

CASE 4124: Application of AMERADA
FOR APPROVAL OF THE STATE H "A"
COM UNIT AGREEMENT, LEA COUNTY.

Handwritten notes:
Unit for H "A" COM Unit
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Case Number.

4124

Application

Transcripts.

Small Exhibits

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4124

October 1, 1969

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Amerada Division
Amerada Hess Corporation
Box 2040
Tulsa, Oklahoma 74102

Re: State H "A" Unit
TERMINATION
Les County, New Mexico

ATTENTION: Mr. C. B. Fisher

Gentlemen:

Your request received October 1, 1969, to terminate the State H "A" Unit pursuant to Section 17 of the Unit Agreement for the Development and Operation of the State H "A" Unit, is hereby approved.

We are returning two (2) approved copies as per your request.

There are no charges made for terminations.

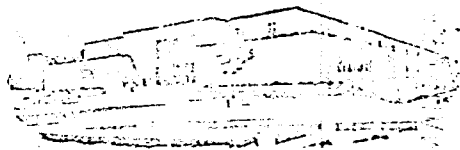
Very truly yours,

Ted Bilberry, Director
Oil and Gas Department

wa/ml/s
encls.

cc: OCC-Santa Fe, New Mexico

State of New Mexico



Commissioner of Public Lands

May 21, 1969

ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO

1969 MAY 22 PM 1 15

4114

Kellahin and Fox
54½ East San Francisco Street
P. O. Box 1769
Santa Fe, New Mexico 87501

Re: Amerada's-State H "A" Unit
Agreement
Lea County, New Mexico

Dear Mr. Kellahin:

The Commissioner of Public Lands has this date approved Amerada's-State H "A" Unit, Lea County, New Mexico. The effective date to be as of the Commissioner's approval, as provided for under Section 17 of the Unit Agreement.

We are enclosing five (5) Certificates of Approval as well as copy of the Operating Agreement surplus to our need.

Very truly yours,

Ted Bilberry, Director
Oil and Gas Department

TB/ML/s
encls.
cc: OCC Santa Fe, 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. 4124
Order No. R-3754

APPLICATION OF AMERADA PETROLEUM CORPORATION
FOR APPROVAL OF THE STATE H "A" COM UNIT AGREEMENT,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 7, 1969,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 14th day of May, 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, Amerada Petroleum Corporation, seeks
approval of the State H "A" Unit Agreement covering 1,281.20 acres,
more or less, of State lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 14 SOUTH, RANGE 35 EAST, NMPM
Section 18: Lots 3, 4, E/2 SW/4, and
SE/4
Section 19: All
Section 30: Lots 1, 2, E/2 NW/4, and
NE/4

(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. 4124
Order No. R-3754

IT IS THEREFORE ORDERED:

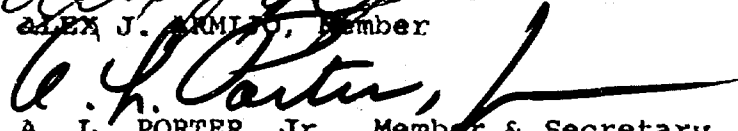
- (1) That the State H "A" Unit Agreement is hereby approved.
- (2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained 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; 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. ARMI, Member


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


esx/

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

APPLICATION OF AMERADA PETROLEUM
CORPORATION FOR APPROVAL OF A UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO

Case 4124

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A P P L I C A T I O N

Comes now AMERADA PETROLEUM CORPORATION and applies to the Oil Conservation Commission of New Mexico for approval of its State H "A" Com Unit, Lea County, New Mexico, for the exploration, development and operation of the unit area herein-after described, and in support thereof would show the Commission:

1. Applicant is designated as operator under the terms of the proposed unit agreement, a copy of which is attached hereto, and made a part of this application.

2. The proposed unit area covers and includes the following described lands, located in Lea County, New Mexico:

Township 14 South, Range 35 East, N.M.P.M.

Section 18: Lots 3, 4, E/2 SW/4, SE/4

Section 19: All

Section 30: Lots 1, 2, E/2 NW/4, NE/4

Containing 1,281.20 acres, more or less.

3. Said unit agreement provides that the unit operator shall drill a test well for oil and gas upon some part of the lands embraced within the unit area, all as is more particularly shown by the provisions of paragraph 8 of said unit agreement.

4. That it is believed that said unit area substantially embraces a formation, feature, or other possible common source of supply and should be approved as an exploratory unit for

DOCKET MAILED

Date 4-23-69

the discovery, development and production of oil or gas, or both.

5. Approval of the proposed unit agreement is in the interest of conservation and the prevention of waste, and the correlative rights of all owners in the unit and in the vicinity of said unit will be fully protected.

WHEREFORE, applicant prays that this application be set for hearing before the Oil Conservation Commission or the Commission's duly appointed examiner, and that after notice and hearing as provided by law, the Commission enter its order approving the Amerada Petroleum Corporation State H "A" Com Unit, as applied for.

Respectfully submitted,

AMERADA PETROLEUM CORPORATION

BY: Jason W. Kellahin
Kellahin & Fox
Post Office Box 1769
Santa Fe, New Mexico

ATTORNEYS FOR APPLICANT

Case 4124

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
STATE H "A" COM UNIT AREA
LEA COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 1st day of April,
1969, by and between the parties subscribing, ratifying or consenting
hereto, and herein referred to as the "parties hereto;"

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws
1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11,
Sec. 39, N.M. Statutes 1953 Annot.), to consent to and approve the develop-
ment or operation of State lands under agreements made by lessees of State
land jointly or severally with other lessees where such agreements provide
for the unit operation or development of part of or all of any oil or gas
pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws
of 1951, Chap. 7, Art. 11, Sec. 41, N.M. Statutes 1953 Anno.) to amend with
the approval of lessee, evidenced by the lessee's execution of such agree-
ment or otherwise, any oil and gas lease embracing State lands so that the
length of the term of said lease may coincide with the term of such agree-
ments for the unit operation and development of part or all of any oil or
gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") is authorized by an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N. M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

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

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

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

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

Township 14 South, Range 35 East N.M.P.M.

Section 18: Lots 3, 4, E/2 SW/4, SE/4

Section 19: All

Section 30: Lots 1, 2, E/2 NW/4, NE/4

containing 1,281.20 acres, more or less,

Lea County, New Mexico.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit B attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than

such interest or interests as are shown on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner".

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

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

3. UNIT OPERATOR: AMERADA PETROLEUM CORPORATION
whose address is P. O. Box 2040, Tulsa, Oklahoma 74102,
is hereby designated as unit operator and by signature hereto commits to this agreement all interest in the unitized substances vested in it as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances; and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner

as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner.

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

5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five per cent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned, among the owners of the unitized working interests in accordance with an operating agreement entered into by and

between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

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

8. DRILLING TO DISCOVERY: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Silurian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not in any event, be required to drill said well to a depth in excess of 14,750 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay

the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit

operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N. M. Statutes 1953 Annotated of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N.M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this

agreement bears to the total number of acres committed hereto.

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

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENTS OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances

allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA: The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well

provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interest committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the land embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

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

15. DRAINAGE: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

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

17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with

the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION: All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES: Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interested party shall also have the right at his own expense to appear and to participate in any such proceedings.

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

21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the unit operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or

other matters beyond the reasonable control of the unit operator whether similar to matters herein enumerated or not.

22. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to unit operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder.

without any retroactive adjustment or revenue.

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

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

ATTEST:

Assistant Secretary
Date: _____

ATTEST:

Date: _____

UNIT OPERATOR

AMERADA PETROLEUM CORPORATION

By _____
Vice President

NON-OPERATOR

MARY RALPH LOWE TRUST NO. 3

By _____
Co-Trustee

By _____
Co-Trustee

By _____
Co-Trustee

By _____
Co-Trustee

APVD. A. P. C.	
LAND	
RECORD	
LEGAL	<i>[Signature]</i>
PROD.	
ACCTG.	
GAS	

(New Mexico — Individual)

STATE OF _____ }
COUNTY OF _____ } SS:

On this _____ day of _____, 1969, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed, and in the capacity stated.

WITNESS my hand and official seal the day and year first above written.

Notary Public

My commission expires:

(New Mexico — Corporate)

STATE OF OKLAHOMA }
COUNTY OF TULSA } SS:

On this _____ day of _____, 1969, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the Vice President of AMERADA PETROLEUM CORPORATION

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

WITNESS my hand and official seal the day and year first above written.

Notary Public

My commission expires:

(New Mexico — Individual)

STATE OF _____ }
COUNTY OF _____ } SS:

On this _____ day of _____, 19⁶⁹, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed, and in the capacity stated.

WITNESS my hand and official seal the day and year first above written.

Notary Public

My commission expires:

(New Mexico — Individual)

STATE OF _____ }
COUNTY OF _____ } SS:

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COUNTY OF _____ } SS:

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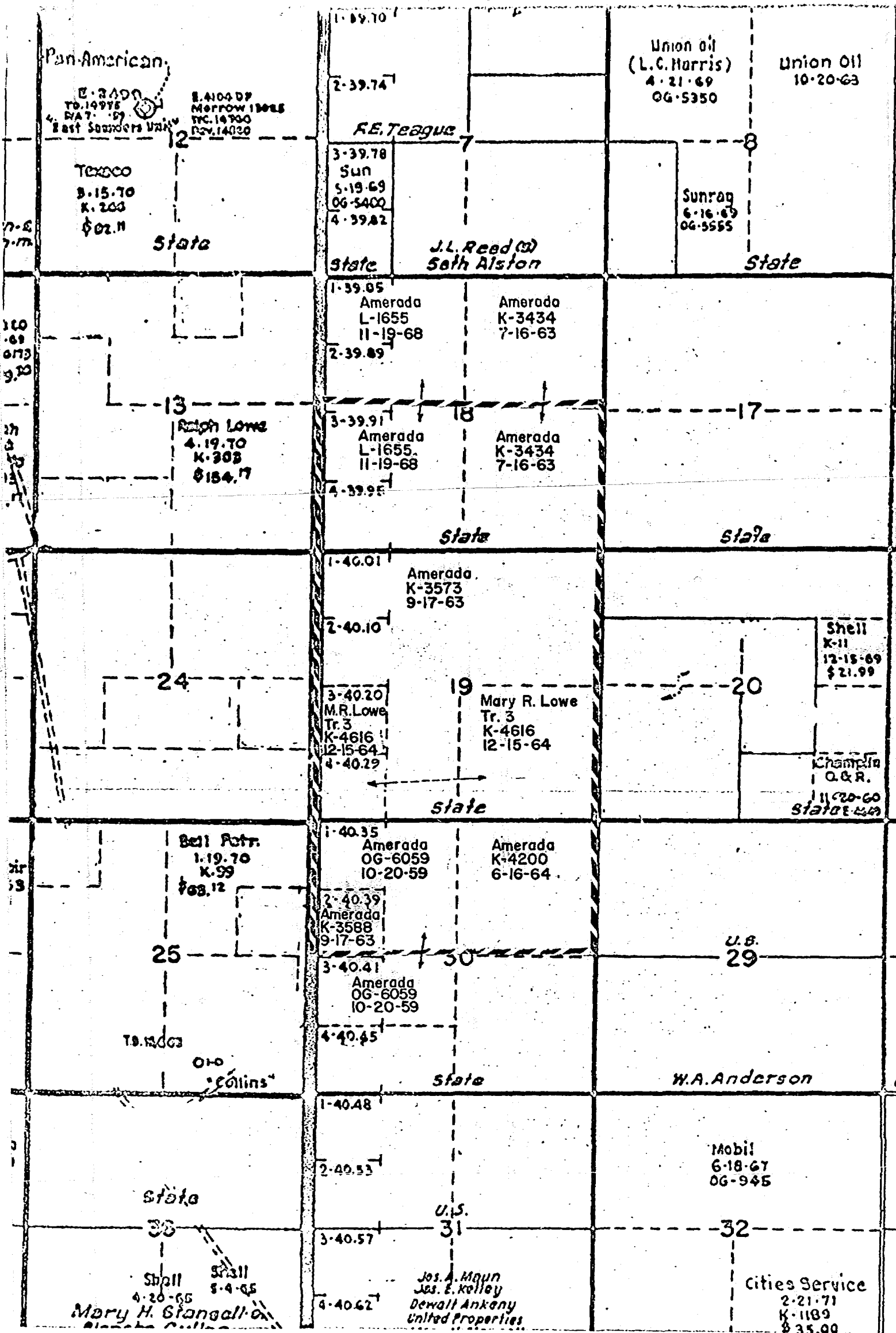


EXHIBIT "A" TO STATE II "A" COM UNIT AGREEMENT

EXHIBIT "B"

Schedule of Leases.

State Lease No. K-3434, dated July 16, 1963:

Covers: E/2 of Section 18
Owned by Amerada: All
Included in Unit: S/2 of E/2 - 160 acres
Percentage of Tract Participation: 12.48829%

State Lease No. K-3573, dated September 17, 1963:

Covers: Lot 1 of 40.01 acres;
Lot 2 of 40.10 acres;
NE/4 - 160 acres;
E/2 of W/2 - 160 acres;
All in Section 19.
Owned by Amerada: All
Included in Unit: All - 400.11 acres
Percentage of Tract Participation: 31.22932%

State Lease No. K-4200, dated June 16, 1964:

Covers: NE/4 of Sec. 30
Owned by Amerada: All
Included in Unit: All - 160 acres.
Percentage of Tract Participation: 12.48829%

State Lease No. OG-6059, dated October 20, 1959:

Covers: E/2 of NW/4;
Lots 1 and 3; and
NE/4 of SW/4;
All in Section 30, containing
200.76 acres.
Owned by Amerada: Lot 1 (NW/4 of NW/4)
40.35 acres;
E/2 NW/4, 80 acres
Included in Unit: Lot 1;
E/2 NW/4 - 120.35 acres
Percentage of Tract Participation: 9.39354%

State Lease No. K-3588, dated September 17, 1963:

Covers: Lot 2 of 40.39 acres;
Lot 4 of 40.45 acres;
SE/4 of SW/4;
All in Section 30, containing
120.84 acres.
Owned by Amerada: Lot 2 (SW/4 of NW/4)
Included in Unit: Lot 2 - 40.39 acres
Percentage of Tract Participation: 3.15251%

State Lease No. I-1655, dated November 19, 1968:

Covers: Lots 1, 2, 3 and 4;
E/2 W/2;
All in Section 18, containing
319.60 acres.

Owned by Amerada: All

Included in Unit: Lot 3 of 39.91 acres;
Lot 4 of 39.95 acres;
S/2 of E/2 of W/2 - 159.86 acres

Percentage of Tract Participation: 12.47737%

State Lease No. K-4616, dated December 15, 1964:

Covers: Lots 3, 4 and SE/4;
All in Section 19.

Owned by Mary Ralph Lowe Trust No. 3 - All

Included In Unit: All - 240.49 acres.

Percentage of Tract Participation: 18.77068%

100.00000%

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

MAIN OFFICE

'69 APR 10 PM 2 00

APPLICATION OF AMERADA PETROLEUM CORPORATION FOR APPROVAL OF A UNIT AGREEMENT, LEA COUNTY, NEW MEXICO

Doc 4124

A P P L I C A T I O N

Comes now AMERADA PETROLEUM CORPORATION and applies to the Oil Conservation Commission of New Mexico for approval of its State H "A" Com Unit, Lea County, New Mexico, for the exploration, development and operation of the unit area herein-after described, and in support thereof would show the Commission:

1. Applicant is designated as operator under the terms of the proposed unit agreement, a copy of which is attached hereto, and made a part of this application.

2. The proposed unit area covers and includes the following described lands, located in Lea County, New Mexico:

Township 14 South, Range 35 East, N.M.P.M.

Section 18: Lots 3, 4, E/2 SW/4, SE/4

Section 19: All

Section 30: Lots 1, 2, E/2 NW/4, NE/4

Containing 1,281.20 acres, more or less.

3. Said unit agreement provides that the unit operator shall drill a test well for oil and gas upon some part of the lands embraced within the unit area, all as is more particularly shown by the provisions of paragraph 8 of said unit agreement.

4. That it is believed that said unit area substantially embraces a formation, feature, or other possible common source of supply and should be approved as an exploratory unit for

the discovery, development and production of oil or gas, or both.

5. Approval of the proposed unit agreement is in the interest of conservation and the prevention of waste, and the correlative rights of all owners in the unit and in the vicinity of said unit will be fully protected.

WHEREFORE, applicant prays that this application be set for hearing before the Oil Conservation Commission or the Commission's duly appointed examiner, and that after notice and hearing as provided by law, the Commission enter its order approving the Amerada Petroleum Corporation State H "A" Com Unit, as applied for.

Respectfully submitted,

AMERADA PETROLEUM CORPORATION

By: Jason W. Kellahin
Kellahin & Fox
Post Office Box 1769
Santa Fe, New Mexico

ATTORNEYS FOR APPLICANT

BEFORE THE

OIL CONSERVATION COMMISSION OF NEW MEXICO MAIN OFFICE

APPLICATION OF AMERADA PETROLEUM
CORPORATION FOR APPROVAL OF A UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO

'69 APR 10 PH 2 00

Case 4124

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Section 19: All

Section 30: Lots 1, 2, E/2 NW/4, NE/4

Containing 1,281.20 acres, more or less.

3. Said unit agreement provides that the unit operator shall drill a test well for oil and gas upon some part of the lands embraced within the unit area, all as is more particularly shown by the provisions of paragraph 8 of said unit agreement.

4. That it is believed that said unit area substantially embraces a formation, feature, or other possible common source of supply and should be approved as an exploratory unit for

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Respectfully submitted,

AMERADA PETROLEUM CORPORATION

BY: Jason W. Kellahin
Kellahin & Fox
Post Office Box 1769
Santa Fe, New Mexico

ATTORNEYS FOR APPLICANT

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:

CASE No. 4124

Order No. R-3754

APPLICATION OF AMERADA PETROLEUM CORPORATION
FOR APPROVAL OF THE STATE H "A" COM
UNIT AGREEMENT, LEA, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
May 7, 1969, at Santa Fe, New Mexico, before Examiner
Daniel S. Nutter.

NOW, on this day of May, 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, Amerada Petroleum Corporation,
seeks approval of the State H "A" ~~COM~~ Unit Agreement
covering 1,281.20 acres, more or less, of State lands
and ~~Federal~~
described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 14 SOUTH, RANGE 35 EAST, NMPM

Section 18: lots 3, 4, E/2 SW/4, and SE/4

Section 19: all

Section 30: lots 1, 2, E/2 NW/4, and NE/4

(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 State H "A" COM= 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.

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



NEW MEXICO OIL
BEFORE THE

JUN 19 4 8 29

NEW MEXICO OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

May 7, 1969

EXAMINER HEARING

IN THE MATTER OF:

Application of Amerada
Petroleum Corporation for
a unit agreement, Lea
County, New Mexico.

Case 4124

BEFORE: DANIEL S. NUTTER, Examiner

TRANSCRIPT OF HEARING

MR. HATCH: Case 4124, application of Amerada Petroleum Corporation for a unit agreement, Lea County, New Mexico.

MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, appearing for the Applicant. I have one witness.

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

LAWRENCE MEYERS

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q State your name, please?

A Lawrence Meyers.

Q By whom are you employed, and in what position?

A I am employed by the Amerada Petroleum Corporation, Tulsa, as a Division Exploration Manager.

Q How long have you been in your present position?

A In my present position, approximately eight years.

Q Have you testified before the Oil Conservation Commission, and made your qualifications a matter of record?

A Yes, I have.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. NUTTER: Yes, they are.

Q Mr. Meyers, are you familiar with the application of the Amerada Petroleum Corporation in Case 4124?

A Yes, I am.

Q What is proposed by Amerada in this application?

A Amerada Petroleum Corporation is seeking approval of a State unit designated State H "A" Unit, to be located in Lea County, New Mexico, for the purposes of exploration, development, and operation and drilling for and producing hydrocarbons:

Q As the application was filed, the designation of this Unit read H "A" COM Unit. Has the word COM been deleted in the Unit agreement?

A It has.

Q And it is not now designated as the COM unit, is that correct?

A That's correct.

Q Now, has an executed copy of the unit agreement been submitted to the Commission?

A I understand that it has.

Q What areas are covered by this unit agreement?

A The proposed unit would cover approximately 1,281.20 acres, commonly referred to by description as being the south half of Section 18, all of Section 19, the north half of Section 30, all located in Township 14 South, Range 35 East, Lea County, New Mexico.

Q What is the purpose of this unit agreement?

A The purpose is to explore, develop, and operate the discovered hydrocarbons under that unit.

Q Is it an exploratory unit, then?

A An exploratory unit.

Q Do you have an exhibit showing the area and the available information? Do you have that marked as Exhibit No. 1?

Referring to what has been marked as Applicant's Exhibit 1, would you identify that exhibit?

A Exhibit 1 is a plat embracing the proposed unit area, and contiguous acreage around it, which has been prepared from the geophysical information obtained from the Amerada Petroleum Corporation in routine exploration of this part of the country.

Q In your opinion, does the unit agreement substantially embrace all of the geographical features, geologic features involved in this area?

A Yes.

Q Is this based on a closure?

A This is a seismic anomaly closure, approximately at the Devonian Horizon, and it embraces the closed area as interpreted from geophysical data.

Q Based on your interpretation, the unit operated as a unit will substantially control any reservoir discovered in this area?

A That's correct.

Q Who are the working interest participants in this?

A There are two, Amerada designated as the Operator, and Ralph Lowe Estate.

Q Are there any overriding royalty owners?

A No, sir.

Q Have Amerada and Ralph Lowe Estate executed the unit agreement?

A Yes, they have.

Q And all of the working interests embraced within

the unit has been committed to the unit?

A This is correct.

Q Is this all State land?

A All State land.

Q Has your proposed unit been submitted to the State Land Commissioner?

A Yes, it has.

Q Has it received a tentative approval subject to the action of this Commission from the unit division of the State Land Office?

A Yes, it has.

Q Was Exhibit No. 1 prepared by you or under your supervision?

A Yes, under my supervision.

Q Now, Mr. Meyers, is the form of the unit agreement as submitted to the Commission, a form which has been used in other units and approved by this Commission?

A I understand that it is, yes.

MR. KELLAHIN: At this time, I offer in evidence Exhibit 1.

MR. NUTTER: Exhibit No. 1 will be admitted in

evidence.

(Thereupon, Applicant's Exhibit No. 1 was admitted in evidence.)

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Meyers, what does the unit agreement provide for in the way of building an exploratory well?

A Provides that a test will be drilled for all gas upon some part of the land embraced within the unit area.

Q And what formation is to be tested, and what is the maximum depth that the unit agreement requires?

A We are currently drilling on the Amerada No. 1 H "A" Unit Well, which is located 660 feet from the north line, 1980 feet from the east line of Section 19. This well has been projected 14,750 feet, to test the salurian formation.

For the matter of the record, yesterday, on the 6th day of May, we were drilling at 7,293 feet.

MR. NUTTER: Any further questions of the witness? You may be excused. Do you have anything

further?

MR. KELLAHIN: If the Examiner please, we do have a photo copy of the operating agreement, if the Commission would like to have that entered.

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Does anyone have anything they wish to offer in Case 4124? We will take the case under advisement.

I N D E X

WITNESS

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Direct Examination by Mr. Kellahin

2

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7

EXHIBITS

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ADMITTED IN
EVIDENCE

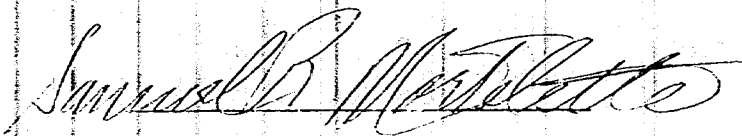
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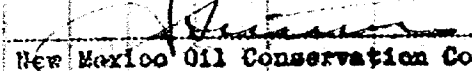
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STATE OF NEW MEXICO)
) SS:
COUNTY OF BERNALILLO)

I, SAMUEL MORTELETTE, Court Reporter 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.



I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 4124
heard by me on 5/7 1969.

 Examiner
New Mexico Oil Conservation Commission

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMEN'S, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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



BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 7, 1969
EXAMINER HEARING

JUN 19 AM 0 28

IN THE MATTER OF:

Application of Amerada
Petroleum Corporation for
a unit agreement, Lea
County, New Mexico.

Case 4124

BEFORE: DANIEL S. NUTTER, Examiner

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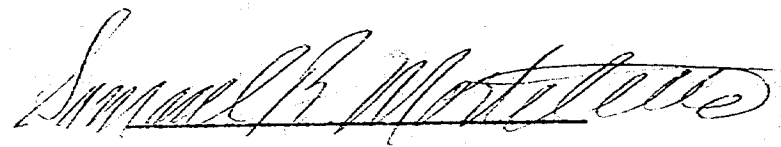
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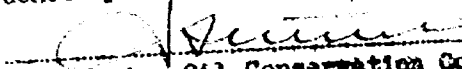
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) SS;
COUNTY OF BERNALILLO)

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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.



I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 8124
heard by me on 5/7 1969.

. Examiner
New Mexico Oil Conservation Commission