinafter referred to as
30 "Director", or on demand of the Commissioner, after preliminary

1 concurrence by the Director and the Commissioner, shall prepare
2 a notice of proposed expansion or contraction describing the
3 contemplated changes in the boundaries of the unit area, the
4 reasons therefor, and the proposed effective date thereof, pre-
5 ferably the first day of a month subsequent to the date of notice.

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

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

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

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

1 longer be a part of the unit area and shall no longer be subject
2 to this agreement, unless diligent drilling operations are in
3 progress on unitized lands not entitled to participation on said
4 fifth anniversary, in which event all such lands shall remain
5 subject hereto so long as such drilling operations are continued
6 diligently with not more than 180 days' time elapsing between the
7 completion of one such well and the commencement of the next such
8 well, provided that such well is projected to a depth of 15,000
9 feet or more, otherwise such drilling operations shall be continued
10 diligently with not more than 90 days' time elapsing between the
11 completion of one well and the commencement of the next well. All
12 legal subdivisions of lands not entitled to be in a participating
13 area within 10 years after the effective date of the first initial
14 participating area approved under this agreement shall be automa-
15 tically eliminated from this agreement as of said tenth anniversary.
16 All lands proved productive by diligent drilling operations after
17 the aforesaid 5-year period shall become participating in the
18 same manner as during said 5-year period. However, when such
19 diligent drilling operations cease, all nonparticipating lands
20 shall be automatically eliminated effective as of the 91st day
21 thereafter. The Unit Operator shall, within 90 days after the
22 effective date of any elimination hereunder, describe the area so
23 eliminated to the satisfaction of the Supervisor and the Commissioner,
24 and promptly notify all parties in interest.

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

1 pating unitized lands with approval of the Director and Com-
2 missioner, provided such extension application is submitted to
3 the Director and Commissioner not later than 60 days prior to
4 the expiration of said 10-year period.

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

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

15 4. UNIT OPERATOR. Humble Oil & Refining Company is hereby
16 designated as Unit Operator and by signature hereto as Unit Operator
17 agrees and consents to accept the duties and obligations of Unit
18 Operator for the discovery, development, and production of unitized
19 substances as herein provided. Whenever reference is made herein
20 to the Unit Operator, such reference means the Unit Operator acting
21 in that capacity and not as an owner of interest in unitized sub-
22 stances, and the term "working interest owner" when used herein
23 shall include or refer to Unit Operator as the owner of a working
24 interest when such an interest is owned by it.

25 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator
26 shall have the right to resign at any time prior to the establish-
27 ment of a participating area or areas hereunder, but such resigna-
28 tion shall not become effective so as to release Unit Operator from
29 the duties and obligations of Unit Operator and terminate Unit
30 Operator's rights as such for a period of 6 months after notice of

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

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

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

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

29 The resignation or removal of Unit Operator under this agree-
30 ment shall not terminate its right, title or interest as the owner

1 herein provided, the Director and Commissioner at their election
2 may declare this unit agreement terminated.

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

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

16 9. DRILLING TO DISCOVERY. Within 6 months after the effective
17 date hereof, the Unit Operator shall begin to drill an adequate
18 test well at a location approved by the Supervisor, if on Federal
19 land, or by the Commissioner if on State land, or by the Commission
20 if on fee land, unless on such effective date a well is being
21 drilled conformably with the terms hereof, and thereafter continue
22 such drilling diligently until the Ellenburger formation has been
23 tested or until at a lesser depth unitized substances shall be dis-
24 covered which can be produced in paying quantities (to-wit: quanti-
25 ties sufficient to repay the costs of drilling, completing, and
26 producing operations, with a reasonable profit) or the Unit Operator
27 shall at any time establish to the satisfaction of the Supervisor
28 if located on Federal lands, or the Commissioner if located on
29 State lands, or the Commission if located on fee lands, that further
30 drilling of said well would be unwarranted or impracticable, provided,

1 however, that Unit Operator shall not in any event be required
2 to drill said well to a depth in excess of 21,500 feet. Until the
3 discovery of a deposit of unitized substances capable of being
4 produced in paying quantities, the Unit Operator shall continue
5 drilling one well at a time, allowing not more than 6 months be-
6 tween the completion of one well and the beginning of the next
7 well, until a well capable of producing unitized substances in
8 paying quantities is completed to the satisfaction of said Super-
9 visor if on Federal land, or the Commissioner if on State land,
10 or the Commission if on fee land, or until it is reasonably proved
11 that the unitized land is incapable of producing unitized substances
12 in paying quantities in the formations drilled hereunder. Nothing
13 in this section shall be deemed to limit the right of the Unit
14 Operator to resign as provided in Section 5 hereof, or as requiring
15 Unit Operator to commence or continue any drilling during the period
16 pending such resignation becoming effective in order to comply with
17 the requirements of this section. The Supervisor and Commissioner
18 may modify the drilling requirements of this section by granting
19 reasonable extensions of time when, in their opinion, such action
20 is warranted. Upon failure to commence any well provided for in
21 this section within the time allowed, including any extension of
22 time granted by the Supervisor and Commissioner, this agreement
23 will automatically terminate; upon failure to continue drilling
24 diligently any well commenced hereunder, the Supervisor and Com-
25 missioner may, after 15 days notice to the Unit Operator, declare
26 this unit agreement terminated.

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

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

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

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

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

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

27 Plans shall be modified or supplemented when necessary to
28 meet changed conditions or to protect the interests of all parties
29 to this agreement. Reasonable diligence shall be exercised in
30 complying with the obligations of the approved plan of development.

1 The Supervisor and Commissioner are authorized to grant a reason-
2 able extension of the 6-month period herein prescribed for sub-
3 mission of an initial plan of development where such action is
4 justified because of unusual conditions or circumstances. After
5 completion hereunder of a well capable of producing any unitized
6 substances in paying quantities, no further wells, except such as
7 may be necessary to afford protection against operations not under
8 this agreement and such as may be specifically approved by the
9 Supervisor and the Commissioner, shall be drilled except in
10 accordance with a plan of development approved as herein provided.

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

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

26 It is the intent of this section that a participating area
27 shall represent the area known or reasonably estimated to be pro-
28 ductive in paying quantities, but, regardless of any revision
29 of the participating area, nothing herein contained shall be con-
30 strued as requiring any retroactive adjustment for production

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

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

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

30 12. ALLOCATION OF PRODUCTION. All unitized substances

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

1 at the time of such final production.

2 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR
3 FORMATIONS. Any party hereto owning or controlling the working
4 interest in any unitized land having thereon a regular well loca-
5 tion may with the approval of the Supervisor as to Federal land,
6 the Commissioner as to State land and the Commission as to pri-
7 vately owned land, at such party's sole risk, cost and expense,
8 drill a well to test any formation for which a participating area
9 has not been established or to test any formation for which a
10 participating area has been established if such location is not
11 within said participating area, unless within 90 days of receipt
12 of notice from said party of his intention to drill the well the
13 Unit Operator elects and commences to drill such a well in like
14 manner as other wells are drilled by the Unit Operator under this
15 agreement.

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

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

1 14. ROYALTY SETTLEMENT. The United States and any State
2 and any royalty owner who is entitled to take in kind a share
3 of the substances now unitized hereunder shall hereafter be
4 entitled to the right to take in kind its share of the unitized
5 substances, and the Unit Operator, or the working interest owner
6 in case of the operation of a well by a working interest owner as
7 herein provided for in special cases, shall make deliveries of
8 such royalty share taken in kind in conformity with the applicable
9 contracts, laws and regulations. Settlement for royalty interest
10 not taken in kind shall be made by working interest owners respon-
11 sible therefor under existing contracts, laws and regulations, or
12 by the Unit Operator, on or before the last day of each month for
13 unitized substances produced during the preceding calendar month;
14 provided, however, that nothing herein contained shall operate to
15 relieve the lessees of any land from their respective lease obli-
16 gations for the payment of any royalties due under their leases.

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

1 right of withdrawal shall terminate on the termination of this
2 unit agreement.

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

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

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

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

29 With respect to any lease on non-Federal land containing pro-
30 visions which would terminate such lease unless drilling operations

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

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

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

17 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,
18 conditions and provisions of all leases, subleases and other con-
19 tracts relating to exploration, drilling, development or operations
20 for oil or gas on lands committed to this agreement are hereby
21 expressly modified and amended to the extent necessary to make
22 the same conform to the provisions hereof, but otherwise to remain
23 in full force and effect; and the parties hereto hereby consent
24 that the Secretary as to Federal leases and the Commissioner as
25 to State leases shall and each by his approval hereof, or by the
26 approval hereof by their duly authorized representatives, do hereby
27 establish, alter, change or revoke the drilling, producing, rental,
28 minimum royalty and royalty requirements of Federal and State
29 leases committed hereto and the regulations in respect thereto
30 to conform said requirements to the provisions of this agreement,

1 and, without limiting the generality of the foregoing, all leases,
2 subleases, and contracts are particularly modified in accordance
3 with the following:

4 (a) The development and operation of lands subject to this
5 agreement under the terms hereof shall be deemed full per-
6 formance of all obligations for development and operation
7 with respect to each and every separately owned tract subject
8 to this agreement, regardless of whether there is any develop-
9 ment of any particular tract of the unit area.

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

16 (c) Suspension of drilling or producing operations on all
17 unitized lands pursuant to direction or consent of the
18 Secretary and Commissioner or their duly authorized repre-
19 sentatives shall be deemed to constitute such suspension
20 pursuant to such direction or consent as to each and every
21 tract of unitized land. A suspension of drilling or producing
22 operations limited to specified lands shall be applicable
23 only to such lands.

24 (d) Each lease, sublease or contract relating to the ex-
25 ploration, drilling, development or operation for oil or
26 gas of lands other than those of the United States or State
27 of New Mexico committed to this agreement, which, by its
28 terms might expire prior to the termination of this agree-
29 ment, is hereby extended beyond any such term so provided
30 therein so that it shall be continued in full force and

1 effect for and during the term of this agreement.

2 (e) Any Federal lease for a fixed term of twenty (20)
3 years or any renewal thereof or any part of such lease
4 which is made subject to this agreement shall continue
5 in force beyond the term provided therein until the ter-
6 mination hereof. Any other Federal lease committed hereto
7 shall continue in force beyond the term so provided therein
8 or by law as to the land committed so long as such lease
9 remains subject hereto, provided that production is had
10 in paying quantities under this unit agreement prior to
11 the expiration date of the term of such lease, or in the
12 event actual drilling operations are commenced on unitized
13 lands, in accordance with the provisions of this agreement,
14 prior to the end of the primary term of such lease and are
15 being diligently prosecuted at that time, such lease shall
16 be extended for two years and so long thereafter as oil or
17 gas is produced in paying quantities in accordance with the
18 provisions of the Mineral Leasing Act Revision of 1960.

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

28 (g) Any lease embracing lands of the State of New Mexico
29 which is made subject to this agreement, shall continue
30 in force beyond the term provided therein as to the lands

1 committed hereto until the termination hereof, subject
2 to the provisions of subsection (e) of Section 2 and
3 subsection (i) of this Section 18.

4 (h) The segregation of any Federal lease committed to
5 this agreement is governed by the following provisions in
6 the fourth paragraph of Sec. 17(j) of the Mineral Leasing
7 Act, as amended by the Act of September 2, 1960 (74 Stat.
8 781-784): "Any (Federal) lease heretofore or hereafter
9 committed to any such (unit) plan embracing lands that
10 are in part within and in part outside of the area covered
11 by any such plan shall be segregated into separate leases
12 as to the lands committed and the lands not committed as
13 of the effective date of unitization: Provided, however,
14 That any such lease as to the nonunitized portion shall
15 continue in force and effect for the term thereof but for
16 not less than two years from the date of such segregation
17 and so long thereafter as oil or gas is produced in paying
18 quantities."

19 (i) Any lease embracing lands of the State of New Mexico
20 having only a portion of its lands committed hereto, shall
21 be segregated as to the portion committed and the portion
22 not committed, and the provisions of such lease shall apply
23 separately to such segregated portions commencing as of the
24 effective date hereof; provided, however, notwithstanding
25 any of the provisions of this agreement to the contrary any
26 lease embracing lands of the State of New Mexico having only
27 a portion of its lands committed hereto shall continue in
28 full force and effect beyond the term provided therein as
29 to all lands embraced in such lease, if oil or gas is dis-
30 covered and is capable of being produced in paying quantities

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

13 (j) Any lease, other than a Federal lease, having only a
14 portion of its lands committed hereto shall be segregated
15 as to the portion committed and the portion not committed,
16 and the provisions of such lease shall apply separately to
17 such segregated portions commencing as of the effective date
18 hereof. In the event any such lease provides for a lump sum
19 rental payment, such payment shall be prorated between the
20 portions so segregated in proportion to the acreage of the
21 respective tracts.

22 19. COVENANTS RUN WITH LAND. The covenants herein shall be
23 construed to be covenants running with the land with respect to
24 the interest of the parties hereto and their successors in interest
25 until this agreement terminates, and any grant, transfer, or con-
26 veyance of interest in land or leases subject hereto shall be and
27 hereby is conditioned upon the assumption of all privileges and
28 obligations hereunder by the grantee, transferee or other successor
29 in interest. No assignment or transfer of any working interest,
30 royalty, or other interest subject hereto shall be binding upon

1 Unit Operator until the first day of the calendar month after
2 Unit Operator is furnished with the original, photostatic, or
3 certified copy of the instrument of transfer.

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

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

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

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

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

1 This agreement may be terminated at any time by not less than
2 75 per centum, on an acreage basis, of the working interest owners
3 signatory hereto, with the approval of the Supervisor and Commis-
4 sioner; notice of any such approval to be given by the Unit
5 Operator to all parties hereto.

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

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

4 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor
5 the working interest owners nor any of them shall be subject to
6 any forfeiture, termination or expiration of any rights hereunder
7 or under any leases or contracts subject hereto, or to any penalty
8 or liability on account of delay or failure in whole or in part
9 to comply with any applicable provision thereof to the extent that
10 the Unit Operator, working interest owners or any of them are hin-
11 dered, delayed or prevented from complying therewith by reason of
12 failure of the Unit Operator to obtain in the exercise of due
13 diligence, the concurrence of proper representatives of the United
14 States and proper representatives of the State of New Mexico in
15 and about any matters or things concerning which it is required
16 herein that such concurrence be obtained. The parties hereto,
17 including the Commission, agree that all powers and authority
18 vested in the Commission in and by any provisions of this agree-
19 ment are vested in the Commission and shall be exercised by it
20 pursuant to the provisions of the laws of the State of New Mexico
21 and subject in any case to appeal or judicial review as may now
22 or hereafter be provided by the laws of the State of New Mexico.

23 23. APPEARANCES. Unit Operator shall, after notice to other
24 parties affected, have the right to appear for and on behalf of
25 any and all interests affected hereby before the Department of the
26 Interior, the Commissioner of Public Lands of the State of New
27 Mexico and the New Mexico Oil Conservation Commission and to appeal
28 from orders issued under the regulations of said Department, the
29 Commission or Commissioner or to apply for relief from any of said
30 regulations or in any proceedings relative to operations before

1 the Department of the Interior, the Commissioner, or Commission,
2 or any other legally constituted authority; provided, however,
3 that any other interested party shall also have the right at his
4 own expense to be heard in any such proceeding.

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

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

22 26. UNAVOIDABLE DELAY. All obligations under this agreement
23 requiring the Unit Operator to commence or continue drilling or to
24 operate on or produce unitized substances from any of the lands
25 covered by this agreement shall be suspended while the Unit Opera-
26 tor, despite the exercise of due care and diligence, is prevented
27 from complying with such obligations, in whole or in part, by
28 strikes, acts of God, Federal, State or municipal law or agencies,
29 unavoidable accidents, uncontrollable delays in transportation,
30 inability to obtain necessary materials in open market, or other

1 matters beyond the reasonable control of the Unit Operator
2 whether similar to matters herein enumerated or not. No unit
3 obligation which is suspended under this section shall become
4 due less than thirty (30) days after it has been determined
5 that the suspension is no longer applicable. Determination of
6 creditable "Unavoidable Delay" time shall be made by the Unit
7 Operator subject to approval of the Supervisor and Commissioner.

8 27. NONDISCRIMINATION. In connection with the performance
9 of work under this agreement, the operator agrees to comply with
10 all of the provisions of section 202 (1) to (7) inclusive of
11 Executive Order 11246 (30 F.R. 12319), which are hereby incor-
12 porated by reference in this agreement.

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

30 Unit Operator as such is relieved from any responsibility for

1 any defect or failure of any title hereunder.

2 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of
3 any substantial interest in a tract within the unit area fails
4 or refuses to subscribe or consent to this agreement, the owner
5 of the working interest in that tract may withdraw said tract
6 from this agreement by written notice delivered to the Supervisor
7 and the Commissioner and the Unit Operator prior to the approval
8 of this agreement by the Supervisor and Commissioner. Any oil
9 or gas interests in lands within the unit area not committed hereto
10 prior to submission of this agreement for final approval may there-
11 after be committed hereto by the owner or owners thereof sub-
12 scribing or consenting to this agreement, and, if the interest
13 is a working interest, by the owner of such interest also sub-
14 scribing to the unit operating agreement. After operations are
15 commenced hereunder, the right of subsequent joinder, as provided
16 in this section, by a working interest owner is subject to such
17 requirements or approvals, if any, pertaining to such joinder,
18 as may be provided for in the unit operating agreement. After
19 final approval hereof, joinder by a non-working interest owner
20 must be consented to in writing by the working interest owner
21 committed hereto and responsible for the payment of any benefits
22 that may accrue hereunder in behalf of such non-working interest.
23 A non-working interest may not be committed to this unit agree-
24 ment unless the corresponding working interest is committed hereto.
25 Joinder to the unit agreement by a working interest owner, at any
26 time, must be accompanied by appropriate joinder to the unit operat-
27 ing agreement, if more than one committed working interest owner
28 is involved, in order for the interest to be regarded as committed
29 to this unit agreement. Except as may otherwise herein be provided,
30 subsequent joinders to this agreement shall be effective as of the

1 first day of the month following the filing with the Supervisor
2 and the Commissioner of duly executed counterparts of all or any
3 papers necessary to establish effective commitment of any tract
4 to this agreement unless objection to such joinder is duly made
5 within 60 days by the Supervisor, provided, however, that as to
6 State lands all subsequent joinders must be approved by the
7 Commissioner.

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

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

24 IN WITNESS WHEREOF, the parties hereto have caused this agree-
25 ment to be executed and have set opposite their respective names
26 the date of execution.

UNIT OPERATOR AND WORKING INTEREST OWNER

Date: June 13, 1969

Address: P. O. Box 1600

Midland, Texas 79701

HUMBLE OIL & REFINING COMPANY

By Bill R. Payne

Agent and Attorney in Fact

Disc. WHL
Accege. WHL
Int. WHL
Form COE
Acctg. -
Prod. WHL
Trade WHL

WORKING INTEREST OWNERS

ATTEST:

Secretary

Date: _____

CITIES SERVICE OIL COMPANY

By _____
President

Address: _____

ATTEST:

Secretary

Date: _____

GULF OIL CORPORATION

By _____
President

Address: _____

ATTEST:

Secretary

Date: _____

REDFERN DEVELOPMENT CORPORATION

By _____
President

Address: _____

ATTEST:

Secretary

Date: _____

SHELL OIL COMPANY

By _____
President

Address: _____

ATTEST:

Secretary

Date: _____

SINCLAIR OIL CORPORATION

By _____
President

Address: _____

ATTEST:

Secretary

Date: _____

SKELLY OIL COMPANY

By _____
President

Address: _____

ATTEST:

Secretary

Date: _____

THE SUPERIOR OIL COMPANY

By _____
President

Address: _____

STATE OF Texas)
 : ss
COUNTY OF Midland)

The foregoing instrument was acknowledged before me this 13th
day of June 1969 by Bill R. Payne,
Agent & Attorney in Fact of Humble Oil & Refining Company, a
Delaware corporation, on behalf of said corporation.

My Commission Expires:
June 1, 1971

Jean A. Jones
Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____
day of _____ 1969 by _____
of Cities Service Oil Company, a Delaware
corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____
day of _____ 1969 by _____,
of Gulf Oil Corporation, a Pennsylvania
corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____
day of _____ 1969 by _____
of Redfern Development Corporation, a
corporation, on behalf of said corporation.

My Commission Expires:

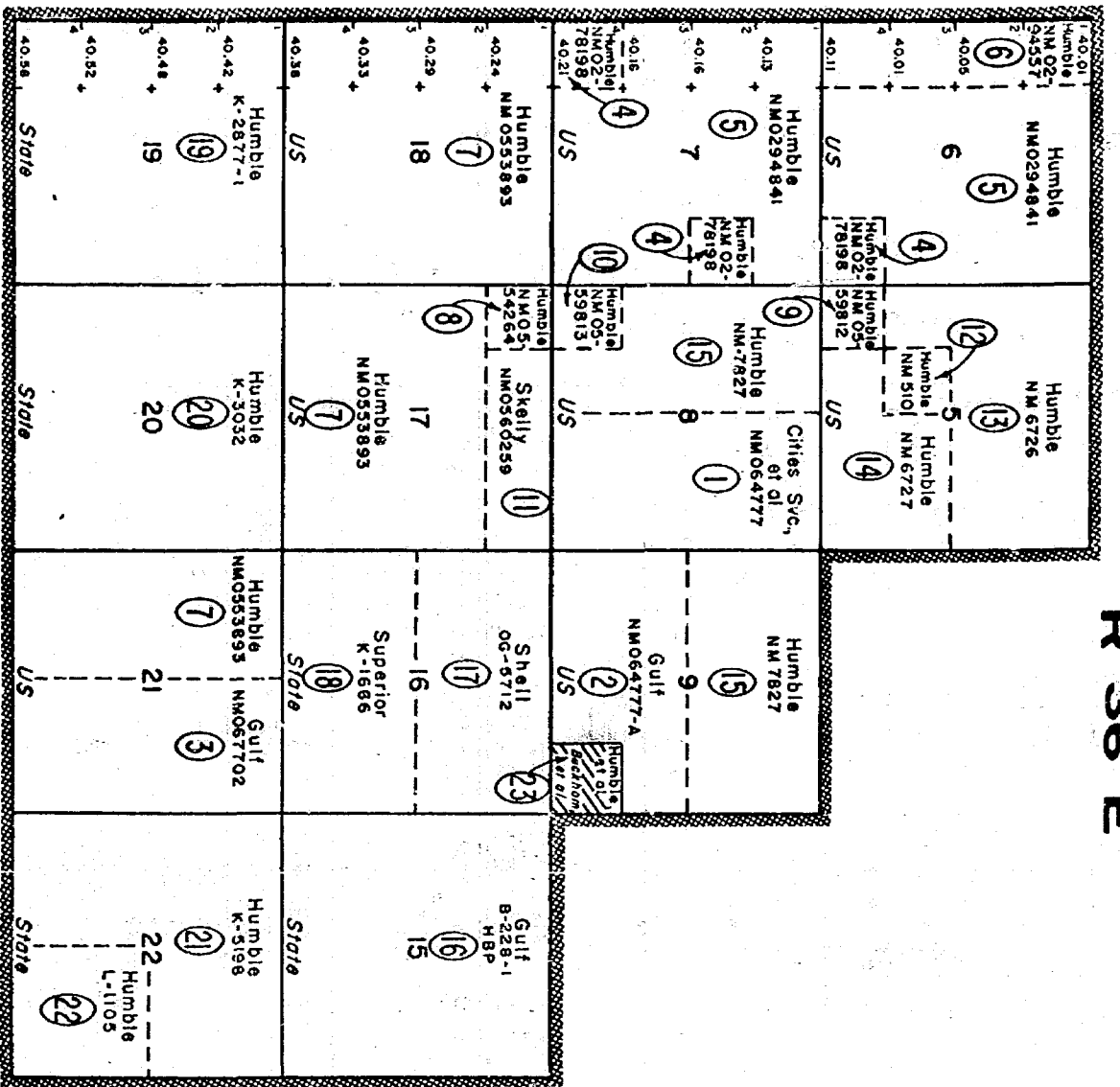
Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____
day of _____ 1969 by _____
of Shell Oil Company, a Delaware corporation,
on behalf of said corporation.

My Commission Expires:

Notary Public



T
26
S

SOUTH LEA UNIT AREA
LEA COUNTY, NEW MEXICO
EXHIBIT "A"

RECEIVED
JUL 7 1969
U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

- Unit outline
- Tract number
- Federal lands 5,082.16 acres
61.05 % of unit area
- State land 3,202.00 acres
38.47 % of unit area
- Fee land 40.00 acres
0.48 % of unit area

Total number of acres: 8,324.16

EXHIBIT "B" - SOUTH LEA AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
FEDERAL LANDS:							
1	T-26-S, R-36-E: Sec. 8: E $\frac{1}{2}$	320.00	NM 064777 8-31-70	U. S. A11	Cities Service Oil Company--50% Sinclair Oil Corporation--49.155% Redfern Development Corporation--.845%	Marcel Livaudais, Jr. \$650.00 per acre out of 5%	ABOVE 13,605: Cities Service Oil Company - 50% Sinclair Oil Corporation - 49.155% Redfern Development Corporation - .845% BELOW 13,605: Cities Service Oil Company - A11
2	T-26-S, R-36-E: Sec. 9: SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$	280.00	NM 064777-A 8-31-70	U. S. A11	Gulf Oil Corporation	Marcel Livaudais, Jr. \$500.00 per acre out of 5%	Gulf Oil Corporation A11
3	T-26-S, R-36-E: Sec. 21: E $\frac{1}{2}$	320.00	NM 067702 1-31-71	U. S. A11	Gulf Oil Corporation	Wilma Donohue MoJeen - 20% : Ruby B. Donohue ----- 27 $\frac{1}{2}$ % : Wilma Elliott Donohue- 27 $\frac{1}{2}$ % : Michael S. Shearn ---- 25% : of \$600.00 per acre out of 5% to \$480,000.00	Gulf Oil Corporation A11
4	T-26-S, R-36-E: Sec. 6: SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 7: SE $\frac{1}{2}$ NE $\frac{1}{4}$, Lot 4	120.21	NM 0278198 6-30-72	U. S. A11	Humble Oil & Refining Company	D. E. Kester Estate - 3%	Humble Oil & Refining Company - A11
5	T-26-S, R-36-E: Sec. 6: NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ N $\frac{1}{2}$ Sec. 7: Lots 1, 2, 3, E $\frac{1}{2}$ N $\frac{1}{2}$, W $\frac{1}{2}$ E $\frac{1}{2}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$	1,000.47	NM 0294841 7-31-72	U. S. A11	Humble Oil & Refining Company	J. Hiram Moore Herbert E. Doolittle Sams Oil Corporation of 5%	229/320: 11/320: 80/320: Humble Oil & Refining Company - A11

EXHIBIT "B" - SOUTH LEA AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
6	T-26-S, R-36-E: Sec. 6: Lots 1, 2, 3, 4	160.24	NM 0294557 8-31-72	U. S. A11	Humble Oil & Refining Company	Edward G. Gee - 4%	Humble Oil & Refining Company - A11
7	T-26-S, R-36-E: Sec. 17: S $\frac{1}{2}$, S $\frac{1}{4}$ N $\frac{1}{2}$ Sec. 18: Lots 1, 2, 3, 4, E $\frac{1}{2}$ N $\frac{1}{2}$, E $\frac{1}{2}$ Sec. 21: W $\frac{1}{2}$	1,441.24	NM 0553893 7-31-72	U. S. A11	Humble Oil & Refining Company	Same as Tract No. 5	Humble Oil & Refining Company - A11
8	T-26-S, R-36-E: Sec. 17: NW $\frac{1}{4}$ N $\frac{1}{2}$ W $\frac{1}{2}$	40.00	NM 0554264 6-30-74	U. S. A11	Humble Oil & Refining Company	J. Hiram Moore - 5%	Humble Oil & Refining Company - A11
9	T-26-S, R-36-E: Sec. 5: SW $\frac{1}{4}$ S $\frac{1}{2}$ W $\frac{1}{2}$	40.00	NM 0559812 4-30-76	U. S. A11	Humble Oil & Refining Company	Alfred D. Heeley - 3%	Humble Oil & Refining Company - A11
10	T-26-S, R-36-E: Sec. 8: SW $\frac{1}{4}$ S $\frac{1}{2}$ W $\frac{1}{2}$	40.00	NM 0559813 4-30-76	U. S. A11	Humble Oil & Refining Company	Lucy M. English and Ernest A. Hanson - 5%	Humble Oil & Refining Company - A11
11	T-26-S, R-36-E: Sec. 17: NE $\frac{1}{4}$ N $\frac{1}{2}$ W $\frac{1}{2}$, NW $\frac{1}{4}$ NE $\frac{1}{2}$	120.00	NM 0560259 6-30-76	U. S. A11	Skelly Oil Company	Albert Barnes Zink and Jack J. Grynberg - 5%	Skelly Oil Company - A11
12	T-26-S, R-36-E: Sec. 5: NE $\frac{1}{4}$ S $\frac{1}{2}$ W $\frac{1}{2}$	40.00	NM 510 9-30-76	U. S. A11	Humble Oil & Refining Company	Betty Heiskell - 3%	Humble Oil & Refining Company - A11
13	T-26-S, R-36-E: Sec. 5: N $\frac{1}{2}$, NW $\frac{1}{4}$ S $\frac{1}{2}$ W $\frac{1}{2}$	360.00	NM 6726 6-30-78	U. S. A11	Humble Oil & Refining Company	Central Southwest Oil Corporation - 4% Charlie Bussell - 1%	Humble Oil & Refining Company - A11
14	T-26-S, R-36-E: Sec. 5: SE $\frac{1}{4}$, SE $\frac{1}{2}$ S $\frac{1}{2}$ W $\frac{1}{2}$	200.00	NM 6727 6-30-78	U. S. A11	Humble Oil & Refining Company	A. Tishman - \$750.00 per acre out of 5%	Humble Oil & Refining Company - A11
15	T-26-S, R-36-E: Sec. 8: W $\frac{1}{2}$ N $\frac{1}{2}$ W $\frac{1}{2}$, NW $\frac{1}{4}$ S $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ N $\frac{1}{2}$ W $\frac{1}{2}$ Sec. 9: N $\frac{1}{2}$	600.00	NM 7827 9-30-78	U. S. A11	Humble Oil & Refining Company	Tom B. Boston - 5%	Humble Oil & Refining Company - A11

TOTAL: 15 Tracts Federal Land - 5,082.16, 61.05% of the Unit Area

EXHIBIT "B" - SOUTH LEA AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
STATE LANDS:							
16	T-26-S, R-36-E: Sec. 15: A11	640.00	B-228-1 HBP	State A11	Gulf Oil Corporation	None	Gulf Oil Corporation: A11
17	T-26-S, R-36-E: Sec. 16: N½	320.00	06-5712 7-21-69	State A11	Shell Oil Company	None	Shell Oil Company - A11
18	T-26-S, R-36-E: Sec. 16: S½	320.00	K-1686 8-15-71	State A11	The Superior Oil Company	None	The Superior Oil Company - A11
19	T-26-S, R-36-E: Sec. 19: Lots 1, 2, 3, 4 E½M½, E½	642.00	K-2877-1 11-20-72	State A11	Humble Oil & Refining Company	None	Humble Oil & Refining Company - A11
20	T-26-S, R-36-E: Sec. 20: A11	640.00	K-3032 1-15-73	State A11	Humble Oil & Refining Company	None	Humble Oil & Refining Company - A11
21	T-26-S, R-36-E: Sec. 22: N½, SW¼	480.00	K-5198 8-17-75	State A11	Humble Oil & Refining Company	None	Humble Oil & Refining Company - A11
22	T-26-S, R-36-E: Sec. 22: SE¼	160.00	L-1105 8-20-78	State A11	Humble Oil & Refining Company	None	Humble Oil & Refining Company - A11
TOTAL: 7 Tracts State Land -		3,202.00,	38.47% of the Unit Area				

EXHIBIT "B" - SOUTH LEA AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
<u>FEE LANDS:</u>							
23	<u>T-26-S, R-36-E:</u> <u>Sec. 9: SE$\frac{1}{4}$SE$\frac{1}{4}$</u>	40.00	1-2-74	David C. Smith III-6.25%(of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company- All
			1-2-74	Lucy J. Smith-6.25% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company- All
			1-1-74	Frank Anthony-5.36% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company- All
			3-1-73	C. H. Lewis-12.50% (of 12.5%)	Humble Oil & Refining Company	Redfern Development Corporation-6.25%(of 12.50%)	Humble Oil & Refining Company- All
			2-6-74	Foster Petroleum Company-8.33% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company- All
			1-31-74	Ethel Mitchell Robinson-1.78% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company- All
			4-10-74	General Crude Oil Company-8.93% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company- All
			10-23-69	Cities Service Oil Company-8.33% (of 18.75%)	Sinclair Oil Corporation Redfern Development Corporation	None	ABOVE 13,605' Sinclair Oil Corporation-98.33% Redfern Development Corporation-1.69% BELOW 13,605' Cities Service Oil Company-All (un-leased Mineral Interest)

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
23	Continued -----		5-2-74	Jewell Beckham-4.91% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company
			5-2-74	Billly Joe Beckham-7.37% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company
			5-2-74	Earnell Beckham Young-7.37% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company
				*Cities Service Oil Company-8.33%			
				*Howell Spear-0.36%			
				*Western Reserves Oil Company-1.43%			
				*Mobil Oil Corporation-12.50%			
				*Unleased			

TOTAL: 1 Tract Fee Lands ~ 40.00, 0.48% of the Unit Area

TOTAL: 23 Tracts comprising 8,324.16 acres in Unit Area

CONSENT AND RATIFICATION
SOUTH LEA UNIT AND UNIT OPERATING AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, and also a copy of the Unit Operating Agreement for said unit area, both of which are dated May 21, 1969, and further acknowledges that the undersigned is familiar with the terms and conditions thereof. The undersigned, being the owner of certain leasehold or other interests in the lands or minerals embraced in said unit area as set forth on the schedule attached to said Unit Agreement as Exhibit "B" does hereby commit all of its said interest to the South Lea Unit Agreement and does hereby consent to said Unit Agreement and the Unit Operating Agreement and ratifies all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement, or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth opposite its signature.

DATE: June 23, 1969
ADDRESS: Cities Service Building
Bartlesville, Oklahoma 74003

CITIES SERVICE OIL COMPANY

By Sam W. Franklin
Sam W. Franklin - Attorney-in-Fact

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, by _____

My Commission Expires: _____

NOTARY PUBLIC IN AND FOR SAID COUNTY
AND STATE

STATE OF Oklahoma
COUNTY OF Washington

The foregoing instrument was acknowledged before me this 23rd day of June, 1969, by SAM W. FRANKLIN,
ATTORNEY-IN-FACT of CITIES SERVICE OIL COMPANY, a
Delaware Corporation, on behalf of said Corporation.

My Commission Expires: _____

DORA M. WEEDMAN
Washington County, State of Oklahoma
My Commission Expires: February 9, 1973

Dora M. Weedman
NOTARY PUBLIC IN AND FOR SAID COUNTY
AND STATE

RECEIVED
JUL 7 1969
U.S. GEOLOGICAL SURVEY
WATER RESOURCES DIVISION

RATIFICATION AND JOINDER OF GULF OIL CORPORATION
(PARTIAL)

SOUTH LEA UNIT AND UNIT OPERATING AGREEMENTS
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

GULF OIL CORPORATION, the undersigned, hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, and also a copy of the Unit Operating Agreement for said Unit Area, both of which are dated May 21, 1969, and further acknowledges that the undersigned is familiar with the terms and conditions thereof.

The undersigned, being the owner of certain leasehold or other interests in the lands or minerals embraced in said Unit Area, as set forth on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit Tracts 2 and 3 of its said interest to the South Lea Unit Agreement and does hereby consent to said Unit Agreement and the Unit Operating Agreement, and ratifies all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement or a counterpart thereof, as to Tracts 2 and 3.

Notwithstanding anything to the contrary, however, Gulf Oil Corporation hereby specifically does not commit any of its interest in Tract 16 (Section 15, T-26-S, R-36-E, Lea County, New Mexico) to the South Lea Unit.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth below.

GULF OIL CORPORATION

ATTEST:

[Signature]
Assistant Secretary

BY [Signature]
Attorney in Fact

DATE 6-24-69

STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 24th day of June, 1969, by T. W. Kidd, Attorney in Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:

10-8-69

[Signature]
Notary Public

RECEIVED

JUL 7 1969

ASSISTANT SECRETARY

CONSENT AND RATIFICATION
SOUTH LEA UNIT AND UNIT OPERATING AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, and also a copy of the Unit Operating Agreement for said unit area, both of which are dated May 21, 1969, and further acknowledges that the undersigned is familiar with the terms and conditions thereof. The undersigned, being the owner of certain leasehold or other interests in the lands or minerals embraced in said unit area as set forth on the schedule attached to said Unit Agreement as Exhibit "B" does hereby commit all of its said interest to the South Lea Unit Agreement and does hereby consent to said Unit Agreement and the Unit Operating Agreement and ratifies all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement, or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth opposite its signature.

DATE: June 25, 1969
ADDRESS: Oil Center Building
Tulsa, Oklahoma 74119

for SKELLY OIL COMPANY
By: Judd H. Oualline
JUDD H. OUALLINE Attorney in Fact

STATE OF OKLAHOMA X
COUNTY OF TULSA X

The foregoing instrument was acknowledged before me this 25th day of June, 1969, by Judd H. Oualline, as attorney in fact on behalf of SKELLY OIL COMPANY, a Delaware corporation.

My Commission Expires:
HESTER A. ROMINE
Notary Public, Tulsa County, Oklahoma
My Commission Expires July 27, 1970

Hester A. Romine
NOTARY PUBLIC IN AND FOR SAID COUNTY
AND STATE

STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, by _____ of _____, a _____ Corporation, on behalf of said Corporation.

My Commission Expires:

NOTARY PUBLIC IN AND FOR SAID COUNTY
AND STATE

RECORDED
JUN 27 1969

CONSENT AND RATIFICATION
SOUTH LEA UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS
Both: 420 Walnut Street
New Orleans, La. 70118

SIGNATURE
Marcel Livaudais
MARCEL LIVAUDAIS, JR.
Carol B. Livaudais
CAROL B. LIVAUDAIS

STATE OF Louisiana)
PARISH :
~~COUXX~~ OF Orleans)

The foregoing instrument was acknowledged before me this 18th day of June, 1969, by Marcel Livaudais, Jr. and wife, Carol B. Livaudais

Carol B. Livaudais
(Notary Public in and for
Parish
~~COUXX~~, Louisiana

My Commission Expires: At Death Orleans

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County, _____

RECEIVED
JUL 7 1969
U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

CONSENT AND RATIFICATION

SOUTH LEA UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

P. O. Drawer 1372
El Paso, Texas 79948

Wilma Donohue Moleen

STATE OF Texas)
COUNTY OF El Paso)

The foregoing instrument was acknowledged before me this 26th day of May, 1969, by Wilma Donohue Moleen

WILMA MOLEEN, Notary Public
in and for the County of El Paso, Texas
My Commission Expires: June 1, 1969

Oliver Holguin
Notary Public in and for
El Paso County, Texas

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for
My Commission Expires: _____ County, _____

RECEIVED
JUL 7 1969
COUNTY CLERK'S OFFICE
LEA COUNTY, NEW MEXICO

CONSENT AND RATIFICATION

SOUTH LEA UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

3840 Ave. General Ave.
El Paso Texas 79902

Ruby B. Donohue

STATE OF Texas)

COUNTY OF El Paso)

The foregoing instrument was acknowledged before me this 26th day of May, 1969, by Ruby B. Donohue

OTILIA HOLGUN, Notary Public
in and for the County of El Paso, Texas
My Commission Expires: June 1, 1969

Otilia Holgun
Notary Public in and for
El Paso County, Texas

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County, _____

RECORDED
JUN 1 1969
EL PASO COUNTY, TEXAS

CONSENT AND RATIFICATION
SOUTH LEA UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS
P. O. Drawer 1372
El Paso, Texas 79948

SIGNATURE
Wilma Donohue Moleen
Independent Executrix of the
Estate of Wilma Elliott Donohue

STATE OF Texas)
COUNTY OF El Paso)

The foregoing instrument was acknowledged before me this 26th day of May, 1969, by Wilma Donohue Moleen, Independent Executrix of the Estate of Wilma Elliott Donohue

OTILIA HOLTZMAN, Notary Public
in and for the County of El Paso, Texas
My Commission Expires: June 1, 1971

Otilia Holtzman
Notary Public in and for

My Commission Expires: June 1, 1971 El Paso County, Texas

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County, _____

[Faint notary seal and text]

CONSENT AND RATIFICATION

SOUTH LEA UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

3101 FOOT BLVD

Michael Shearn

EL PASO, TEXAS 79930

STATE OF TEXAS)

COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me this 28 day of MAY, 1969, by MICHAEL S. SHEARN

Nancy A. Mathis

Notary Public in and for

My Commission Expires: June 1, 1969

NANCY A. MATHIS, Notary Public
In and for El Paso County, Texas
My commission expires June 1, 1969

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____

County, _____

RECEIVED

JUL 7 1969

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

CONSENT AND RATIFICATION
SOUTH LEA UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

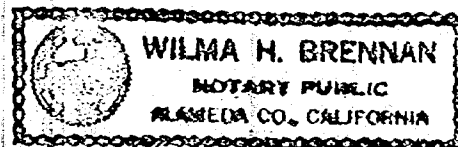
ADDRESS

SIGNATURE

Executrix Estate of D. E. Kester, Deceased

Mattie Lou Kester

STATE OF CALIFORNIA)
COUNTY OF ALAMEDA)



The foregoing instrument was acknowledged before me this 26 day of May, 1969, by Mattie Lou Kester, Executrix Estate of D. E. Kester, deceased

Wilma H. Brennan
Notary Public in and for

My Commission Expires: _____

Alameda County, My Commission Expires April 22, 1970

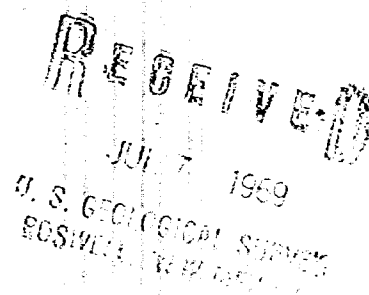
STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969,

Notary Public in and for

My Commission Expires: _____

_____ County, _____



CONSENT AND RATIFICATION
SOUTH LEA UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS	SIGNATURE
<u>Box 1733, Midland, Texas</u>	<u>J. Hiram Moore</u>
_____	<u>Betty Moore</u>

STATE OF TEXAS)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 13th day of June, 1969, by J. Hiram Moore and wife, Betty Moore

[Signature]
Notary Public in and for

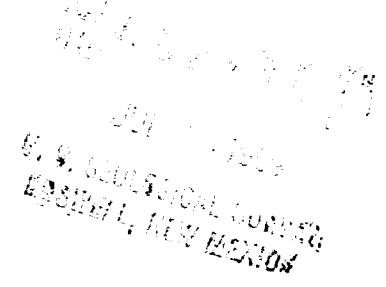
My Commission Expires: 6-1-71 Midland County, Texas

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County, _____



CONSENT AND RATIFICATION

SOUTH LEA UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

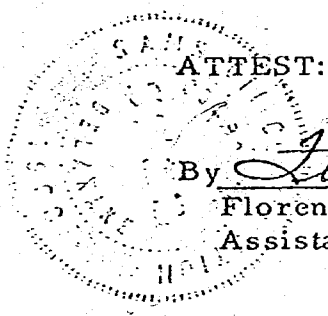
The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

SAMS OIL CORPORATION

By P. D. Sams
P. D. Sams, President



By Florence Anderson
Florence Anderson,
Assistant Secretary

Address:
P. O. Box 928
Midland, Texas 79701

APPROVED
JFB _____
MCV _____
HLG. <u>HLG</u>
RRR _____

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 11th day of June, 1969, by P. D. SAMS, President of SAMS OIL CORPORATION, a Delaware corporation, on behalf of said corporation.



Dorothy Oswald
Notary Public

My Commission Expires:

June 1, 1971

CONSENT AND RATIFICATION

SOUTH LEA UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS	SIGNATURE
10537 South Vermont Avenue, Los Angeles, California 90044	<i>Edward G. Gee</i>
10537 South Vermont Avenue, Los Angeles, California 90044	<i>Mary W. Gee</i>

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES)

The foregoing instrument was acknowledged before me this 5th day of June, 1969, by Edward G. Gee and wife, Mary W. Gee

George J. King
Notary Public in and for

My Commission Expires: Jan. 7, 1970 Los Angeles County, California

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES)

The foregoing instrument was acknowledged before me this 5th day of June, 1969, by Mary W. Gee

George J. King
Notary Public in and for

My Commission Expires: Jan. 7, 1970 Los Angeles County, California

RECEIVED
JUL 7 1969

U. S. GEOLOGICAL SURVEY
RECORDS

CONSENT AND RATIFICATION
SOUTH LEA UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

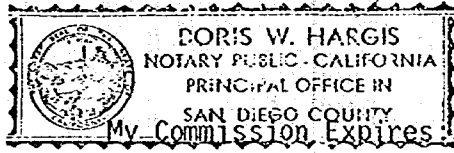
The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS	SIGNATURE
<u>6262 Beadnell Way - Apt 1-R</u>	<u><i>Alfred L. Hedley</i></u>
<u>San Diego, Ca. 92117</u>	<u><i>Jane Hedley</i></u>

STATE OF California)
COUNTY OF San Diego)

The foregoing instrument was acknowledged before me this 6th day of June, 1969, by Alfred L. Hedley and Jane Hedley.



Doris W. Hargis
Notary Public in and for

San Diego County, Calif

DORIS W. HARGIS
My Commission Expires June 14, 1974

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County: _____

RECEIVED
JUL 7 1969
U. S. GEOLOGICAL SURVEY
BOSWELL, NEW MEXICO

CONSENT AND RATIFICATION
SOUTH LEA UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS	SIGNATURE
<u>7077 Union-Russell, Roswell, N.M. 88201</u>	<u>Lucy M. English</u>
<u>7077 Union-Russell, 7077 88201</u>	<u>Lawrence English</u>

STATE OF New Mexico)
COUNTY OF Chaves)

The foregoing instrument was acknowledged before me this 26th day of May, 1969, by Lawrence English and his wife, Lucy M. English

James L. McHenry
Notary Public in and for

My Commission Expires: 3/29/71 Chaves County, New Mexico

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County, _____

5
JUL 1 1969
S. G. GEORGE
ROSWELL, N. M.

CONSENT AND RATIFICATION
SOUTH LEA UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS	SIGNATURE
<u>P. O. Box 1515, Roswell, N.M. 88201</u>	<u><i>Beulah Irene Hanson</i></u>
<u>P. O. Box 1515, Roswell, N.M. 88201</u>	<u><i>Ernest A. Hanson</i></u>

STATE OF NEW MEXICO)
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 26th day of May, 1969, by Ernest A. Hanson and his wife, Beulah Irene Hanson

Hubert Lee McElroy
Notary Public in and for

My Commission Expires: 3/29/71 Chaves County, New Mexico

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County, _____

RECEIVED
JUL 7 1969
U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

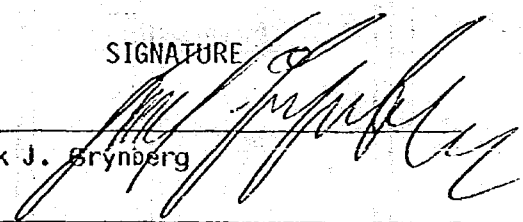
CONSENT AND RATIFICATION
SOUTH LEA UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

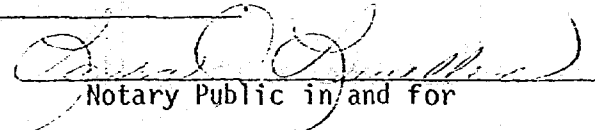
IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ADDRESS
750 Petroleum Club Building
Denver, Colorado 80202

SIGNATURE

Jack J. Grynberg

STATE OF COLORADO)
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 27th day of May, 1969, by Jack J. Grynberg, husband of Celeste C. Grynberg


Notary Public in and for

My Commission Expires: 1-22-73 Denver County, Colorado

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County, _____

RECEIVED
JUL 7 1969
U. S. GEOLOGICAL SURVEY
DUNSMITH, NEW MEXICO

CONSENT AND RATIFICATION

SOUTH LEA UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

X Celeste C. Grynberg
Celeste C. Grynberg
750 Petroleum Club Building
Denver, Colorado 80202

STATE OF COLORADO)

COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 3rd day of June, 1969, by Celeste C. Grynberg, wife of Jack J. Grynberg

[Signature]
Notary Public in and for

My Commission Expires: 1-22-73 Denver County, Colorado

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County, _____

[Faint notary seal and stamp]

CONSENT AND RATIFICATION
SOUTH LEA UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS	SIGNATURE
<u>3076 Huntington Ave.</u> <u>Columbus Ohio 43207</u>	<u>Betty Heiskell</u>

STATE OF Ohio
COUNTY OF Franklin

The foregoing instrument was acknowledged before me this 25 day of May, 1969, by Betty Heiskell

DAVID ROBERT HAAS
Notary Public, Franklin County, Ohio
My Commission Expires Dec. 14, 1972

David Robert Haas
Notary Public in and for

My Commission Expires: 12-14-72 Franklin County, Ohio

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County, _____

CONSENT AND RATIFICATION

SOUTH LEA UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ATTEST:

Mrs. Wanda S. Minter
ADDRESS Secretary

1516 S. Madeline

1516 S. Madeline

CENTRAL SOUTHWEST OIL CORPORATION

SIGNATURE
By Thomas Allen
President

STATE OF NEW MEXICO)

COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 28th day of May, 1969, by Thomas Allen and Jerune Allen, his wife

Carol Jensen
Notary Public in and for

My Commission Expires: 5-17-73 Chaves County, New Mexico

STATE OF NEW MEXICO)

COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 28th day of May, 1969, by Thomas Allen, President of Central Southwest Oil Corporation, a New Mexico corporation, on behalf of said corporation.

Doris L. Roberts
Notary Public in and for

My Commission Expires: April 1, 1970 Chaves County, New Mexico

RECEIVED
JUL 7 1969
U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

CONSENT AND RATIFICATION

SOUTH LEA UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

Box 894
1105 N. Wall
Farmington N.M. 87401

Charlie Russell
Mavis Russell

STATE OF NEW MEXICO)
COUNTY OF SAN JUAN)

The foregoing instrument was acknowledged before me this 4th day of June, 1969, by Charlie Russell and Mavis Russell.

James L. Wagoner
Notary Public in and for

My Commission Expires: 2-9-71 SAN JUAN County, N.M.

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County, _____

RECEIVED
JUL 7 1969
U.S. GEOLOGICAL SURVEY
POSWELL, N.M.

CONSENT AND RATIFICATION
 SOUTH LEA UNIT AGREEMENT
 LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS	SIGNATURE
<u>Alan V. Tishman</u> 666 5th Ave New York, N.Y. 10019	<u>Alan V. Tishman</u>
	<u>Margaret W. Tishman</u>

STATE OF NEW YORK)
 COUNTY OF NEW YORK)

The foregoing instrument was acknowledged before me this 27th day of MAY, 1969, by Alan V. Tishman and wife, Margaret W. Tishman

Goldie Mester
 Notary Public in and for GOLDIE MESTER
 Notary Public, State of New York
 No. 31-7913300
 Qualified in New York County
 Commission Expires March 30, 1970

My Commission Expires: _____

County, _____

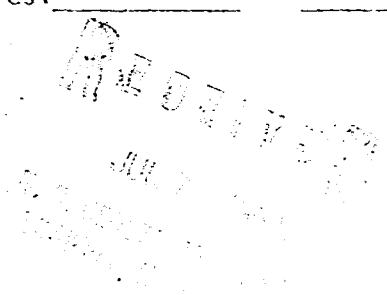
STATE OF _____)
 COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

 Notary Public in and for _____

My Commission Expires: _____

County, _____



CONSENT AND RATIFICATION

SOUTH LEA UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

P. O. Box 19137
Dallas, Texas 75219

SIGNATURE

Tom B. Boston

Tom B. Boston

STATE OF Texas)
COUNTY OF Dallas)

The foregoing instrument was acknowledged before me this 23rd day of May, 1969, by Tom B. Boston.

Monte Draeger
Notary Public in and for

My Commission Expires: 6/1/69 Dallas County, Texas

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County, _____



CONSENT AND RATIFICATION

SOUTH LEA UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

Aurora Hotel apt

[Signature]

San Antonio Texas
78212

M. P. Lewis

STATE OF Texas)

COUNTY OF Kendall)

The foregoing instrument was acknowledged before me this 2nd day of June, 1969, by C. H. Lewis and wife, M. P. Lewis

[Signature]
Notary Public in and for

My Commission Expires: 6/1/71 Kendall County, Texas

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County, _____

RECEIVED
JUL 7 1969
U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

CONSENT AND RATIFICATION

SOUTH LEA UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof. This Ratification is limited to our overriding interest in Tract Number 23 only.

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

ADDRESS
ATTEST:
Tom E. Johnson, Assist. Secretary

SIGNATURE
REDFERN DEVELOPMENT CORPORATION
By: John J. Redfern, Jr., President

Address: P. O. Box 1747
Midland, Texas 79701

STATE OF Texas
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 20th day of June, 1969, by John J. Redfern, Jr., President of Redfern Development Corporation, a Delaware corporation, on behalf of said Corporation

J. R. MARCHELL - Notary Public
Midland County, Texas
My Commission Expires

J. R. Marchell
Notary Public in and for

My Commission Expires: 6-1-71 Midland County, Texas

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County, _____

RECEIVED
JUL 7 1969
D. S. GEOLOGICAL SURVEY
EBSWELL, NEW MEXICO

CONSENT AND RATIFICATION
SOUTH LEA UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS	SIGNATURE
P. O. Box 729	FOSTER PETROLEUM CORPORATION
Bartlesville, Oklahoma 74003	By: <i>Charles F. Decker</i> Charles F. Decker - President
STATE OF <u>OKLAHOMA</u>)	ATTEST:
COUNTY OF <u>WASHINGTON</u>)	<i>L. Taylor</i> Secretary
The foregoing instrument was acknowledged before me this <u>4th</u>	
day of <u>June</u> , 1969, by <u>Charles F. Decker - President</u>	<i>Joe Ryland</i> Notary Public in and for
My Commission Expires: <u>April 17, 1970</u>	<u>Washington</u> County, <u>Oklahoma</u>
STATE OF _____)	
COUNTY OF _____)	
The foregoing instrument was acknowledged before me this _____	
day of _____, 1969, _____	Notary Public in and for
My Commission Expires: _____	County, _____

RECEIVED

JUL 7 1969

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

CONSENT AND RATIFICATION

SOUTH LEA UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 21st day of May, 1969, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the South Lea Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ADDRESS

SIGNATURE

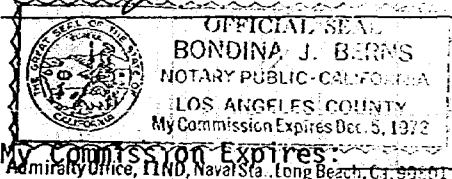
6257 Garden Sands Drive

Ethel M. Robinson

Long Beach, California 90803

STATE OF California
COUNTY OF Los Angeles

The foregoing instrument was acknowledged before me this 4th day of June, 1969, by Ethel M. Robinson



J. Berns
Notary Public in and for

My Commission Expires: _____ County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, _____

Notary Public in and for

My Commission Expires: _____ County, _____

RECEIVED

JUL 7 1969

U. S. GEOLOGICAL SURVEY
SOSWELL, NEW MEXICO

CONSENT AND RATIFICATION

SOUTH LEA UNIT AND UNIT OPERATING AGREEMENT

EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the South Lea Unit Area embracing lands situated in Lea County, New Mexico, and also a copy of the Unit Operating Agreement for said unit area, both of which are dated May 21, 1969, and further acknowledges that the undersigned is familiar with the terms and conditions thereof. The undersigned, being the owner of certain leasehold or other interests in the lands or minerals embraced in said unit area as set forth on the schedule attached to said Unit Agreement as Exhibit "B" does hereby commit all of its said interest to the South Lea Unit Agreement and does hereby consent to said Unit Agreement and the Unit Operating Agreement and ratifies all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement, or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth opposite its signature.

DATE: JUL 14 1969

THE SUPERIOR OIL COMPANY

ADDRESS: Mustang, Texas

J. L. Norman
Vice-President

STATE OF _____

R. T. Ross
Notary Secretary

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1969, by _____.

My Commission Expires: _____

NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE

STATE OF Texas

COUNTY OF Lewis

The foregoing instrument was acknowledged before me this 14 day of July, 1969, by J. L. Norman, Vice-President of THE SUPERIOR OIL COMPANY, a Corporation, on behalf of said Corporation.

My Commission Expires: _____

Corinne Stubb
NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE

Notary Public in and for Lewis County, Texas
My Commission Expires June 1, 1971.

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. 4109
Order No. R-3740

APPLICATION OF HUMBLE OIL & REFINING
COMPANY FOR APPROVAL OF THE SOUTH LEA
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 23, 1969,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 28th day of April, 1969, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Humble Oil & Refining Company, seeks
approval of the South Lea Unit Agreement covering 8,324.16 acres,
more or less, of State, Federal, and Fee Lands described as
follows:

Lea County, New Mexico
TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Sections 5 through 9: All
Sections 15 through 22: All

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

RECEIVED

-2-

CASE No. 4109
Order No. R-3740

IT IS THEREFORE ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

S E A L

esr/

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

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

SOUTH LEA UNIT


LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated May 21, 1969, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

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

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 3rd. day of July, 19 69.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

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. 4109
Order No. R-3740

APPLICATION OF HUMBLE OIL & REFINING
COMPANY FOR APPROVAL OF THE SOUTH LEA
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 23, 1969,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 28th day of April, 1969, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Humble Oil & Refining Company, seeks
approval of the South Lea Unit Agreement covering 8,324.16 acres,
more or less, of State, Federal, and Fee Lands described as
follows:

Lea County, New Mexico
TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Sections 5 through 9: All
Sections 15 through 22: All

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

-2-

CASE No. 4109
Order No. R-3740

IT IS THEREFORE ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


ALEX J. ARMILLO, Member


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

esr/



OIL CONSERVATION COMMISSION

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

GOVERNOR
DAVID F. CARGO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

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

April 29, 1969

Mr. Clarence Hinkle
Hinkle, Bondurant & Christy
Attorneys at Law
Post Office Box 10
Roswell, New Mexico 88201

Re: Case No. 4109
Order No. R-3740
Applicant:
Humble Oil & Refining Co.

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC

Other Unit Division - State Land Office

dearnley-meier reporting service, inc.

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

1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO



APR 23 1969

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 23, 1969

EXAMINER HEARING

IN THE MATTER OF:)

Application of Humble Oil and)
Refining Company for a unit)
agreement, Lea County, New Mexico.)

) Case No. 4199

BEFORE: Elivs A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 4109.

MR. HATCH: Case 4109. Application of Humble Oil and Refining Company for a unit agreement, Lea County, New Mexico.

(Whereupon, Applicant's Exhibits 1 through 5 were marked for identification.)

MR. HINKLE: Clarence Hinkle, Hinkle, Bondurant and Christy, Roswell, appearing on behalf of Humble. We have one witness, Mr. Bushnell -- two witnesses; we could have them both sworn -- and Bill Leifeste.

(Witnesses sworn.)

MR. UTZ: Other appearances? You may proceed.

H. P. BUSHNELL

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, your residence, and by whom you are employed.

A My name is H. P. Bushnell; I reside in Midland, Texas; I'm employed by the Humble Oil and Refining Company.

Q What is your position with Humble?

A I am district exploration manager of the Delaware-Val Verde district.

Q Which is in Lea County?

A Includes Lea County, New Mexico.

Q Have you previously testified before this Commission?

A I have not.

Q Will you state briefly your educational background and professional experience?

A I have a Bachelor of Science degree in geology from the University of New Mexico in 1951; with a Master of Science degree in geology from the University of New Mexico in 1953. I have been employed by Humble Oil and Refining Company for fifteen years as a petroleum geologist.

Q Are you familiar with the application of Humble in this case?

A Yes.

Q Have you made a study of the area which is involved in this proposed application --

A Yes, I have.

Q -- including all the wells that have been drilled in the area --

A Yes.

Q -- and all the geological information that is available?

A Yes, I have.

Q What is Humble seeking to accomplish by this application?

A We are seeking approval of the south Lea unit agreement which is located in southeastern Lea County; embraces 2324.16 acres.

Q Have you prepared certain exhibits for introduction in this case?

A Yes, I have.

Q Refer to Exhibit No. 1 and explain what this is and what it shows.

A Exhibit No. 1 is an index map and it shows the penetrations, the deepest formations penetrated of the wells which are within about a six mile radius of the unit.

Q Shows also the outlines of the proposed unit?

A The outline of the proposed unit is shown along with the south Lea County line in the town of Jal in order to locate it.

Q Is it pretty close to the south state line?

A Yes, sir, it's within a mile and a half of the state line.

Q Refer to Exhibit No. 2 and explain what this is and what it shows.

A Exhibit No. 2 is a plat showing the outline of the unit area. It shows the ownership of the oil and gas leases within the unit area and the character of the land.

Q That is whether state, federal and fee?

A That is correct. The unit consists of 5082.16 acres or 61.05 percent federal lands; 3202 acres or 38.47 percent New Mexico state land and 40 acres or .48 percent fee land.

Q Now, refer to Exhibit No. 3 and explain this to the Commission.

A Exhibit No. 3 is a structure contour map. It is contoured on top of the Hunton horizon. The contour interval is 250 feet. The scale is one inch equals four thousand feet. The heavy dark lines on the map are large faults and the lighter colored lines are the structure contour lines. There is a yellow line labeled AA prime.

This is a schematic cross section which is Exhibit No. 4. There are three green lines on the map. These are seismic lines which we use to help delineate prospect. This is a relatively large structure located adjacent to the central basin platform. We believe that closure to the southwest and northwest is accomplished by dip. We believe that the faulting on the east accomplishes the closure in that direction.

Q What is the basis of the information upon which this map was constructed?

A This map is constructed on a combination of geologic information from the wells and from the seismic lines which are shown on the map.

Q Now, does Humble propose to drill a deep well within the proposed unit area?

A Humble proposes to drill a well to test the Ellenburger formation or to a depth of 21,500 feet whichever is shallower.

Q Is the location of that well shown on Exhibit

A Yes, the location is shown on the exhibit by the double red circle which says proposed location in section 17.

Q What other probable oil producing formations will be penetrated in this well?

A We think that the best secondary horizons are the Wolf camp, the Strawn, the Derry, the Morrow, the Hunton and, of course, the Ellenburger is the primary objective.

MR. UTZ: This Hunton is a new one on me. What is it in?

THE WITNESS: It's silurian and Devonian combined.

Q (By Mr. Hinkle) Is there anything else that you would like to testify to with respect to Exhibit 3?

A No, I think this completes my testimony.

Q Please refer to Exhibit 4 and explain what this is.

A Exhibit 4 is the cross section which is shown by the yellow line on Exhibit 3. This was prepared using

our geological and geophysical information: goes from southwest to northeast. The horizontal scale of the cross section is one inch equals two thousand feet; the vertical scale is one inch equals four hundred feet. In the lower right-hand corner there is an index map which shows the line of cross section; also on the lower part of the cross section there is a legend which shows the hydrocarbon shows that have been encountered in the wells along the line of cross section. You will note that the significance of the various shows is indicated by the symbols. These symbols are also shown adjacent to the logs in the cross section and the symbol is adjacent to the zone in which the show was found. This cross section, starting on the west at the Skelly Oil No. 1 P New Mexico Federal, comes up on to the prospect. The Olsen Oil No. 1 Federal is a shallow well which has been projected into the line of section and really doesn't help in the interpretation too much because it didn't get deep enough. The proposed location of our well is shown by the red line and we are estimating the elevation at the well location to be 2950 feet. The zones that I have mentioned previously are

shown on this cross section, our secondary objective horizons, the Wolf camp, the Strawn, the Perry, the Morrow, the Hunton, and the Ellenburger. You will see over on the east side the Sinclair No. 1 southwest Jal unit. This well was completed in what was called the Strawn and a zone which we consider to be Morrow. It's just a matter of terminology and has since been plugged. In contouring the interval between the top of the Wolf camp, which you can see on the cross section, and the base of the Strawn over regional area, we found that the Sinclair No. 1 southwest Jal unit was a thick well and this indicates to us that it's in the Graben, structurally low area on the east side of the prospect.

Q When do you anticipate this initial test well will be drilled?

A We plan to start this well by June 15, 1969.

Q Providing you get the approval of the Commission?

A Yes, sir.

Q Do you have any estimate as to the approximate cost of the well?

A We estimate the casing point without trouble

the well will cost about one million dollars.

Q Do you have anything else you wish to testify to?

A We have Exhibit No. 5. Exhibit No. 5 is a letter dated February 19, 1969, from the acting director of the U. S. geological survey, designating the south Lea unit area as an area logically subject to development under the unitization provisions of the Mineral Leasing Act.

Q Has this area also been informally approved by the Commissioner of public lands?

A This is correct. It has been approved informally.

MR. HINKLE: That's all of this witness and I would like to offer Exhibits 1 through 5 in evidence.

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

(Whereupon, Applicant's Exhibits 1 through 5 were entered into the record.)

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Bushnell, how many wells did you have that

went through the top of the Hunton which penetrates this structure; is there quite a number or --

A No, sir. I think if you go back to Exhibit 1 there is five wells which penetrated to the Hunton. In the north part of the map in the Custer-Ellenburger field, there is a Shell well which, of course, penetrated the Hunton in order to get to the Ellenburger. That's the red dot in the northeast corner of the map. The Southland Royalty well in Township 25 South, Range 35 East, penetrated to the Hunton. The Skelly No. 1 P Mexico Federal in Township 26 South, Range 35 East, penetrated to the Hunton. There is one well in the Crosby field in Township 25 South, Range 37 East.

Q There is a certain amount of conjecture in here?

A Yes, sir. This is an area that's a real wild-cat area. As you know, we are directly under the Capitan reef and we have had to do our seismic work in an area that's difficult, but we think our geophysical information, combined with our geological information, makes it a good place to search for hydrocarbons.

MR. UTZ: Are there other questions?

REDIRECT EXAMINATION

BY MR. HINKLE:

Q Are the faults shown on the structure map pretty well established by seismic work?

A They are not well established. We can see indications of the fault. The main clue to the faulting in this area is this Sinclair southwest Jal unit which was thick in the -- from the top of the Wolf camp to the base of the Strawn. This is similar to structural features which we see farther south adjacent to the central basin platform and they do produce there.

MR. UTZ: Are there other questions?

You may be excused.

BILL LEIFESTE

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, by whom you are employed and your residence.

A Bill Leifeste, Midland, Texas, Humble Oil and Refining Company.

Q How long have you been employed by Humble?

A Thirteen years.

Q What is your position with Humble at the present time?

A I'm a land man and I am in charge of unitization for our New Mexico lands.

Q Have you been in charge of getting up the unit of this proposed area?

A Yes, sir.

Q What is the present status of the formation of the unit?

A We have letters from all the working interest owners stating that they will either join or farm out, with the exception of -- let's see, that's Exhibit 2.

Q Exhibit 2, yes.

A Tract number 16, Gulf does not want to commit that section to the unit.

Q Have you contacted the U. S. C. S. in that connection and have they indicated that they would approve the unit without commitment of tract No. 16?

A Yes, sir.

Q Are you familiar with the formal unit agreement, copies of which have been filed with the application?

A Yes, sir.

Q Is this the same form or substantially the same form as have been heretofore used where federal, state and fee lands are involved?

A Yes, sir.

Q Has this form been approved by the U.S.G.S. and by the Commissioner of public lands?

A Yes, sir.

Q Is Humble designated as the unit operator in terms of the unit?

A Yes, sir.

Q Does the unit provide for the drilling of the initial test well which has already been testified to?

A Yes, sir.

Q What percentage of working interest owners do you anticipate will commit their interest to the unit, with the exception of Gulf?

A With the exception of Gulf and in tract No. 1,

Sinclair and Redfern Development Corporation own a fifty percent working interest above 13,605 feet and they are not going to commit their interests since our objective is the Ellenburger. Other than that, we anticipate one hundred percent.

Q Do you intend to invite all of the over-riding royalty owners to commit their interests to the unit?

A Yes, sir.

Q Now in the event this unit is approved and the initial test well is drilled and the discovery is made, in your opinion, will the unit agreement be in the interest of conservation and prevention of waste --

A Yes, sir.

Q -- and will tend to protect correlative rights --

A Yes, sir.

Q -- and will promote the greatest ultimate recovery of unitized substances?

A Yes, sir.

MR. HINKLE: That's all we have on this witness.

MR. UTZ: Any questions of the witness?

He may be excused.

The case will be taken under advisement.

(Whereupon, a ten-minute recess was taken.)

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
H. P. RUSHNELL	
Direct Examination by Mr. Hinkle	2
Cross Examination by Mr. Utz	10
Redirect Examination by Mr. Hinkle	12
BILL LEIFFSTE	
Direct Examination by Mr. Hinkle	12

EXHIBITMARKEDOFFERED AND
ADMITTED

Applicant's 1
through 5

2

10

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

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

Witness my Hand and Seal this 2nd day of May, 1969.

Glenda Burks

NOTARY PUBLIC

My Commission Expires:
March 12, 1973.

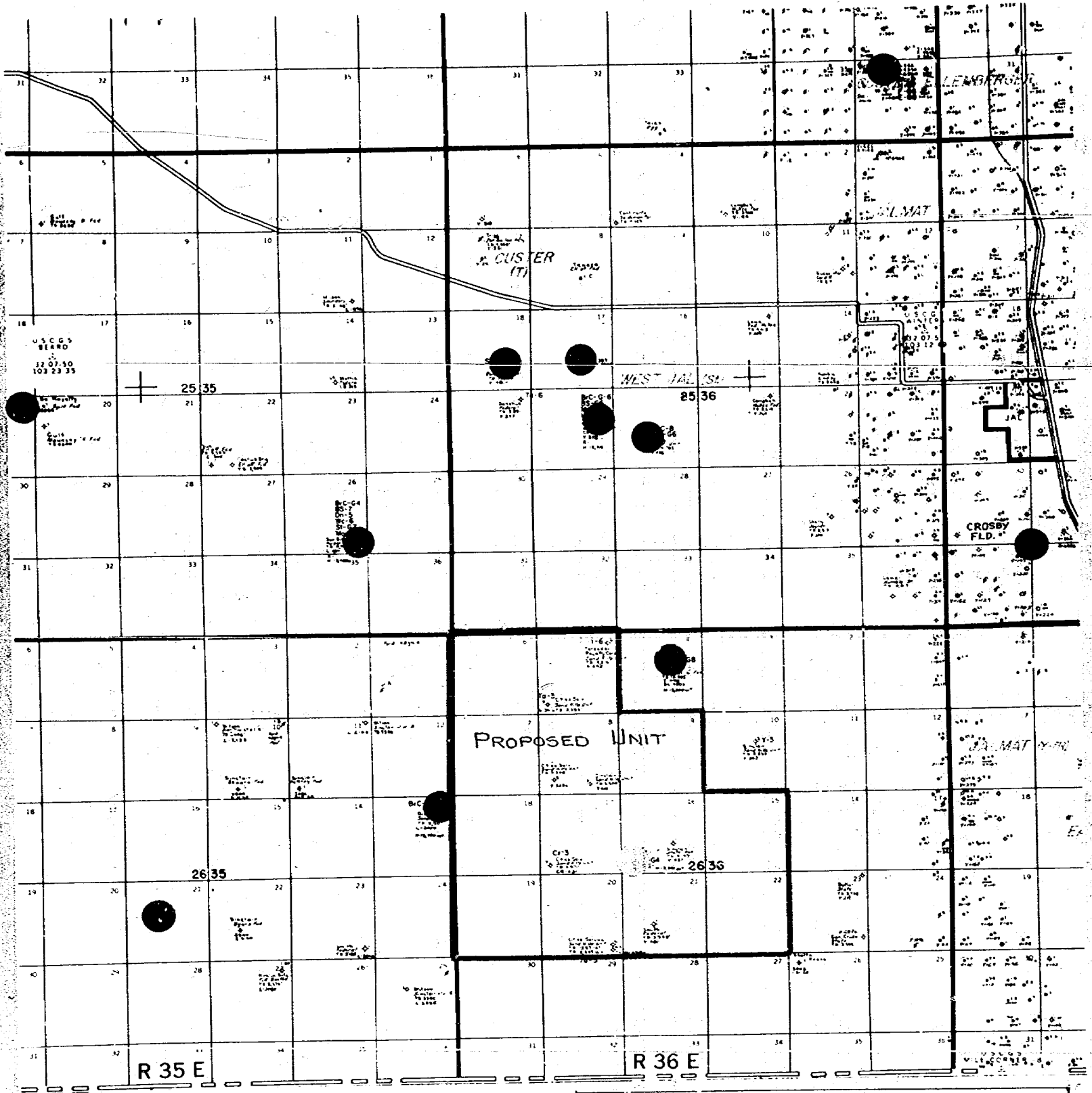
I do hereby certify that the foregoing is a complete record of the proceedings in the Executive hearing of Case No. 4109 heard by me on Apr 23, 1969
[Signature]

New Mexico Oil Conservation Commission

Case 4109
Hear. 4-23-69
Rec. 4-23-69.

Grant Wampler's request for
the 'So. Sea' print argument.

W. J. R.



BEFORE EXAMINER UTZ
 OIL CONSERVATION COMMISSION
 App. EXHIBIT NO. 1
 CASE NO. 4109

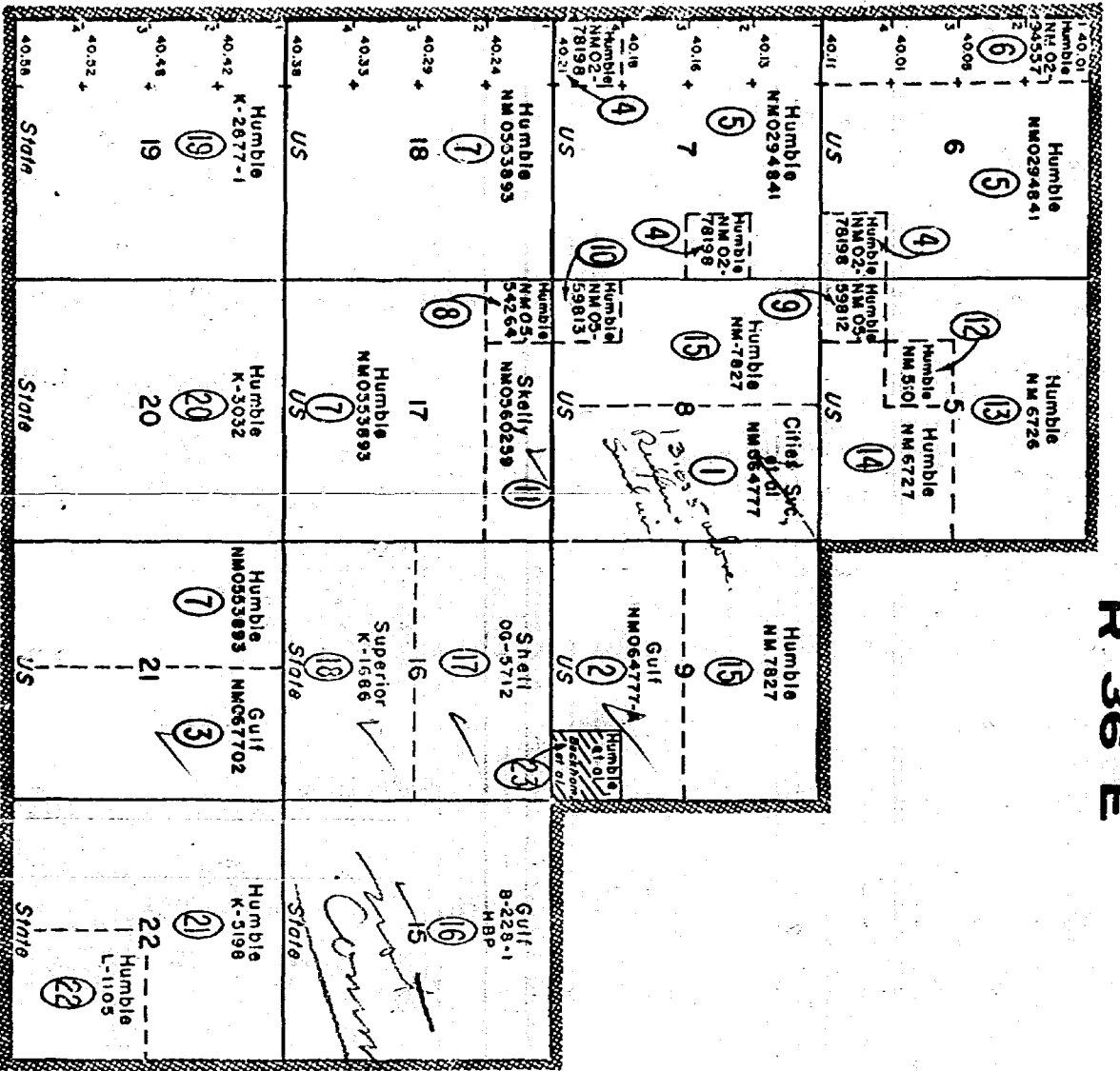


HUMBLE OIL AND REFINING COMPANY
 SOUTHWESTERN DIVISION
 PROPOSED SOUTH LEA UNIT
 INDEX AND PENETRATION MAP

LEGEND

BONE SPRING	MORROW
WOLFCAMP	HUNTON
STRAWN	ELLENBURGER
DERRY	

BEFORE EXAMINER UTZ
 OIL CONSERVATION COMMISSION
 EXHIBIT NO. 2
 CASE NO. 4-109



T
 26
 S

SOUTH LEA UNIT AREA
 LEA COUNTY, NEW MEXICO
 EXHIBIT "A"

Exhibit 2

- Unit outline
- Tract number
- Federal lands 5,082.16 acres
61.05 % of unit area
- State land 3,202.00 acres
38.47 % of unit area
- Fee land 40.00 acres
0.48 % of unit area

Total number of acres: 8,324.16

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF HUMBLE OIL &)
REFINING COMPANY FOR APPROVAL)
OF UNIT AGREEMENT FOR THE)
DEVELOPMENT AND OPERATION OF)
THE SOUTH LEA UNIT AREA,)
EMBRACING 8,324.16 ACRES IN)
TOWNSHIP 26 SOUTH, RANGE 36)
EAST, LEA COUNTY, NEW MEXICO)

Case 4109

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Comes Humble Oil & Refining Company acting by and through the undersigned attorneys, and files herewith in triplicate proposed Unit Agreement for the Development and Operation of the South Lea Unit Area, Lea County, New Mexico, and hereby makes application for approval of said unit agreement, and in support thereof respectfully shows:

1. That the proposed unit area consists of the following described lands situated in Lea County, New Mexico, to-wit:

Township 26 South, Range 36 East, N.M.P.M.

Section 5 - All ✓	Section 17 - All ✓
Section 6 - All ✓	Section 18 - All ✓
Section 7 - All ✓	Section 19 - All ✓
Section 8 - All ✓	Section 20 - All ✓
Section 9 - All ✓	Section 21 - All ✓
Section 15 - All ✓	Section 22 - All ✓
Section 16 - All ✓	

containing 8,324.16 acres, more or less.

That the proposed unit area consists of 5,082.16 acres, or 61.05%, of federal lands, 3,202, or 38.47% of lands of the State of New Mexico, and 40 acres, or .48% of fee or privately owned lands.

There is attached hereto, made a part hereof, and for purposes of identification marked Exhibit "A", a plat showing the proposed unit area, the character of the lands and the ownership of the oil and gas leases embracing the same.

2. That the proposed unit area was designated by the Acting Director of the United States Geological Survey on February 19, 1969 as an area logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended, and said area has also been informally approved by the Commissioner of Public Lands of the State of New Mexico.

3. That the proposed unit agreement, copies of which are filed herewith, is substantially the same form as has heretofore been approved by the Commissioner of Public Lands, the United States Geological Survey and the Oil Conservation Commission where federal, state and fee lands are involved, and said form has heretofore been approved by the United States Geological Survey and the Commissioner of Public Lands.

4. That Humble Oil & Refining Company is designated as unit operator in the proposed unit agreement and that Section 9 of said agreement provides for the drilling of an initial test well on the unit area to a depth sufficient to test the Ellenburger formation; however, the unit operator is not obligated to drill said well to a depth in excess of 21,500 feet.

5. That in the opinion of applicant the proposed unit area covers substantially all of the geologic structure or anomaly involved and in the event of the discovery of unitized substances in paying quantities will give effective control of the field or pool and be in the interest of conservation and the prevention of waste and will tend to protect correlative rights.

6. That the unit agreement covers all formations and provides for the allocation of unitized substances on an acreage basis.

7. Applicant requests that this matter be set down for hearing at the examiner's hearing to be held on April 23, 1969.

Respectfully submitted,

HUMBLE OIL & REFINING COMPANY

By 

Member of the Firm of
HINKLE, BONDURANT & CHRISTY
Attorneys for Applicant



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

FEB 19 1969

#5
RECEIVED
FEB 27 1969

Hinkle, Bondurant & Christy
P. O. Box 10
Roswell, New Mexico 88201

HINKLE, BONDURANT & CHRISTY
ROSWELL, NEW MEXICO

Attention: Mr. Clarence E. Hinkle

Gentlemen:

Your undated application filed on January 15 with the Regional Oil and Gas Supervisor, Roswell, New Mexico, in behalf of Humble Oil & Refining Company, requests the designation of the South Lea unit area embracing 8,324.16 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3 (1968 reprint), the land requested as outlined on your plat marked "Exhibit A, South Lea Unit Area," is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for the drilling of the initial exploratory well to test the Ellenburger formation or to a depth of 21,500 feet. Your proposed form of unit agreement will be acceptable if modified as shown in colored pencil and/or by attached riders on the attached copy of such agreement.

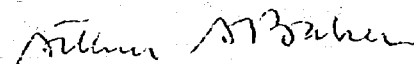
In the absence of any other type of land requiring special provisions, or any objection not now apparent, a duly executed agreement identical to the 1968 reprint, modified only as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

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

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
App. _____	EXHIBIT NO. <u>5</u>
CASE NO. <u>4109</u>	

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

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Arthur A. Zahen".

Acting Director



dearnley-meier reporting service, inc.

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

1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO

6 APR 23 1969

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 23, 1969

EXAMINER HEARING

IN THE MATTER OF:)

Application of Humble Oil and)
Refining Company for a unit)
agreement, Lea County, New Mexico.)

) Case No. 4109

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 4109.

MR. HATCH: Case 4109. Application of Humble Oil and Refining Company for a unit agreement, Lea County, New Mexico.

(Whereupon, Applicant's Exhibits 1 through 5 were marked for identification.)

MR. HINKLE: Clarence Hinkle, Hinkle, Bondurant and Christy, Roswell, appearing on behalf of Humble. We have one witness, Mr. Bushnell -- two witnesses; we could have them both sworn -- and Bill Leifeste.

(Witnesses sworn.)

MR. UTZ: Other appearances? You may proceed.

H. P. BUSHNELL

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, your residence, and by whom you are employed.

A My name is H. P. Bushnell; I reside in Midland, Texas; I'm employed by the Humble Oil and Refining Company.

Q What is your position with Humble?

A I am district exploration manager of the Delaware-Val Verde district.

Q Which is in Lea County?

A Includes Lea County, New Mexico.

Q Have you previously testified before this Commission?

A I have not.

Q Will you state briefly your educational background and professional experience?

A I have a Bachelor of Science degree in geology from the University of New Mexico in 1951; with a Master of Science degree in geology from the University of New Mexico in 1953. I have been employed by Humble Oil and Refining Company for fifteen years as a petroleum geologist.

Q Are you familiar with the application of Humble in this case?

A Yes.

Q Have you made a study of the area which is involved in this proposed application --

A Yes, I have.

Q -- including all the wells that have been drilled in the area --

A Yes.

Q -- and all the geological information that is available?

A Yes, I have.

Q What is Humble seeking to accomplish by this application?

A We are seeking approval of the south Lea unit agreement which is located in southeastern Lea County; embraces 8324.16 acres.

Q Have you prepared certain exhibits for introduction in this case?

A Yes, I have.

Q Refer to Exhibit No. 1 and explain what this is and what it shows.

A Exhibit No. 1 is an index map and it shows the penetrations, the deepest formations penetrated of the wells which are within about a six mile radius of the unit.

Q Shows also the outlines of the proposed unit?

A The outline of the proposed unit is shown along with the south Lea County line in the town of Jal in order to locate it.

Q Is it pretty close to the south state line?

A Yes, sir, it's within a mile and a half of the state line.

Q Refer to Exhibit No. 2 and explain what this is and what it shows.

A Exhibit No. 2 is a plat showing the outline of the unit area. It shows the ownership of the oil and gas leases within the unit area and the character of the land.

Q That is whether state, federal and fee?

A That is correct. The unit consists of 5082.16 acres or 61.05 percent federal lands; 3202 acres or 38.47 percent New Mexico state land and 40 acres or .48 percent fee land.

Q Now, refer to Exhibit No. 3 and explain this to the Commission.

A Exhibit No. 3 is a structure contour map. It is contoured on top of the Hunton horizon. The contour interval is 250 feet. The scale is one inch equals four thousand feet. The heavy dark lines on the map are large faults and the lighter colored lines are the structure contour lines. There is a yellow line labeled AA prime.

This is a schematic cross section which is Exhibit No. 4. There are three green lines on the map. These are seismic lines which we use to help delineate prospect. This is a relatively large structure located adjacent to the central basin platform. We believe that closure to the southwest and northwest is accomplished by dip. We believe that the faulting on the east accomplishes the closure in that direction.

Q What is the basis of the information upon which this map was constructed?

A This map is constructed on a combination of geologic information from the wells and from the seismic lines which are shown on the map.

Q Now, does Humble propose to drill a deep well within the proposed unit area?

A Humble proposes to drill a well to test the Ellenburger formation or to a depth of 21,500 feet whichever is shallower.

Q Is the location of that well shown on Exhibit

3?

A Yes, the location is shown on the exhibit by the double red circle which says proposed location in section 17.

Q What other probable oil producing formations will be penetrated in this well?

A We think that the best secondary horizons are the Wolf camp, the Strawn, the Derry, the Morrow, the Hunton and, of course, the Ellenburger is the primary objective.

MR. UTZ: This Hunton is a new one on me. What is it in?

THE WITNESS: It's silurian and Devonian combined.

Q (By Mr. Hinkle) Is there anything else that you would like to testify to with respect to Exhibit 3?

A No, I think this completes my testimony.

Q Please refer to Exhibit 4 and explain what this is.

A Exhibit 4 is the cross section which is shown by the yellow line on Exhibit 3. This was prepared using

our geological and geophysical information; goes from southwest to northeast. The horizontal scale of the cross section is one inch equals two thousand feet; the vertical scale is one inch equals four hundred feet. In the lower right-hand corner there is an index map which shows the line of cross section; also on the lower part of the cross section there is a legend which shows the hydrocarbon shows that have been encountered in the wells along the line of cross section. You will note that the significance of the various shows is indicated by the symbols. These symbols are also shown adjacent to the logs in the cross section and the symbol is adjacent to the zone in which the show was found. This cross section, starting on the west at the Skelly Oil No. 1 P New Mexico Federal, comes up on to the prospect. The Olsen Oil No. 1 Federal is a shallow well which has been projected into the line of section and really doesn't help in the interpretation too much because it didn't get deep enough. The proposed location of our well is shown by the red line and we are estimating the elevation at the well location to be 2950 feet. The zones that I have mentioned previously are

shown on this cross section, our secondary objective horizons, the Wolf camp, the Strawn, the Derry, the Morrow, the Hunton, and the Ellenburger. You will see over on the east side the Sinclair No. 1 southwest Jal unit. This well was completed in what was called the Strawn and a zone which we consider to be Morrow. It's just a matter of terminology and has since been plugged. In contouring the interval between the top of the Wolf camp, which you can see on the cross section, and the base of the Strawn over regional area, we found that the Sinclair No. 1 southwest Jal unit was a thick well and this indicates to us that it's in the Graben, structurally low area on the east side of the prospect.

Q When do you anticipate this initial test well will be drilled?

A We plan to start this well by June 15, 1969.

Q Providing you get the approval of the Commission?

A Yes, sir.

Q Do you have any estimate as to the approximate cost of the well?

A We estimate the casing point without trouble

the well will cost about one million dollars.

Q Do you have anything else you wish to testify to?

A We have Exhibit No. 5. Exhibit No. 5 is a letter dated February 19, 1969, from the acting director of the U. S. geological survey, designating the south Lea unit area as an area logically subject to development under the unitization provisions of the Mineral Leasing Act.

Q Has this area also been informally approved by the Commissioner of public lands?

A This is correct. It has been approved informally.

MR. HINKLE: That's all of this witness and I would like to offer Exhibits 1 through 5 in evidence.

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

(Whereupon, Applicant's Exhibits 1 through 5 were entered into the record.)

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Bushnell, how many wells did you have that

went through the top of the Hunton which penetrates this structure; is there quite a number or --

A No, sir. I think if you go back to Exhibit 1 there is five wells which penetrated to the Hunton. In the north part of the map in the Custer-Ellenburger field, there is a Shell well which, of course, penetrated the Hunton in order to get to the Ellenburger. That's the red dot in the northeast corner of the map. The Southland Royalty well in Township 25 South, Range 35 East, penetrated to the Hunton. The Skelly No. 1 P Mexico Federal in Township 26 South, Range 35 East, penetrated to the Hunton. There is one well in the Crosby field in Township 25 South, Range 37 East.

Q There is a certain amount of conjecture in here?

A Yes, sir. This is an area that's a real wild-cat area. As you know, we are directly under the Capitan reef and we have had to do our seismic work in an area that's difficult, but we think our geophysical information, combined with our geological information, makes it a good place to search for hydrocarbons.

MR. UTZ: Are there other questions?

REDIRECT EXAMINATION

BY MR. HINKLE:

Q Are the faults shown on the structure map pretty well established by seismic work?

A They are not well established. We can see indications of the fault. The main clue to the faulting in this area is this Sinclair southwest Jal unit which was thick in the -- from the top of the Wolf camp to the base of the Strawn. This is similar to structural features which we see farther south adjacent to the central basin platform and they do produce there.

MR. UTZ: Are there other questions?

You may be excused.

BILL LEIFESTE

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, by whom you are employed and your residence.

A Bill Leifeste, Midland, Texas, Humble Oil and Refining Company.

Q How long have you been employed by Humble?

A Thirteen years.

Q What is your position with Humble at the present time?

A I'm a land man and I am in charge of unitization for our New Mexico lands.

Q Have you been in charge of getting up the unit of this proposed area?

A Yes, sir.

Q What is the present status of the formation of the unit?

A We have letters from all the working interest owners stating that they will either join or farm out, with the exception of -- let's see, that's Exhibit 2.

Q Exhibit 2, yes.

A Tract number 16, Gulf does not want to commit that section to the unit.

Q Have you contacted the U. S. G. S. in that connection and have they indicated that they would approve the unit without commitment of tract No. 16?

A Yes, sir.

Q Are you familiar with the formal unit agreement, copies of which have been filed with the application?

A Yes, sir.

Q Is this the same form or substantially the same form as have been heretofore used where federal, state and fee lands are involved?

A Yes, sir.

Q Has this form been approved by the U.S.G.S. and by the Commissioner of public lands?

A Yes, sir.

Q Is Humble designated as the unit operator in terms of the unit?

A Yes, sir.

Q Does the unit provide for the drilling of the initial test well which has already been testified to?

A Yes, sir.

Q What percentage of working interest owners do you anticipate will commit their interest to the unit, with the exception of Gulf?

A With the exception of Gulf and in tract No. 1,

Sinclair and Redfern Development Corporation own a fifty percent working interest above 13,605 feet and they are not going to commit their interests since our objective is the Ellenburger. Other than that, we anticipate one hundred percent.

Q Do you intend to invite all of the over-riding royalty owners to commit their interests to the unit?

A Yes, sir.

Q Now in the event this unit is approved and the initial test well is drilled and the discovery is made, in your opinion, will the unit agreement be in the interest of conservation and prevention of waste --

A Yes, sir.

Q -- and will tend to protect correlative rights --

A Yes, sir.

Q -- and will promote the greatest ultimate recovery of unitized substances?

A Yes, sir.

MR. HINKLE: That's all we have on this witness.

MR. UTZ: Any questions of the witness?

He may be excused.

The case will be taken under advisement.

(Whereupon, a ten-minute recess was taken.)

I N D E X

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BILL LEIFESTE	
Direct Examination by Mr. Hinkle	12

EXHIBITMARKEDOFFERED AND
ADMITTED

Applicant's 1
through 5

2

10.

STATE OF NEW MEXICO)
) SS
COUNTY OF BERNALILLO)

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

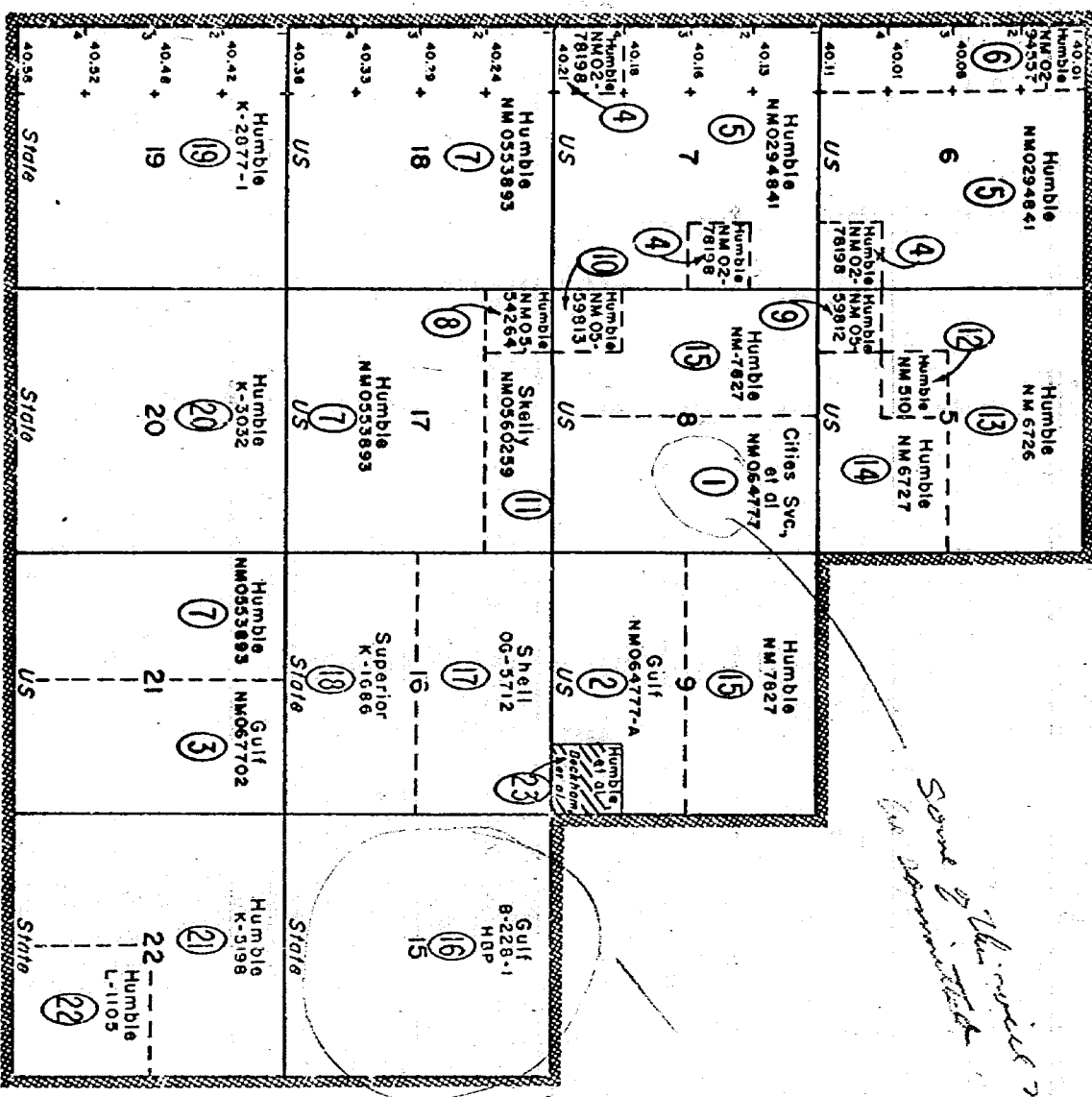
Witness my Hand and Seal this 2nd day of May, 1969.

Glenda Burks
NOTARY PUBLIC

My Commission Expires:

March 12, 1973.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7409 heard by me on May 23, 1969.
[Signature]
Examiner
New Mexico Oil Conservation Commission



T
26
S

- Unit outline
- Tract number
- Federal lands 5,082.16 acres
- State land 3,202.00 acres
- Fee land 40.00 acres
- 0.48 % of unit area

Total number of acres: 8,324.16

SOUTH LEA UNIT AREA
LEA COUNTY, NEW MEXICO
EXHIBIT "A"

09/21/05
Exhibit 2



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

RECEIVED
FEB 27 1969

FEB 19 1969

Hinkle, Bondurant & Christy
P. O. Box 10
Roswell, New Mexico 88201

HINKLE, BONDURANT & CHRISTY
ROSWELL, NEW MEXICO

Attention: Mr. Clarence E. Hinkle

Gentlemen:

Your undated application filed on January 15 with the Regional Oil and Gas Supervisor, Roswell, New Mexico, in behalf of Humble Oil & Refining Company, requests the designation of the South Lea unit area embracing 8,324.16 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3 (1968 reprint), the land requested as outlined on your plat marked "Exhibit A, South Lea Unit Area," is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for the drilling of the initial exploratory well to test the Ellenburger formation or to a depth of 21,500 feet. Your proposed form of unit agreement will be acceptable if modified as shown in colored pencil and/or by attached riders on the attached copy of such agreement.

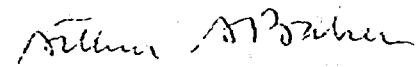
In the absence of any other type of land requiring special provisions, or any objection not now apparent, a duly executed agreement identical to the 1968 reprint, modified only as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

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

EXH 5
Case 4109

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

Sincerely yours,

A handwritten signature in cursive script, appearing to read "William A. Baker".

Acting Director

CLARENCE E. HINKLE
W. E. BONDURANT, JR.
S. B. CHRISTY IV
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
MICHAEL R. WALLER
W. R. HUGHES, JR.

LAW OFFICES
HINKLE, BONDURANT & CHRISTY
600 HINKLE BUILDING
ROSWELL, NEW MEXICO 88201

March 31, 1969

MAILED
APR 3 1969
MIDLAND, TEXAS OFFICE
521 MIDLAND TOWER
(915) MU 3-4691
COUNCIL: HIRAM M. DOW
TELEPHONE 622-6510
AREA CODE 505
POST OFFICE Box 10

Case 4109

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

We enclose herewith in triplicate application of Humble Oil & Refining Company for approval of the South Lea Unit Agreement embracing 8,324.16 acres in Township 26 South, Range 36 East, Lea County. You will also find enclosed 3 copies of the unit agreement.

We would appreciate your setting this matter down for the examiner's hearing to be held on April 23.

Yours very truly,

HINKLE, BONDURANT & CHRISTY

By 

CEH:cs
Enc.

DOCKET MAILED
Date 4-10-69

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 23, 1969

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

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

- CASE 4079: (Continued from the March 26, 1969, Examiner Hearing)
Application of Robert B. Holt for the creation of a new pool, assignment of a discovery allowable, and the promulgation of special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Middle Pennsylvanian oil pool for his Aztec State Well No. 2 located in Unit A of Section 26, Township 13 South, Range 32 East, Lea County, New Mexico, and for the assignment of an oil discovery allowable in the amount of approximately 48,715 barrels to said well. Applicant further seeks the promulgation of special pool rules for said pool, including a provision for 160-acre proration units and the assignment of 80-acre allowables.
- CASE 4106: Application of Southland Royalty Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Permo-Pennsylvanian formation in the perforated interval from approximately 9485 feet to 9713 feet in its Guye Well No. 4 located in Unit F of Section 12, Township 11 South, Range 33 East, Inbe Permo-Pennsylvanian Pool, Lea County, New Mexico.
- CASE 4107: Application of Coastal States Gas Producing Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the West Sawyer-San Andres Pool, Lea County, New Mexico, including a provision for 80-acre spacing and proration units.
- CASE 4108: Application of Humble Oil & Refining Company for the rededication of acreage, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to recomplete its New Mexico "V" State Well No. 5, a non-commercial Wantz-Abo oil producer, to a Tubb gas producer and to consolidate the 40 acres presently dedicated to said well with the 120 acres presently dedicated to its New Mexico "V" State Well No. 11, a Tubb gas producer, to form a standard 160-acre proration unit comprising the SW/4 of Section 10, Township 21 South, Range 37 East, Tubb Gas Pool, Lea County, New Mexico. Applicant further seeks authority to produce the allowable assigned to said unit from either of said wells in any proportion.
- CASE 4109: Application of Humble Oil & Refining Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the South Lea Unit Area comprising 8,324.16 acres, more or less, of State, Federal, and Fee lands in Township 26 South, Range 36 East, Lea County, New Mexico.

- CASE 4110: Application of Atlantic-Richfield Company for a waterflood project and unorthodox injection well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pilot waterflood project by the injection of water into the Queen formation through one well to be drilled at an unorthodox location 100 feet from the North and West lines of Section 23, Township 18 South, Range 31 East, Shugart Pool, Eddy County, New Mexico.
- CASE 4111: Application of Tenneco Oil Company for a dual completion and salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Morton Federal Well No. 1, located in Unit A of Section 12, Township 9 South, Range 35 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Vada-Pennsylvanian Pool and the disposal of produced salt water through the intermediate casing-production casing annulus into the San Andres, Abo and possibly other formations in the open-hole interval from approximately 4050 feet to 8120 feet.
- CASE 4112: Application of P-M Drilling Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in the perforated interval from approximately 5062 feet to 5100 feet in its James Federal Well No. 1 located in Unit A of Section 35, Township 23 South, Range 32 East, Triste Draw-Delaware Pool, Lea County, New Mexico.
- CASE 4113: Application of Texas Pacific Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to substitute its State "D" A/c-1 Well No. 1 located in Unit A of Section 2, Township 12 South, Range 33 East, in lieu of its State "C" A/c-1 Well No. 1 located in Unit B of said Section 2 as the producing well for the proration unit comprising the N/2 NE/4 of said Section 2, Bagley-Siluro-Devonian Pool, Lea County, New Mexico.
- CASE 4114: Application of Gulf Oil Corporation for two unorthodox oil well locations and amendment to Order No. R-2729, Lea County, New Mexico. Applicant in the above-styled cause, seeks authority to drill two producing oil wells at unorthodox locations in Township 19 South, Range 35 East, as infill wells in the West Pearl Queen Unit Waterflood Project, Pearl Queen Pool, Lea County, New Mexico, said wells to be located as follows:

West Pearl Queen Unit Well No. 164 to be located 1325 feet from the North line and 2635 feet from the West line of Section 32;

West Pearl Queen Unit Waterflood Well No. 165 to be located 1420 feet from the South line and 1325 feet from the West line of Section 29;

(Case 4114 continued)

Applicant also seeks the amendment of Order No. R-2729, which order authorized the aforesaid waterflood project, to establish a procedure whereby additional injection wells and producing wells at unorthodox infill locations, as may be necessary to complete an efficient injection and producing pattern, may be approved administratively.

CASE 4115: Application of Southern Union Production Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 16, Township 29 North, Range 9 West, Basin-Dakota Pool, San Juan County, New Mexico. Said acreage to be dedicated to a well to be drilled at a standard location in the W/2 of said Section 16. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

CASE 4116: Application of Tesoro Petroleum Corporation for the amendment of Order No. R-2797 and for the extension of the South Hospah-Upper Sand Pool, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-2797, which order approved the Hospah Unit Agreement, to delete from said unit agreement 233.87 acres in the Southeast portion of Section 1, Township 17 North, Range 9 West, McKinley County, New Mexico. Applicant also seeks the extension of the South Hospah-Upper Sand Pool to include a portion of the Southeast quarter of said Section 1.

CASE 4117: Application of Eastern Petroleum Company for special pool rules, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special rules for the Rattlesnake-Dakota Pool, San Juan County, New Mexico, permitting the drilling of wells on 2½-acre spacing provided that no well be located nearer than 50 feet to the outer boundary of the quarter-quarter section and no nearer than 165 feet to another well producing from the same pool, and provided further, that a 40-acre proration unit would be subject to a 40-acre allowable regardless of the number of wells on the unit.

CASE 4118: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle gas production from undesignated Fruitland and Pictured Cliffs gas pools in the well-bore of its Federal "I" Well No. 4, located in the NE/4 NW/4 of Section 1, Township 29 North, Range 14 West, San Juan County, New Mexico.

CASE 4096: (Continued from the April 3, 1969, Examiner Hearing)

Application of Kersey & Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority

to institute a waterflood project by the injection of water into the Seven Rivers formation through four wells located in Units C, D, and F of Section 25, Township 17 South, Range 28 East, Aid (Yates-Seven Rivers) Pool, Eddy County, New Mexico.

CASE 4078: (Continued from the April 9, 1969, Examiner Hearing)

Application of J. Gregory Merrior for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Devils Fork-Gallup Pool and an undesignated Mesaverde oil pool in the wellbore of his NCRA State Well No. 3 located in Unit L of Section 16, Township 24 North, Range 6 West, Rio Arriba County, New Mexico.

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APR 28 1969

APPLICATION OF HUMBLE OIL &)
REFINING COMPANY FOR APPROVAL)
OF UNIT AGREEMENT FOR THE)
DEVELOPMENT AND OPERATION OF)
THE SOUTH LEA UNIT AREA,)
EMBRACING 8,324.16 ACRES IN)
TOWNSHIP 26 SOUTH, RANGE 36)
EAST, LEA COUNTY, NEW MEXICO)

Case 4109

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Comes Humble Oil & Refining Company acting by and through the undersigned attorneys, and files herewith in triplicate proposed Unit Agreement for the Development and Operation of the South Lea Unit Area, Lea County, New Mexico, and hereby makes application for approval of said unit agreement, and in support thereof respectfully shows:

1. That the proposed unit area consists of the following described lands situated in Lea County, New Mexico, to-wit:

Township 26 South, Range 36 East, N.M.P.M.

Section 5 - All	Section 17 - All
Section 6 - All	Section 18 - All
Section 7 - All	Section 19 - All
Section 8 - All	Section 20 - All
Section 9 - All	Section 21 - All
Section 15 - All	Section 22 - All
Section 16 - All	

containing 8,324.16 acres, more or less.

That the proposed unit area consists of 5,082.16 acres, or 61.05%, of federal lands, 3,202, or 38.47% of lands of the State of New Mexico, and 40 acres, or .48% of fee or privately owned lands.

There is attached hereto, made a part hereof, and for purposes of identification marked Exhibit "A", a plat showing the proposed unit area, the character of the lands and the ownership of the oil and gas leases embracing the same.

2. That the proposed unit area was designated by the Acting Director of the United States Geological Survey on February 19, 1969 as an area logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended, and said area has also been informally approved by the Commissioner of Public Lands of the State of New Mexico.

3. That the proposed unit agreement, copies of which are filed herewith, is substantially the same form as has heretofore been approved by the Commissioner of Public Lands, the United States Geological Survey and the Oil Conservation Commission where federal, state and fee lands are involved, and said form has heretofore been approved by the United States Geological Survey and the Commissioner of Public Lands.

4. That Humble Oil & Refining Company is designated as unit operator in the proposed unit agreement and that Section 9 of said agreement provides for the drilling of an initial test well on the unit area to a depth sufficient to test the Ellenburger formation; however, the unit operator is not obligated to drill said well to a depth in excess of 21,500 feet.

5. That in the opinion of applicant the proposed unit area covers substantially all of the geologic structure or anomaly involved and in the event of the discovery of unitized substances in paying quantities will give effective control of the field or pool and be in the interest of conservation and the prevention of waste and will tend to protect correlative rights.

6. That the unit agreement covers all formations and provides for the allocation of unitized substances on an acreage basis.

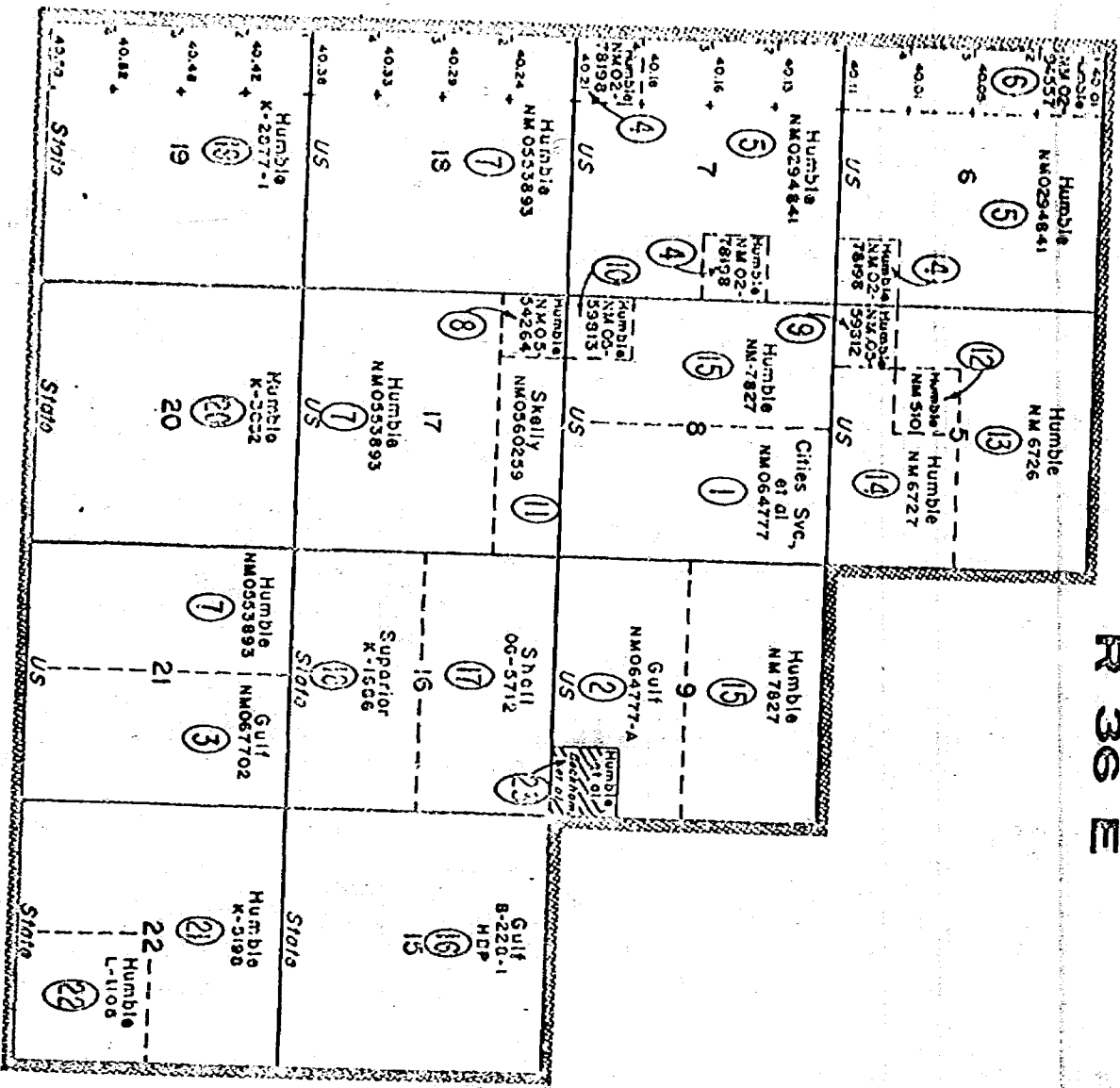
7. Applicant requests that this matter be set down for hearing at the examiner's hearing to be held on April 23, 1969.

Respectfully submitted,

HUMBLE OIL & REFINING COMPANY




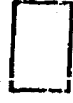

By 

Member of the Firm of
HINKLE, BONDURANT & CHRISTY
Attorneys for Applicant



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SOUTH LEA UNIT AREA
LEA COUNTY, NEW MEXICO
EXHIBIT "A"

-  Unit outline
 -  Tract number
 -  Federal lands 5,082.16 acres
61.05 % of unit area
 -  State land 3,202.00 acres
38.47 % of unit area
 -  Fee land 40.00 acres
0.48 % of unit area
- Total number of acres: 8,324.16

Plan 4109

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

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APPLICATION OF HUMBLE OIL &
REFINING COMPANY FOR APPROVAL
OF UNIT AGREEMENT FOR THE
DEVELOPMENT AND OPERATION OF
THE SOUTH LEA UNIT AREA,
EMBRACING 8,324.16 ACRES IN
TOWNSHIP 26 SOUTH, RANGE 36
EAST, LEA COUNTY, NEW MEXICO

Case 4109

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

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Section 9 - All	Section 21 - All
Section 15 - All	Section 22 - All
Section 16 - All	

containing 8,324.16 acres, more or less.

That the proposed unit area consists of 5,082.16 acres, or 61.05%, of federal lands, 3,202, or 38.47% of lands of the State of New Mexico, and 40 acres, or .48% of fee or privately owned lands.

There is attached hereto, made a part hereof, and for purposes of identification marked Exhibit "A", a plat showing the proposed unit area, the character of the lands and the ownership of the oil and gas leases embracing the same.

2. That the proposed unit area was designated by the Acting Director of the United States Geological Survey on February 19, 1969 as an area logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended, and said area has also been informally approved by the Commissioner of Public Lands of the State of New Mexico.

3. That the proposed unit agreement, copies of which are filed herewith, is substantially the same form as has heretofore been approved by the Commissioner of Public Lands, the United States Geological Survey and the Oil Conservation Commission where federal, state and fee lands are involved, and said form has heretofore been approved by the United States Geological Survey and the Commissioner of Public Lands.

4. That Humble Oil & Refining Company is designated as unit operator in the proposed unit agreement and that Section 9 of said agreement provides for the drilling of an initial test well on the unit area to a depth sufficient to test the Ellenburger formation; however, the unit operator is not obligated to drill said well to a depth in excess of 21,500 feet.

5. That in the opinion of applicant the proposed unit area covers substantially all of the geologic structure or anomaly involved and in the event of the discovery of unitized substances in paying quantities will give effective control of the field or pool and be in the interest of conservation and the prevention of waste and will tend to protect correlative rights.

6. That the unit agreement covers all formations and provides for the allocation of unitized substances on an acreage basis.

7. Applicant requests that this matter be set down for hearing at the examiner's hearing to be held on April 23, 1969.

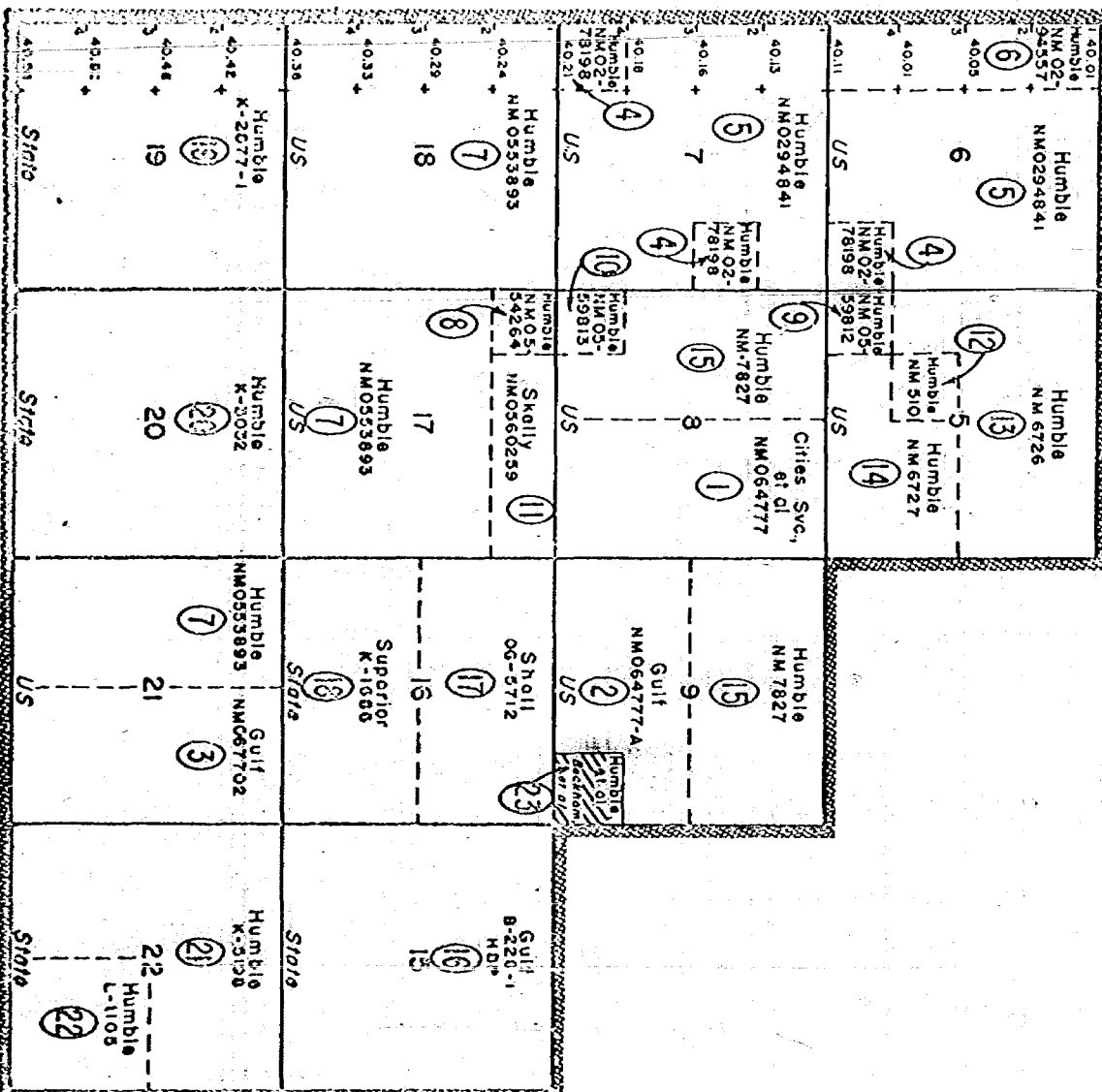
Respectfully submitted,

HUMBLE OIL & REFINING COMPANY

By 






Member of the Firm of
HINKLE, BONDURANT & CHRISTY
Attorneys for Applicant

Case 4109



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SOUTH LEA UNIT AREA
LEA COUNTY, NEW MEXICO
EXHIBIT "A"

-  Unit outline
 -  Tract number
 -  Federal lands 5,082.16 acres
61.05 % of unit area
 -  State land 3,202.00 acres
33.47 % of unit area
 -  Fee land 40.00 acres
0.48 % of unit area
- Total number of acres: 8,324.16

UNIT AGREEMENT
SOUTH LEA UNIT AREA
LEA COUNTY, NEW MEXICO

Case 4109

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1 WHEREAS, the Oil Conservation Commission of the State of
2 New Mexico is authorized by an Act of the Legislature (Article 3,
3 Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this agree-
4 ment and the conservations provisions hereof; and

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

8 WHEREAS, it is the purpose of the parties hereto to conserve
9 natural resources, prevent waste, and secure other benefits obtain-
10 able through development and operation of the area subject to this
11 agreement under the terms, conditions and limitations herein set
12 forth;

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

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

29 2. UNIT AREA. The area specified on the map attached hereto
30 marked Exhibit "A" is hereby designated and recognized as

1 constituting the unit area, containing 8,324.16 acres, more or
2 less.

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

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

28 (a) Unit Operator, on its own motion or on demand of the
29 Director of the Geological Survey, hereinafter referred to as
30 "Director", or on demand of the Commissioner, after preliminary

1 concurrence by the Director and the Commissioner, shall prepare
2 a notice of proposed expansion or contraction describing the
3 contemplated changes in the boundaries of the unit area, the
4 reasons therefor, and the proposed effective date thereof, pre-
5 ferably the first day of a month subsequent to the date of notice.

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

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

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

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

1 longer be a part of the unit area and shall no longer be subject
2 to this agreement, unless diligent drilling operations are in
3 progress on unitized lands not entitled to participation on said
4 fifth anniversary, in which event all such lands shall remain
5 subject hereto so long as such drilling operations are continued
6 diligently with not more than 180 days' time elapsing between the
7 completion of one such well and the commencement of the next such
8 well, provided that such well is projected to a depth of 15,000
9 feet or more, otherwise such drilling operations shall be continued
10 diligently with not more than 90 days' time elapsing between the
11 completion of one well and the commencement of the next well. All
12 legal subdivisions of lands not entitled to be in a participating
13 area within 10 years after the effective date of the first initial
14 participating area approved under this agreement shall be automa-
15 tically eliminated from this agreement as of said tenth anniversary.
16 All lands proved productive by diligent drilling operations after
17 the aforesaid 5-year period shall become participating in the
18 same manner as during said 5-year period. However, when such
19 diligent drilling operations cease, all nonparticipating lands
20 shall be automatically eliminated effective as of the 91st day
21 thereafter. The Unit Operator shall, within 90 days after the
22 effective date of any elimination hereunder, describe the area so
23 eliminated to the satisfaction of the Supervisor and the Commissioner,
24 and promptly notify all parties in interest.

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

1 pating unitized lands with approval of the Director and Com-
2 missioner, provided such extension application is submitted to
3 the Director and Commissioner not later than 60 days prior to
4 the expiration of said 10-year period.

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

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

15 4. UNIT OPERATOR. Humble Oil & Refining Company is hereby
16 designated as Unit Operator and by signature hereto as Unit Operator
17 agrees and consents to accept the duties and obligations of Unit
18 Operator for the discovery, development, and production of unitized
19 substances as herein provided. Whenever reference is made herein
20 to the Unit Operator, such reference means the Unit Operator acting
21 in that capacity and not as an owner of interest in unitized sub-
22 stances, and the term "working interest owner" when used herein
23 shall include or refer to Unit Operator as the owner of a working
24 interest when such an interest is owned by it.

25 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator
26 shall have the right to resign at any time prior to the establish-
27 ment of a participating area or areas hereunder, but such resigna-
28 tion shall not become effective so as to release Unit Operator from
29 the duties and obligations of Unit Operator and terminate Unit
30 Operator's rights as such for a period of 6 months after notice of

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

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

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

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

29 The resignation or removal of Unit Operator under this agree-
30 ment shall not terminate its right, title or interest as the owner

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

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

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

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

30 If no successor Unit Operator is selected and qualified as

1 herein provided, the Director and Commissioner at their election
2 may declare this unit agreement terminated.

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

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

16 9. DRILLING TO DISCOVERY. Within 6 months after the effective
17 date hereof, the Unit Operator shall begin to drill an adequate
18 test well at a location approved by the Supervisor, if on Federal
19 land, or by the Commissioner if on State land, or by the Commission
20 if on fee land, unless on such effective date a well is being
21 drilled conformably with the terms hereof, and thereafter continue
22 such drilling diligently until the Ellenburger formation has been
23 tested or until at a lesser depth unitized substances shall be dis-
24 covered which can be produced in paying quantities (to-wit: quanti-
25 ties sufficient to repay the costs of drilling, completing, and
26 producing operations, with a reasonable profit) or the Unit Operator
27 shall at any time establish to the satisfaction of the Supervisor
28 if located on Federal lands, or the Commissioner if located on
29 State lands, or the Commission if located on fee lands, that further
30 drilling of said well would be unwarranted or impracticable, provided,

1 however, that Unit Operator shall not in any event be required
2 to drill said well to a depth in excess of 21,500 feet. Until the
3 discovery of a deposit of unitized substances capable of being
4 produced in paying quantities, the Unit Operator shall continue
5 drilling one well at a time, allowing not more than 6 months be-
6 tween the completion of one well and the beginning of the next
7 well, until a well capable of producing unitized substances in
8 paying quantities is completed to the satisfaction of said Super-
9 visor if on Federal land, or the Commissioner if on State land,
10 or the Commission if on fee land, or until it is reasonably proved
11 that the unitized land is incapable of producing unitized substances
12 in paying quantities in the formations drilled hereunder. Nothing
13 in this section shall be deemed to limit the right of the Unit
14 Operator to resign as provided in Section 5 hereof, or as requiring
15 Unit Operator to commence or continue any drilling during the period
16 pending such resignation becoming effective in order to comply with
17 the requirements of this section. The Supervisor and Commissioner
18 may modify the drilling requirements of this section by granting
19 reasonable extensions of time when, in their opinion, such action
20 is warranted. Upon failure to commence any well provided for in
21 this section within the time allowed, including any extension of
22 time granted by the Supervisor and Commissioner, this agreement
23 will automatically terminate; upon failure to continue drilling
24 diligently any well commenced hereunder, the Supervisor and Com-
25 missioner may, after 15 days notice to the Unit Operator, declare
26 this unit agreement terminated.

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

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

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

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

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

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

27 Plans shall be modified or supplemented when necessary to
28 meet changed conditions or to protect the interests of all parties
29 to this agreement. Reasonable diligence shall be exercised in
30 complying with the obligations of the approved plan of development.

1 The Supervisor and Commissioner are authorized to grant a reason-
2 able extension of the 6-month period herein prescribed for sub-
3 mission of an initial plan of development where such action is
4 justified because of unusual conditions or circumstances. After
5 completion hereunder of a well capable of producing any unitized
6 substances in paying quantities, no further wells, except such as
7 may be necessary to afford protection against operations not under
8 this agreement and such as may be specifically approved by the
9 Supervisor and the Commissioner, shall be drilled except in
10 accordance with a plan of development approved as herein provided.

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

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

26 It is the intent of this section that a participating area
27 shall represent the area known or reasonably estimated to be pro-
28 ductive in paying quantities, but, regardless of any revision
29 of the participating area, nothing herein contained shall be con-
30 strued as requiring any retroactive adjustment for production

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

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

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

30 12. ALLOCATION OF PRODUCTION. All unitized substances

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

1 at the time of such final production.

2 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR
3 FORMATIONS. Any party hereto owning or controlling the working
4 interest in any unitized land having thereon a regular well loca-
5 tion may with the approval of the Supervisor as to Federal land,
6 the Commissioner as to State land and the Commission as to pri-
7 vately owned land, at such party's sole risk, cost and expense,
8 drill a well to test any formation for which a participating area
9 has not been established or to test any formation for which a
10 participating area has been established if such location is not
11 within said participating area, unless within 90 days of receipt
12 of notice from said party of his intention to drill the well the
13 Unit Operator elects and commences to drill such a well in like
14 manner as other wells are drilled by the Unit Operator under this
15 agreement.

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

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

1 14. ROYALTY SETTLEMENT. The United States and any State
2 and any royalty owner who is entitled to take in kind a share
3 of the substances now unitized hereunder shall hereafter be
4 entitled to the right to take in kind its share of the unitized
5 substances, and the Unit Operator, or the working interest owner
6 in case of the operation of a well by a working interest owner as
7 herein provided for in special cases, shall make deliveries of
8 such royalty share taken in kind in conformity with the applicable
9 contracts, laws and regulations. Settlement for royalty interest
10 not taken in kind shall be made by working interest owners respon-
11 sible therefor under existing contracts, laws and regulations, or
12 by the Unit Operator, on or before the last day of each month for
13 unitized substances produced during the preceding calendar month;
14 provided, however, that nothing herein contained shall operate to
15 relieve the lessees of any land from their respective lease obli-
16 gations for the payment of any royalties due under their leases.

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

1 right of withdrawal shall terminate on the termination of this
2 unit agreement.

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

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

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

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

29 With respect to any lease on non-Federal land containing pro-
30 visions which would terminate such lease unless drilling operations

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

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

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

17 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,
18 conditions and provisions of all leases, subleases and other con-
19 tracts relating to exploration, drilling, development or operations
20 for oil or gas on lands committed to this agreement are hereby
21 expressly modified and amended to the extent necessary to make
22 the same conform to the provisions hereof, but otherwise to remain
23 in full force and effect; and the parties hereto hereby consent
24 that the Secretary as to Federal leases and the Commissioner as
25 to State leases shall and each by his approval hereof, or by the
26 approval hereof by their duly authorized representatives, do hereby
27 establish, alter, change or revoke the drilling, producing, rental,
28 minimum royalty and royalty requirements of Federal and State
29 leases committed hereto and the regulations in respect thereto
30 to conform said requirements to the provisions of this agreement,

1 and, without limiting the generality of the foregoing, all leases,
2 subleases, and contracts are particularly modified in accordance
3 with the following:

4 (a) The development and operation of lands subject to this
5 agreement under the terms hereof shall be deemed full per-
6 formance of all obligations for development and operation
7 with respect to each and every separately owned tract subject
8 to this agreement, regardless of whether there is any develop-
9 ment of any particular tract of the unit area.

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

16 (c) Suspension of drilling or producing operations on all
17 unitized lands pursuant to direction or consent of the
18 Secretary and Commissioner or their duly authorized repre-
19 sentatives shall be deemed to constitute such suspension
20 pursuant to such direction or consent as to each and every
21 tract of unitized land. A suspension of drilling or producing
22 operations limited to specified lands shall be applicable
23 only to such lands.

24 (d) Each lease, sublease or contract relating to the ex-
25 ploration, drilling, development or operation for oil or
26 gas of lands other than those of the United States or State
27 of New Mexico committed to this agreement, which, by its
28 terms might expire prior to the termination of this agree-
29 ment, is hereby extended beyond any such term so provided
30 therein so that it shall be continued in full force and

1 effect for and during the term of this agreement.

2 (c) Any Federal lease for a fixed term of twenty (20)
3 years or any renewal thereof or any part of such lease
4 which is made subject to this agreement shall continue
5 in force beyond the term provided therein until the ter-
6 mination hereof. Any other Federal lease committed hereto
7 shall continue in force beyond the term so provided therein
8 or by law as to the land committed so long as such lease
9 remains subject hereto, provided that production is had
10 in paying quantities under this unit agreement prior to
11 the expiration date of the term of such lease, or in the
12 event actual drilling operations are commenced on unitized
13 lands, in accordance with the provisions of this agreement,
14 prior to the end of the primary term of such lease and are
15 being diligently prosecuted at that time, such lease shall
16 be extended for two years and so long thereafter as oil or
17 gas is produced in paying quantities in accordance with the
18 provisions of the Mineral Leasing Act Revision of 1960.

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

28 (g) Any lease embracing lands of the State of New Mexico
29 which is made subject to this agreement, shall continue
30 in force beyond the term provided therein as to the lands

1 committed hereto until the termination hereof, subject
2 to the provisions of subsection (e) of Section 2 and
3 subsection (i) of this Section 18.

4 (h) The segregation of any Federal lease committed to
5 this agreement is governed by the following provisions in
6 the fourth paragraph of Sec. 17(j) of the Mineral Leasing
7 Act, as amended by the Act of September 2, 1960 (74 Stat.
8 781-784): "Any (Federal) lease heretofore or hereafter
9 committed to any such (unit) plan embracing lands that
10 are in part within and in part outside of the area covered
11 by any such plan shall be segregated into separate leases
12 as to the lands committed and the lands not committed as
13 of the effective date of unitization: Provided, however,
14 That any such lease as to the nonunitized portion shall
15 continue in force and effect for the term thereof but for
16 not less than two years from the date of such segregation
17 and so long thereafter as oil or gas is produced in paying
18 quantities."

19 (i) Any lease embracing lands of the State of New Mexico
20 having only a portion of its lands committed hereto, shall
21 be segregated as to the portion committed and the portion
22 not committed, and the provisions of such lease shall apply
23 separately to such segregated portions commencing as of the
24 effective date hereof; provided, however, notwithstanding
25 any of the provisions of this agreement to the contrary any
26 lease embracing lands of the State of New Mexico having only
27 a portion of its lands committed hereto shall continue in
28 full force and effect beyond the term provided therein as
29 to all lands embraced in such lease, if oil or gas is dis-
30 covered and is capable of being produced in paying quantities

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

13 (j) Any lease, other than a Federal lease, having only a
14 portion of its lands committed hereto shall be segregated
15 as to the portion committed and the portion not committed,
16 and the provisions of such lease shall apply separately to
17 such segregated portions commencing as of the effective date
18 hereof. In the event any such lease provides for a lump sum
19 rental payment, such payment shall be prorated between the
20 portions so segregated in proportion to the acreage of the
21 respective tracts.

22 19. COVENANTS RUN WITH LAND. The covenants herein shall be
23 construed to be covenants running with the land with respect to
24 the interest of the parties hereto and their successors in interest
25 until this agreement terminates, and any grant, transfer, or con-
26 veyance of interest in land or leases subject hereto shall be and
27 hereby is conditioned upon the assumption of all privileges and
28 obligations hereunder by the grantee, transferee or other successor
29 in interest. No assignment or transfer of any working interest,
30 royalty, or other interest subject hereto shall be binding upon

1 Unit Operator until the first day of the calendar month after
2 Unit Operator is furnished with the original, photostatic, or
3 certified copy of the instrument of transfer.

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

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

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

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

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

1 This agreement may be terminated at any time by not less than
2 75 per centum, on an acreage basis, of the working interest owners
3 signatory hereto, with the approval of the Supervisor and Commis-
4 sioner; notice of any such approval to be given by the Unit-
5 Operator to all parties hereto.

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

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

4 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor
5 the working interest owners nor any of them shall be subject to
6 any forfeiture, termination or expiration of any rights hereunder
7 or under any leases or contracts subject hereto, or to any penalty
8 or liability on account of delay or failure in whole or in part
9 to comply with any applicable provision thereof to the extent that
10 the Unit Operator, working interest owners or any of them are hin-
11 dered, delayed or prevented from complying therewith by reason of
12 failure of the Unit Operator to obtain in the exercise of due
13 diligence, the concurrence of proper representatives of the United
14 States and proper representatives of the State of New Mexico in
15 and about any matters or things concerning which it is required
16 herein that such concurrence be obtained. The parties hereto,
17 including the Commission, agree that all powers and authority
18 vested in the Commission in and by any provisions of this agree-
19 ment are vested in the Commission and shall be exercised by it
20 pursuant to the provisions of the laws of the State of New Mexico
21 and subject in any case to appeal or judicial review as may now
22 or hereafter be provided by the laws of the State of New Mexico.

23 23. APPEARANCES. Unit Operator shall, after notice to other
24 parties affected, have the right to appear for and on behalf of
25 any and all interests affected hereby before the Department of the
26 Interior, the Commissioner of Public Lands of the State of New
27 Mexico and the New Mexico Oil Conservation Commission and to appeal
28 from orders issued under the regulations of said Department, the
29 Commission or Commissioner or to apply for relief from any of said
30 regulations or in any proceedings relative to operations before

1 the Department of the Interior, the Commissioner, or Commission,
2 or any other legally constituted authority; provided, however,
3 that any other interested party shall also have the right at his
4 own expense to be heard in any such proceeding.

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

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

22 26. UNAVOIDABLE DELAY. All obligations under this agreement
23 requiring the Unit Operator to commence or continue drilling or to
24 operate on or produce unitized substances from any of the lands
25 covered by this agreement shall be suspended while the Unit Opera-
26 tor, despite the exercise of due care and diligence, is prevented
27 from complying with such obligations, in whole or in part, by
28 strikes, acts of God, Federal, State or municipal law or agencies,
29 unavoidable accidents, uncontrollable delays in transportation,
30 inability to obtain necessary materials in open market, or other

1 matters beyond the reasonable control of the Unit Operator
2 whether similar to matters herein enumerated or not. No unit
3 obligation which is suspended under this section shall become
4 due less than thirty (30) days after it has been determined
5 that the suspension is no longer applicable. Determination of
6 creditable "Unavoidable Delay" time shall be made by the Unit
7 Operator subject to approval of the Supervisor and Commissioner.

8 27. NONDISCRIMINATION. In connection with the performance
9 of work under this agreement, the operator agrees to comply with
10 all of the provisions of section 202 (1) to (7) inclusive of
11 Executive Order 11246 (30 F.R. 12319), which are hereby incor-
12 porated by reference in this agreement.

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

30 Unit Operator as such is relieved from any responsibility for

1 any defect or failure of any title hereunder.

2 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of
3 any substantial interest in a tract within the unit area fails
4 or refuses to subscribe or consent to this agreement, the owner
5 of the working interest in that tract may withdraw said tract
6 from this agreement by written notice delivered to the Supervisor
7 and the Commissioner and the Unit Operator prior to the approval
8 of this agreement by the Supervisor and Commissioner. Any oil
9 or gas interests in lands within the unit area not committed hereto
10 prior to submission of this agreement for final approval may there-
11 after be committed hereto by the owner or owners thereof sub-
12 scribing or consenting to this agreement, and, if the interest
13 is a working interest, by the owner of such interest also sub-
14 scribing to the unit operating agreement. After operations are
15 commenced hereunder, the right of subsequent joinder, as provided
16 in this section, by a working interest owner is subject to such
17 requirements or approvals, if any, pertaining to such joinder,
18 as may be provided for in the unit operating agreement. After
19 final approval hereof, joinder by a non-working interest owner
20 must be consented to in writing by the working interest owner
21 committed hereto and responsible for the payment of any benefits
22 that may accrue hereunder in behalf of such non-working interest.
23 A non-working interest may not be committed to this unit agree-
24 ment unless the corresponding working interest is committed hereto.
25 Joinder to the unit agreement by a working interest owner, at any
26 time, must be accompanied by appropriate joinder to the unit operat-
27 ing agreement, if more than one committed working interest owner
28 is involved, in order for the interest to be regarded as committed
29 to this unit agreement. Except as may otherwise herein be provided,
30 subsequent joinders to this agreement shall be effective as of the

1 first day of the month following the filing with the Supervisor
2 and the Commissioner of duly executed counterparts of all or any
3 papers necessary to establish effective commitment of any tract
4 to this agreement unless objection to such joinder is duly made
5 within 60 days by the Supervisor, provided, however, that as to
6 State lands all subsequent joinders must be approved by the
7 Commissioner.

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

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

24 IN WITNESS WHEREOF, the parties hereto have caused this agree-
25 ment to be executed and have set opposite their respective names
26 the date of execution.

UNIT OPERATOR AND WORKING INTEREST OWNER

Date: _____

HUMBLE OIL & REFINING COMPANY

Address: _____

By _____

WORKING INTEREST OWNERS

ATTEST:

Secretary

Date: _____

CITIES SERVICE OIL COMPANY

By _____
President

Address: _____

ATTEST:

Secretary

Date: _____

GULF OIL CORPORATION

By _____
President

Address: _____

ATTEST:

Secretary

Date: _____

REDFERN DEVELOPMENT CORPORATION

By _____
President

Address: _____

ATTEST:

Secretary

Date: _____

SHELL OIL COMPANY

By _____
President

Address: _____

ATTEST:

Secretary

Date: _____

SINCLAIR OIL CORPORATION

By _____
President

Address: _____

ATTEST:

Secretary

Date: _____

SKELLY OIL COMPANY

By _____
President

Address: _____

ATTEST:

Secretary

Date: _____

THE SUPERIOR OIL COMPANY

By _____
President

Address: _____

STATE OF _____)
: ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____ 1969 by _____ of Humble Oil & Refining Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public

STATE OF _____)
: ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____ 1969 by _____ of Cities Service Oil Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public

STATE OF _____)
: ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____ 1969 by _____ of Gulf Oil Corporation, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public

STATE OF _____)
: ss
COUNTY OF _____)

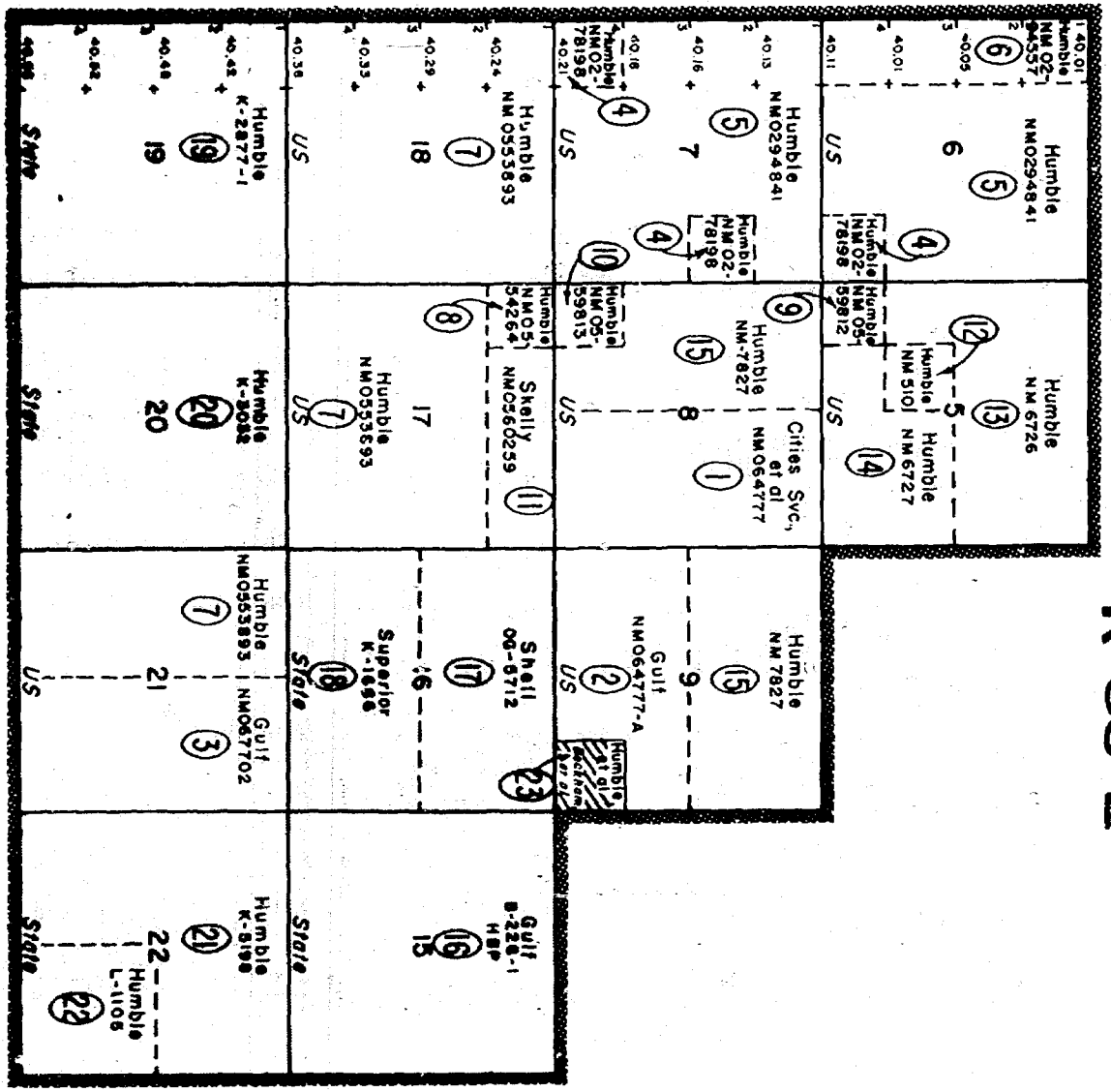
The foregoing instrument was acknowledged before me this _____ day of _____ 1969 by _____ of Redfern Development Corporation, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public






STATE OF _____)
: ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____ 1969 by _____ of Shell Oil Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public



T
26
S

-  Unit outline
-  Tract number
-  Federal lands 5,082.16 acres
61.05 % of unit area
-  State land 3,202.00 acres
39.47 % of unit area
-  Fee land 40.00 acres
0.48 % of unit area

Total number of acres: 8,324.16

SOUTH LEA UNIT AREA
LEA COUNTY, NEW MEXICO
EXHIBIT "A"

EXHIBIT "B" - SOUTH LEA AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
FEDERAL LANDS:							
1	T-26-S, R-36-E: Sec. 8: E $\frac{1}{2}$	320.00	NM 064777 8-31-70	U. S. A11	Cities Service Oil Company--50% Sinclair Oil Corporation--49.155% Redfern Development Corporation--.845%	Marcel Livandais, Jr. \$650.00 per acre out of 5%	ABOVE 13,605' Cities Service Oil Company - 50% Sinclair Oil Corporation - 49.155% Redfern Development Corporation - .845% BELOW 13,605' Cities Service Oil Company - A11
2	T-26-S, R-36-E: Sec. 9: SW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$	280.00	NM 064777-A 8-31-70	U. S. A11	Gulf Oil Corporation	Marcel Livandais, Jr. \$500.00 per acre out of 5%	Gulf Oil Corporation - A11
3	T-26-S, R-36-E: Sec. 21: E $\frac{1}{2}$	320.00	NM 067702 1-31-71	U. S. A11	Gulf Oil Corporation	Wilma Donohue Moleen - 20% Ruby E. Donohue - 27 $\frac{1}{2}$ % Wilma Elliott Donohue - 27 $\frac{1}{2}$ % Michael S. Shearn - 25% of \$600.00 per acre out of 5% to \$480,000.00	Gulf Oil Corporation - A11
4	T-26-S, R-36-E: Sec. 6: SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 7: SE $\frac{1}{4}$ NE $\frac{1}{4}$, Lot 4	120.21	NM 0278198 6-30-72	U. S. A11	Humble Oil & Refining Company	D. E. Kester - 3%	Humble Oil & Refining Company - A11
5	T-26-S, R-36-E: Sec. 6: NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 7: Lots 1, 2, 3, E $\frac{1}{2}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ E $\frac{1}{2}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$	1,000.47	NM 0294841 7-31-72	U. S. A11	Humble Oil & Refining Company	P. D. Sams ----- 1.25% J. Hiram Moore ----- 1.25% Wallace R. Carter - 0.78125% Frances C. Powers - 1.71875% 5.000000%	Humble Oil & Refining Company - A11

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
6	T-26-S, R-36-E: Sec. 6: Lots 1, 2, 3, 4	160.24	NM 0294557 8-31-72	U. S. A11	Humble Oil & Refining Company	Edward G. Gee - 4%	Humble Oil & Refining Company - A11
7	T-26-S, R-36-E: Sec. 17: S $\frac{1}{2}$, S $\frac{3}{4}$ N $\frac{1}{2}$ Sec. 18: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{4}$ Sec. 21: W $\frac{1}{2}$	1,441.24	NM 0553893 7-31-72	U. S. A11	Humble Oil & Refining Company	Same as Tract No. 5	Humble Oil & Refining Company - A11
8	T-26-S, R-36-E: Sec. 17: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	NM 0554264 6-30-74	U. S. A11	Humble Oil & Refining Company	Richard B. Carter - 5%	Humble Oil & Refining Company - A11
9	T-26-S, R-36-E: Sec. 5: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	NM 0559812 4-30-76	U. S. A11	Humble Oil & Refining Company	Alfred D. Heeley - 3%	Humble Oil & Refining Company - A11
10	T-26-S, R-36-E: Sec. 8: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	NM 0559813 4-30-76	U. S. A11	Humble Oil & Refining Company	Lucy M. English and Ernest A. Hanson - 5%	Humble Oil & Refining Company - A11
11	T-26-S, R-36-E: Sec. 17: NE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$	120.00	NM 0560259 6-30-76	U. S. A11	Skelly Oil Company	Albert Barnes Zink and Jack J. Grynberg - 5%	Skelly Oil Company - A11
12	T-26-S, R-36-E: Sec. 5: NE $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	NM 510 9-30-76	U. S. A11	Humble Oil & Refining Company	Betty Heiskell - 3%	Humble Oil & Refining Company - A11
13	T-26-S, R-36-E: Sec. 5: N $\frac{1}{2}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$	360.00	NM 6726 6-30-78	U. S. A11	Humble Oil & Refining Company	Central Southwest Oil Corporation - 4% Charlotte Busseil - 1%	Humble Oil & Refining Company - A11
14	T-26-S, R-36-E: Sec. 5: SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$	200.00	NM 6727 6-30-78	U. S. A11	Humble Oil & Refining Company	A. Tishman - \$750.00 per acre out of 5%	Humble Oil & Refining Company - A11
15	T-26-S, R-36-E: Sec. 8: W $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$, E $\frac{1}{4}$ W $\frac{1}{2}$ Sec. 9: N $\frac{1}{2}$	600.00	NM 7827 9-30-78	U. S. A11	Humble Oil & Refining Company	Tom B. Boston - 5%	Humble Oil & Refining Company - A11

TOTAL: 15 Tracts Federal Land - 5,082.16, 61.05% of the Unit Area

EXHIBIT "B" - SOUTH LEA AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
<u>STATE LANDS:</u>							
16	T-26-S, R-36-E: Sec. 15: A11	640.00	B-228-1 HBP	State A11	Gulf Oil Corporation	None	Gulf Oil Corporation - A11
17	T-26-S, R-36-E: Sec. 16: N $\frac{1}{2}$	320.00	06-5712 7-21-69	State A11	Shell Oil Company	None	Shell Oil Company - A11
18	T-26-S, R-36-E: Sec. 16: S $\frac{1}{2}$	320.00	K-1686 8-15-71	State A11	The Superior Oil Company	None	The Superior Oil Company - A11
19	T-26-S, R-36-E: Sec. 19: Lots 1, 2, 3, 4 E $\frac{1}{2}$ N $\frac{1}{2}$, E $\frac{1}{2}$	642.00	K-2877-1 11-20-72	State A11	Humble Oil & Refining Company	None	Humble Oil & Refining Company - A11
20	T-26-S, R-36-E: Sec. 20: A11	640.00	K-3032 1-15-73	State A11	Humble Oil & Refining Company	None	Humble Oil & Refining Company - A11
21	T-26-S, R-36-E: Sec. 22: N $\frac{1}{2}$, SW $\frac{1}{4}$	480.00	K-5198 8-17-75	State A11	Humble Oil & Refining Company	None	Humble Oil & Refining Company - A11
22	T-26-S, R-36-E: Sec. 22: SE $\frac{1}{4}$	160.00	L-1105 8-20-78	State A11	Humble Oil & Refining Company	None	Humble Oil & Refining Company - A11

TOTAL: 7 Tracts State Land - 3,202.00, 38.47% of the Unit Area

EXHIBIT "B" - SOUTH LEA AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
23	T-26-S, R-36-E: Sec. 9: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	1-2-74	David C. Smith III-6.25% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company-A11
			1-2-74	Lucy J. Smith-6.25% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company-A11
			1-1-74	Frank Anthony-5.36% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company-A11
			3-1-73	C. H. Lewis-12.50% (of 12.5%)	Humble Oil & Refining Company	Redfern Development Corporation-6.25% (of 12.50%)	Humble Oil & Refining Company-A11
			1-2-72	Foster Petroleum Company-8.33% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company-A11
			10-23-69	Cities Service Oil Company-8.33% (of 18.75%)	Sinclair Oil Corporation Redfern Development Corporation	None	ABOVE 13,605' Sinclair Oil Corporation-98.3% Redfern Development Corporation-1.69% BELOW 13,605' Cities Service Oil Company-A11 (unleased Mineral interest)

*Cities Service Oil Company-8.33%

*Jewell Beckham-4.91%

*Billly Joe Beckham-7.37%

*Farnell Beckham Young-7.37%

*Howell Spear-0.36%

*Western Reserves Oil Company-1.43%

*Ethel Mitchell Robinson-1.78%

*General Crude Oil Company-8.93%

EXHIBIT "B" - SOUTH LEA AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
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FEE LANDS:

23 -- Continued -----

*Mobil Oil Corporation-12.50%

*Unleased

TOTAL: 1 Tract Fee Lands - 40.00, 0.48% of the Unit Area

TOTAL: 23 Tracts comprising 8,324.16 acres in Unit Area

DRAFT

GMH/esr

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:

GMH

[Handwritten signature]

CASE No. 4109

Order No. R- 3740

APPLICATION OF HUMBLE OIL & REFINING COMPANY
FOR APPROVAL OF THE SOUTH LEA
UNIT AGREEMENT, LEA, COUNTY, NEW MEXICO.

4-24-69

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
April 23, 1969, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this _____ day of April, 1969, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Humble Oil & Refining Company,
seeks approval of the South Lea Unit Agreement
covering 8,324.16 acres, more or less, of State, lands
and Fee
described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM

sections 5 through 9: all ✓
sections 15 through 22: all ✓

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

IT IS THEREFORE ORDERED:

(1) That the South Lea Unit Agreement is hereby approved.

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

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

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

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

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

CASE 4110: Appl. of ATLANTIC-
RICHFIELD FOR WATERFLOOD & UNORTH-
ODOX INJECTION WELL LOCATION.

Res.
A
no Res.