

CASE 6752: BILL STAPLER FOR APPROVAL OF  
THE QUARK UNIT AREA, LEA COUNTY, NEW  
MEXICO

Case No.

6752

Application

Transcripts.

Small Exhibits

ETC.

OIL CONSERVATION DIVISION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

April 2, 1980

Bill Stapler Oil Properties  
Suite 205, One Kingwood Place  
Kingwood, Texas 77339

Attention: Bill Stapler

Re: Case No. 6752  
Quark Unit  
Termination of Unit

Gentlemen:

Your letter dated March 4, 1980, requesting termination of the above-referenced unit is hereby acknowledged.

Accordingly, our records have been noted to reflect the termination.

Yours very truly,

JOE D. RAMEY  
Director

JDR/EP/fd

cc: U.S.G.S. - Roswell  
Commissioner of Public Lands

C  
O  
P  
Y

BILL STAPLER

Oil Properties

713-358-8462

713-358-4788 Res:

ES 6752

March 4, 1980

Re: Quark Unit  
Township 22-S; Range 34-E  
Lea County, New Mexico  
N.M. Oil Conservation Division #6752

Dear Joe:

I wish to withdraw or cancel my plans for the Quark Unit. I have been unable to get reasonable effective control of the entire unit area and therefore am abandoning this project. I appreciate your approval of my unit plan. It is a reasonable place to drill an exploratory test as part of the unit will be included in another exploratory program and the unit has an offset currently drilling.

Thank you for your cooperation and help in response to my original request.

Yours truly,

*Bill*  
Bill Stapler  
BS/dt

Mr. Joe D. Ramey, Secretary Director  
New Mexico Oil Conservation Commission  
P.O. Box 2088  
Santa Fe, New Mexico 87501

*see attached  
for letter  
acknowledging  
termination*



BRUCE KING  
GOVERNOR  
LARRY KEHOE  
SECRETARY

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-2434

January 10, 1980

Mr. George Hunker  
Hunker-Fedric  
Attorneys at Law  
P. O. Box 1237  
Roswell, New Mexico 88201

Re: CASE NO. 6752  
ORDER NO. R-6217

Applicant:

Bill Stapler

Dear Sir:

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

Yours very truly,

JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

Other

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 6752  
Order No. R-6217

APPLICATION OF BILL STAPLER  
FOR APPROVAL OF THE QUARK UNIT  
AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 12, 1979, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 9th day of January, 1980, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Bill Stapler, seeks approval of the Quark Unit Agreement covering 11,200 acres, more or less, of State and Federal lands described as follows:

LEA COUNTY, NEW MEXICO  
TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM  
Sections 13 through 16: All  
Section 17: E/2  
Section 20: E/2  
Sections 21 through 28: All  
Section 29: E/2  
Sections 33 through 36: All

(3) That all plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

(4) 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 Quark 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 Division 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 Division 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 Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That the Division shall be notified of any change of unit operator, and all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

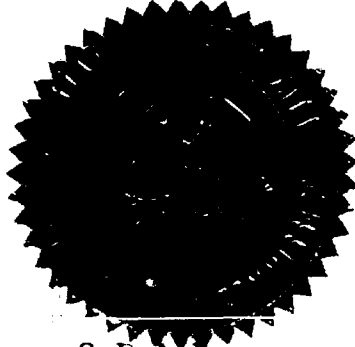
(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that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

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

-3-

Case No. 6752  
Order No. R-6217

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Joe D. Ramey*  
JOE D. RAMEY,  
Director

dz/



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
12 December 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Bill Stapler for a unit  
agreement, Lea County, New Mexico.

CASE  
6752

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

George H. Hunker, Jr., Esq.  
Roswell, New Mexico

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

I N D E X

EUGENE GREENWOOD

Direct Examination by Mr. Hunker 3

Cross Examination by Mr. Nutter 6

E X H I B I T S

Applicant Exhibit One, Report 4

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

1 MR. NUTTER: We'll call next Case Number 6752.

2 MR. PADILLA: Application of Bill Stapler  
3 for a unit agreement, Lea County, New Mexico.

4 MR. HUNKER: George Hunker, Hunker, Fedric,  
5 Roswell, New Mexico. I have one witness I'd like to have  
6 stand and be sworn.

7  
8 (Witness sworn.)

9  
10 EUGENE GREENWOOD

11 being called as a witness and having been duly sworn upon his  
12 oath, testified as follows, to-wit:

13  
14 DIRECT EXAMINATION

15 BY MR. HUNKER:

16 Q Will you state your name, address, and oc-  
17 cupation?

18 A My name is Eugene Greenwood. I'm a geologist  
19 and I live in Midland, Texas.

20 Q Have you ever testified before the Oil  
21 Conservation Division before, Mr. Greenwood?

22 A I have not.

23 Q What is your educational background?

24 A I have a Master's degree from TCU in geo-  
25 logy and a Bachelor's, and I have taken postgraduate work

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

1 at the University of Texas and at Texas Tech since then.

2 Q What work experience have you had over the  
3 time of your career as a geologist?

4 A I worked eighteen years for Exxon in New  
5 Mexico and Texas and have been an independent consultant  
6 since 1968.

7 MR. HUNKER: Are the qualifications of the  
8 witness acceptable?

9 MR. NUTTER: Yes, they are.

10 Q Mr. Greenwood, are you familiar with the  
11 application that's been filed for approval of the Quark Unit?

12 A Yes sir.

13 Q What does that unit cover?

14 A The Quark Unit contains 11,200 acres in  
15 the southeast quarter, southeast part, of Township 22 South,  
16 Range 34 East, and --

17 Q This is Lea County, New Mexico?

18 A Lea County, New Mexico.

19 Q Have you prepared a geological report in  
20 connection with this prospect?

21 A I have.

22 Q I'll ask you to examine what's been marked  
23 Applicant's Exhibit Number One and tell the Examiner whether  
24 or not this is the report which you prepared.

25 A Yes, it is.

Reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

1 Q Does it have two exhibits attached to it?

2 A It does.

3 Q Will you advise the Commission what the  
4 principal feature of this unit is?

5 A The Quark Unit is located, if you'll refer  
6 to Exhibit B, is located on a known subsurface geologic  
7 feature on the top of the Strawn. A map is included, called  
8 Exhibit B, showing the structure as defined by a number of  
9 deep wells.

10 The Quark prospect also has been contoured  
11 on the top of the second Bone Springs Sand, which is called  
12 Exhibit A, and it shows a nosing in the area over the deep  
13 structure. There have been numerous occasions where excellent  
14 porosity was developed in shallow sands over deep structures,  
15 and I feel that this will be true in this case from inspecting  
16 the nearby logs and samples, I believe that it is true.

17 Q Does the area encompassed by this unit in-  
18 clude all, or substantially all, of the feature that you have  
19 shown on these two exhibits?

20 A It does.

21 Q Who is designated as the operator of this  
22 unit at this time?

23 A Bill Stapler.

24 Q Did you prepare this report for him?

25 A I did.

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

1 Q And has an application been filed with the  
2 United States Geological Survey for approval of the unit?

3 A It has.

4 Q And in your opinion, or judgment, Mr. Green-  
5 wood, will the approval of this unit be in the interest of  
6 conservation and the prevention of waste?

7 A In my judgment it will.

8 MR. HUNKER: I have no other questions at  
9 this time, Mr. Examiner. I'd like to offer in evidence the  
10 exhibit that Mr. Greenwood has identified. I'd like to hand  
11 the Commission a copy of a letter received by me from the  
12 Commissioner of Public Lands Office, indicating that the pre-  
13 liminary application has been filed with the Commissioner  
14 of Public Lands, and I'd like to deliver to the Examiner a  
15 copy of the Unit Agreement at this time.

16 MR. NUTTER: That will be fine. And the  
17 only exhibit you have, however, would be this geological re-  
18 port.

19 MR. HUNKER: The geological report.

20 MR. NUTTER: Exhibit Number One in Case  
21 Number 6752 will be admitted in evidence.

22  
23 CROSS EXAMINATION

24 BY MR. NUTTER:

25 Q Mr. Greenwood, where will the initial well

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

1 be drilled on this unit?

2 A. The initial well will be drilled, I believe  
3 somewhere in Section 26. That could be subject to change,  
4 but that's my understanding at this time.

5 Q And you don't have a specific location in  
6 Section 26?

7 A I would recommend that it be drilled in  
8 the northwest quarter.

9 Q I see.

10 A But I certainly could not object to one in  
11 the northeast quarter, either, but my first recommendation  
12 would be the northwest quarter.

13 Q The final location has not been determined?

14 A Has not been determined, no, sir.

15 Q Okay. Now, what percentage of the working  
16 interest ownership is committed to the unit, Mr. Greenwood?

17 A I'm sorry, I do not know that, sir.

18 MR. NUTTER: Do you have any answer to that?

19 MR. HUNKER: The agreement is in the pro-  
20 cess of being designated and we do not have any commitments  
21 at this time. We have indicated farmouts from working inter-  
22 est owners, but I can't give you the percentage.

23 MR. NUTTER: What percentage ownership or  
24 operation of the unit area does the applicant have?

25 A He has none other than by farmout.

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

1 Q I see, and he's putting the unit together  
2 but he doesn't have any interest in it as of now.

3 A He's putting the unit together. That's  
4 correct.

5 MR. NUTTER: Are there any further questions  
6 of the witness? He may be excused.

7 Do you have anything further, Mr. Hunker?

8 MR. HUNKER: No. Thank you very much.

9 MR. NUTTER: Does anyone have anything they  
10 wish to offer in this Case Number 6752?

11 We'll take the case under advisement.

12

13 (Hearing concluded.)

14

15

16

17

18

19

20

21

22

23

24

25

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501



## REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand Reporter,  
DO HEREBY CERTIFY that the foregoing and attached Transcript  
of Hearing before the Oil Conservation Division was reported  
by me; that the said transcript is a full, true, and correct  
record of the hearing, prepared by me to the best of my  
ability from my notes taken at the time of the hearing.

Sally W. Boyd C.S.R.  
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the case of the hearing of Case No. 6752  
heard by me on 12/12/79.  
[Signature], Examiner  
Oil Conservation Division

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
12 December 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Bill Stapler for a unit ) CASE  
agreement, Lea County, New Mexico. ) 6752

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant: George H. Hunker, Jr., Esq.  
Roswell, New Mexico

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

I N D E X

EUGENE GREENWOOD

Direct Examination by Mr. Hunker	3
Cross Examination by Mr. Nutter	6

E X H I B I T S

Applicant Exhibit One, Report	4
-------------------------------	---

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

1 MR. NUTTER: We'll call next Case Number 6752.

2 MR. PADILLA: Application of Bill Stapler  
3 for a unit agreement, Lea County, New Mexico.

4 MR. HUNKER: George Hunker, Hunker, Fredric,  
5 Roswell, New Mexico. I have one witness I'd like to have  
6 stand and be sworn.

7  
8 (Witness sworn.)

9  
10 EUGENE GREENWOOD  
11 being called as a witness and having been duly sworn upon his  
12 oath, testified as follows, to-wit:

13  
14 DIRECT EXAMINATION

15 BY MR. HUNKER:

16 Q Will you state your name, address, and oc-  
17 cupation?

18 A My name is Eugene Greenwood. I'm a geologist  
19 and I live in Midland, Texas.

20 Q Have you ever testified before the Oil  
21 Conservation Division before, Mr. Greenwood?

22 A I have not.

23 Q What is your educational background?

24 A I have a Master's degree from TCU in geo-  
25 logy and a Bachelor's, and I have taken postgraduate work

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

1 at the University of Texas and at Texas Tech since then.

2 Q What work experience have you had over the  
3 time of your career as a geologist?

4 A I worked eighteen years for Exxon in New  
5 Mexico and Texas and have been an independent consultant  
6 since 1968.

7 MR. HUNKER: Are the qualifications of the  
8 witness acceptable?

9 MR. NUTTER: Yes, they are.

10 Q Mr. Greenwood, are you familiar with the  
11 application that's been filed for approval of the Quark Unit?

12 A Yes sir.

13 Q What does that unit cover?

14 A The Quark Unit contains 11,200 acres in  
15 the southeast quarter, southeast part, of Township 22 South,  
16 Range 34 East, and --

17 Q This is Lea County, New Mexico?

18 A Lea County, New Mexico.

19 Q Have you prepared a geological report in  
20 connection with this prospect?

21 A I have.

22 Q I'll ask you to examine what's been marked  
23 Applicant's Exhibit Number One and tell the Examiner whether  
24 or not this is the report which you prepared.

25 A Yes, it is.

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

1 Q Does it have two exhibits attached to it?

2 A It does.

3 Q Will you advise the Commission what the  
4 principal feature of this unit is?

5 A The Quark Unit is located, if you'll refer  
6 to Exhibit B, is located on a known subsurface geologic  
7 feature on the top of the Strawn. A map is included, called  
8 Exhibit B, showing the structure as defined by a number of  
9 deep wells.

10 The Quark prospect also has been contoured  
11 on the top of the second Bone Springs Sand, which is called  
12 Exhibit A, and it shows a nosing in the area over the deep  
13 structure. There have been numerous occasions where excellent  
14 porosity was developed in shallow sands over deep structures,  
15 and I feel that this will be true in this case from inspecting  
16 the nearby logs and samples, I believe that it is true.

17 Q Does the area encompassed by this unit in-  
18 clude all, or substantially all, of the feature that you have  
19 shown on these two exhibits?

20 A It does.

21 Q Who is designated as the operator of this  
22 unit at this time?

23 A Bill Stapler.

24 Q Did you prepare this report for him?

25 A I did.

Reporting Service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

1 Q And has an application been filed with the  
2 United States Geological Survey for approval of the unit?

3 A It has.

4 Q And in your opinion, or judgment, Mr. Green-  
5 wood, will the approval of this unit be in the interest of  
6 conservation and the prevention of waste?

7 A In my judgment it will.

8 MR. HUNKER: I have no other questions at  
9 this time, Mr. Examiner. I'd like to offer in evidence the  
10 exhibit that Mr. Greenwood has identified. I'd like to hand  
11 the Commission a copy of a letter received by me from the  
12 Commissioner of Public Lands Office, indicating that the pre-  
13 liminary application has been filed with the Commissioner  
14 of Public Lands, and I'd like to deliver to the Examiner a  
15 copy of the Unit Agreement at this time.

16 MR. NUTTER: That will be fine. And the  
17 only exhibit you have, however, would be this geological re-  
18 port.

19 MR. HUNKER: The geological report.

20 MR. NUTTER: Exhibit Number One in Case  
21 Number 6752 will be admitted in evidence.

22 CROSS EXAMINATION

23 BY MR. NUTTER:

24 Q Mr. Greenwood, where will the initial well  
25

1 be drilled on this unit?

2 A The initial well will be drilled, I believe,  
3 somewhere in Section 26. That could be subject to change,  
4 but that's my understanding at this time.

5 Q And you don't have a specific location in  
6 Section 26?

7 A I would recommend that it be drilled in  
8 the northwest quarter.

9 Q I see.

10 A But I certainly could not object to one in  
11 the northeast quarter, either, but my first recommendation  
12 would be the northwest quarter.

13 Q The final location has not been determined?

14 A Has not been determined, no, sir.

15 Q Okay. Now, what percentage of the working  
16 interest ownership is committed to the unit, Mr. Greenwood?

17 A I'm sorry, I do not know that, sir.

18 MR. NUTTER: Do you have any answer to that?

19 MR. HUNKER: The agreement is in the pro-  
20 cess of being designated and we do not have any commitments  
21 at this time. We have indicated farmouts from working inter-  
22 est owners, but I can't give you the percentage.

23 MR. NUTTER: What percentage ownership or  
24 operation of the unit area does the applicant have?

25 A He has none other than by farmout.

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Q I see, and he's putting the unit together but he doesn't have any interest in it as of now.

A He's putting the unit together. That's correct.

MR. NUTTER: Are there any further questions of the witness? He may be excused.

Do you have anything further, Mr. Hunker?

MR. HUNKER: No. Thank you very much.

MR. NUTTER: Does anyone have anything they wish to offer in this Case Number 6752?

We'll take the case under advisement.

(Hearing concluded.)


reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

## REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand Reporter,  
DO HEREBY CERTIFY that the foregoing and attached Transcript  
of Hearing before the Oil Conservation Division was reported  
by me; that the said transcript is a full, true, and correct  
record of the hearing, prepared by me to the best of my  
ability from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiners Hearing of Case No. 6753  
heard by me on 12/12/79.

  
Oil Conservation Division, Examiner

reporting service  
General Court Reporting Service  
Santa Fe, New Mexico 87501

11-15-79

BUREAU OF LAND MANAGEMENT

OIL CONSERVATION DIVISION

Appl. EXHIBIT NO. 1

CASE NO. 6752

GEOLOGY AND AREA EXTENT

Re: QUARK UNIT  
Lea County, New MexicoRECOMMENDATION:

It is recommended that the Quark Unit encompassing the following described land in Lea County, New Mexico,

Township 22 South, Range 34 East, NMPM

Sections 13, 14, 15, 16: All ✓  
Section 17: E/2  
Sections 24, 23, 22, 21: All  
Section 20: E/2  
Sections 25, 26, 27, 28: All  
Section 29: E/2  
Sections 36, 35, 34, 33: All

containing 11,200 acres, more or less,

be considered sufficiently defined by geology to be elevated to drilling status and a program to be initiated to form a Federally and State approved Drilling Unit for the drilling of an 11,400 foot Bone Spring test to evaluate all formations penetrated at a well to be located in Section 26, T-22-S, R-34-E, NMPM, Lea County, New Mexico.

GEOLOGICAL:

The Quark Unit outline covers an area mapped geologically on top of the Strawn Formation, indicating a Strawn structural high in the area of the subject unit.

The primary objective of the proposed wildcat well is the second Bone Spring sand. The objective is oil production to be tested between 10,500 feet and 11,400 feet. It is anticipated that the well should be drilled to the top of the Wolfcamp Formation. If it should be determined that the well should be drilled deeper, the Atoka-Morrow is considered to be an excellent secondary objective.

STRUCTURE:

The structural configuration shown on Exhibit A contoured on the top of a Bone Spring Formation marker indicates a structural nose across the proposed unit, extending southward from one well which has been drilled north of the unit area in Section 10, the Superior A-1 Government. A porosity failure occurs along the north side of the unit between the unit boundary and the Superior Government A-1 drilled 1,650 feet from the North and West lines of Section 10, T-22-S, R-34-E. This lessening of porosity defines the unit on the north. The unit area has been selected to include lands situated on the south plunging nose overlying the Pennsylvanian structure in which the Bone Spring interval is suspected to have the maximum porous section. Good Bone Spring oil production is normally obtained where proper stratigraphic conditions prevail over structural noses or closures. The proposed unit area encompasses primarily the structural high as shown on the Strawn map.

-2-

Re: Quark Unit  
Lea County, New Mexico

The following described three test wells within the exterior boundaries of the unit area have been drilled. From an examination of logs and well records, it appears that no tests were run by the operators in the Bone Spring interval. These wells are as follows:

- 1) American Quasar Ojo Chiso Unit #2, located in the SE/4 of Section 15, T-22-S, R-34-E;
- 2) American Quasar Ojo Chiso Unit #1, located in the SW/4NW/4 of Section 23, T-22-S, R-34-E;
- 3) Phillips Petroleum Company Merchant B-1, located in the NE/4SE/4 Section 26, T-22-S, R-34-E.

CONCLUSION:

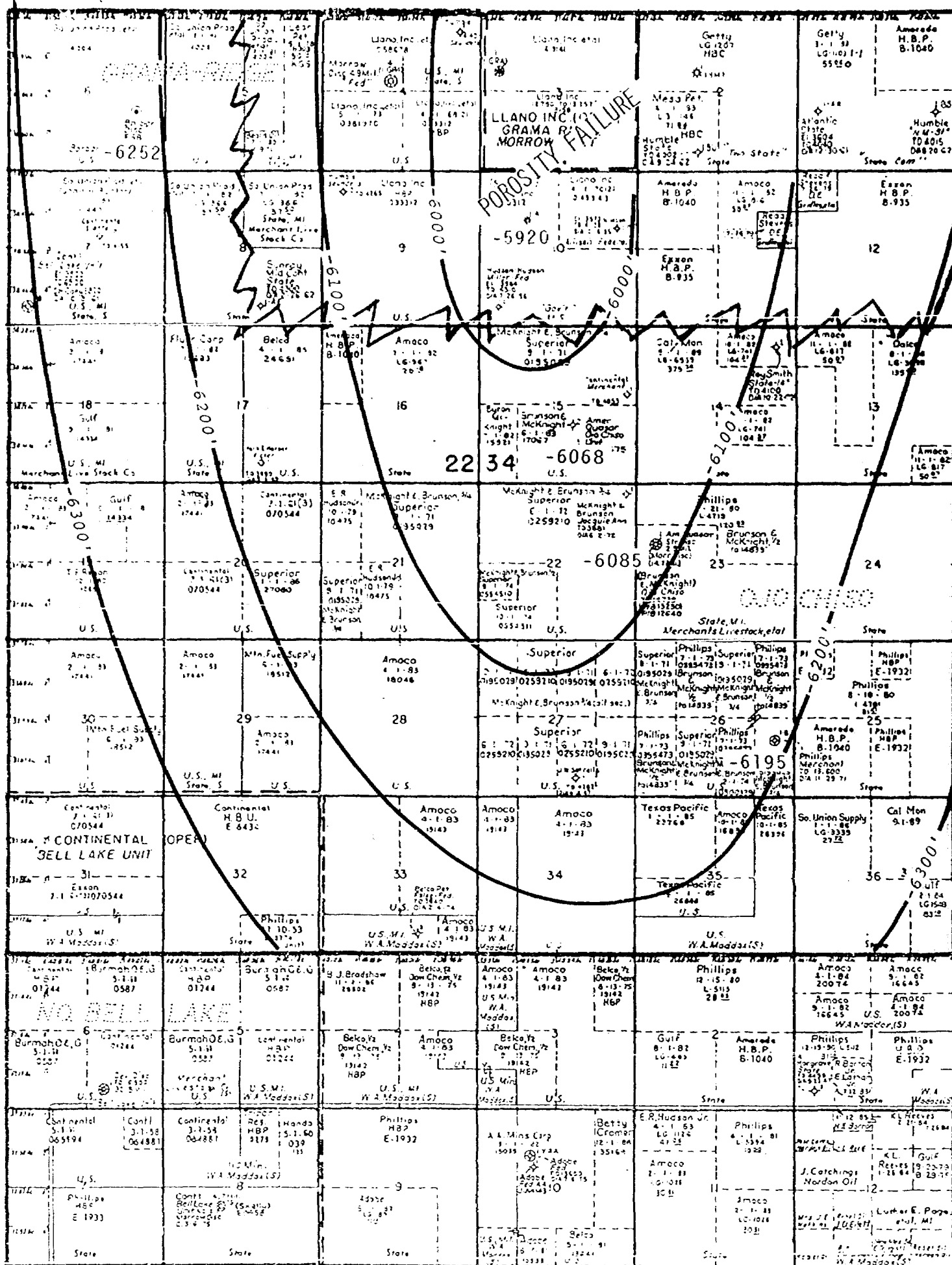
Based on the foregoing data and general geologic information in the Delaware and Midland Basin areas, it is the judgment of the undersigned that the Bone Spring sands should produce in the Quark Unit Prospect Area in T-22-S, R-34-E, Lea County, New Mexico, and more fully described hereinabove.

Respectfully submitted,



Eugene Greenwood, Geologist

EG:gk



initial well  
to be drilled in  
Sec. 26

EXHIBIT NO. A

STRUCTURE  
MARKER BED IN BONE SPRING  
C. I. = 100'  
BONE SPRING PROSPECT  
LEA COUNTY, NEW MEXICO  
EUGENE GREENWOOD  
GEOLOGIST  
NOVEMBER 1979

NOVEMBER , 1979

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
QUARK UNIT AREA  
COUNTY OF LEA  
STATE OF NEW MEXICO  
NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the First day of December, 1979, 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 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 representative to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 3, Chapter 88, Laws 1943, as amended by Section 1 of Chapter 176, Laws of 1961) (Chapter 19, Article 10, Section 45, New Mexico Statutes 1978 Annotated), to consent to and approve the development 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 (Section 3, Chapter 88, Laws 1943, as amended by Section 1, Chapter 162, Laws of 1951) (Chapter 19, Article 10, Section 47, New Mexico Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement 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 agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Division of the State of New Mexico (hereinafter referred to as the "Division") is authorized by an Act of the Legislature (Chapter 72, Laws of 1935 as amended) (Chapter 70, Article 2, Section 17, New Mexico Statutes 1978 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interest in the Quark 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

1 to this agreement under the terms, conditions, and limitations 1  
2 herein set forth; 2  
3

4 NOW, THEREFORE, in consideration of the premises and the 4  
5 promises herein contained, the parties hereto commit to this 5  
6 agreement their respective interest in the below-defined unit 6  
7 area, and agree severally among themselves as follows: 7  
8

9 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act 9  
10 of February 25, 1920, as amended, supra, and all valid pertinent 10  
11 regulations, including operating and unit plan regulations, 11  
12 heretofore issued thereunder or valid, pertinent, and reasonable 12  
13 regulations hereafter issued thereunder are accepted and made a 13  
14 part of this agreement as to Federal lands, provided such regulations 14  
15 are not inconsistent with the terms of this agreement; and as to 15  
16 non-Federal lands, the oil and gas operating regulations in 16  
17 effect as of the effective date hereof governing drilling and 17  
18 producing operations, not inconsistent with the terms hereof or 18  
19 the laws of the State in which the non-Federal land is located, 19  
20 are hereby accepted and made a part of this agreement. 20  
21

22 2. UNIT AREA. The following described land is hereby 22  
23 designated and recognized as constituting the unit area: 23  
24

25 Township 22 South, Range 34 East, N.M.P.M. 25

26	Section 13: All	Section 25: All	26
27	Section 14: All	Section 26: All	27
28	Section 15: All	Section 27: All	28
29	Section 16: All	Section 28: All	29
30	Section 17: E $\frac{1}{2}$	Section 29: E $\frac{1}{2}$	30
31	Section 20: E $\frac{1}{2}$	Section 33: All	31
32	Section 21: All	Section 34: All	32
33	Section 22: All	Section 35: All	33
34	Section 23: All	Section 36: All	34
35	Section 24: All		35

36 Containing 11,200 acres, more or less. 36  
37

38 Exhibit "A" attached hereto is a map showing the unit area and 38  
39 the boundaries and identity of tracts and leases in said area to 39  
40 the extent known to the Unit Operator. Exhibit "B" attached 40  
41 hereto is a schedule showing to the extent known to the Unit 41  
42 Operator the acreage, percentage, and kind of ownership of oil 42  
43 and gas interests in all land in the unit area. However, nothing 43  
44 herein or in said schedule or map shall be construed as a repre- 44  
45 sentation by any party hereto as to the ownership of any interest 45  
46 other than such interest or interests as are shown in said map or 46  
47 schedule as owned by such party. Exhibits "A" and "B" shall be 47  
48 revised by the Unit Operator whenever changes in the unit area 48  
49 render such revision necessary when requested by the Oil and Gas 49  
50 Supervisor, hereinafter referred to as "Supervisor", or when 50  
51 requested by the Commissioner of Public Lands of the State of New 51  
52 Mexico, hereinafter referred to as "Land Commissioner", and not 52  
53 less than five (5) copies of the revised Exhibits shall be filed 53  
54 with the Supervisor and one (1) copy thereof shall be filed with 54  
55 the Land Commissioner, and one (1) copy with the New Mexico Oil 55  
56 Conservation Division, hereinafter referred to as "Division". 56  
57

58 The above-described unit area shall, when practicable, be 58  
59 expanded to include therein any additional lands or shall be 59  
60 contracted to exclude lands whenever such expansion or contraction 60  
61 is deemed to be necessary or advisable to conform with the purposes 61  
62 of this agreement. Such expansion or contraction shall be effected 62  
63 in the following manner: 63  
64

65 (a) Unit Operator, on its own motion or on demand of the 65  
66 Director of the Geological Survey, hereinafter referred to as 66  
67 "Director", or on demand of the Land Commissioner, after preliminary 67  
68 concurrence by the Director, shall prepare a notice of proposed 68  
69 expansion or contraction describing the contemplated changes in 69  
70 the boundaries of the unit area, the reasons therefor, and the 70  
71



1 proposed effective date thereof, preferably, the first day of a 1  
2 month subsequent to the date of notice. 2  
3

4 (b) Said notice shall be delivered to the Supervisor, the 4  
5 Land Commissioner and the State Division, and copies thereof 5  
6 mailed to the last known address of each working-interest owner, 6  
7 lessee, and lessor whose interest are affected, advising that 7  
8 thirty (30) days will be allowed for submission to the Unit 8  
9 Operator of any objections. 9  
10

11 (c) Upon expiration of the 30-day period provided in the 11  
12 preceding item (b) hereof, Unit Operator shall file with the 12  
13 Supervisor, the Land Commissioner, and the State Division, 13  
14 evidence of mailing the notice of expansion or contraction and a 14  
15 copy of any objections thereto which have been filed with the 15  
16 Unit Operator, together with an application in sufficient number, 16  
17 for approval of such expansion or contraction and with appropriate 17  
18 joinders. 18  
19

20 (d) After due consideration of all pertinent information, 20  
21 the expansion or contraction shall, upon approval by the Supervisor, 21  
22 the Land Commissioner, and State Division, become effective as of 22  
23 the date prescribed in the notice thereof. 23  
24

25 (e) Notwithstanding any prior elimination under the Drilling 25  
26 to Discovery Section, all legal subdivision of lands (i.e., 40 26  
27 acres by Government survey or its nearest lot or tract equivalent; 27  
28 in instances of irregular surveys unusually large lots or tracts 28  
29 shall be considered in multiples of 40 acres or the nearest 29  
30 aliquot equivalent thereof), no parts of which are entitled to be 30  
31 in a participating area on or before the fifth anniversary of the 31  
32 effective date of the first initial participating area established 32  
33 under this unit agreement, shall be eliminated automatically from 33  
34 this agreement, effective as of said fifth anniversary, and such 34  
35 lands shall no longer be a part of the unit area and shall no 35  
36 longer be subject to this agreement, unless diligent drilling 36  
37 operations are in progress on unitized lands not entitled to 37  
38 participation on said fifth anniversary, in which event all such 38  
39 lands shall remain subject hereto for so long as such drilling 39  
40 operations are continued diligently, with not more than 90 days' 40  
41 time elapsing between the completion of one such well and the 41  
42 commencement of the next such well. All legal subdivisions of 42  
43 lands not entitled to be in a participating area within 10 years 43  
44 after the effective date of the first initial participating area 44  
45 approved under this agreement shall be automatically eliminated 45  
46 from this agreement as of said tenth anniversary. All lands 46  
47 proved productive by diligent drilling operations after the 47  
48 aforesaid five-year period shall become participating in the same 48  
49 manner as during said five-year period. However, when such 49  
50 diligent drilling operations cease, all nonparticipating lands 50  
51 shall be automatically eliminated effective as of the 91st day 51  
52 thereafter. The unit operator shall within 90 days after the 52  
53 effective date of any elimination hereunder, describe the area so 53  
54 eliminated to the satisfaction of the Supervisor and the Land 54  
55 Commissioner and promptly notify all parties in interest. 55  
56

57 If the conditions warrant extension of the ten-year period 57  
58 specified in this subsection 2(e), a single extension of not to 58  
59 exceed two years may be accomplished by consent of the owners of 59  
60 90% of the working interest in the current non-participating 60  
61 unitized lands and the owners of 60% of the basic royalty interest 61  
62 (exclusive of the basic royalty interests of the United States) 62  
63 in non-participating unitized lands with approval of the Director 63  
64 and Land Commissioner, provided such extension application is 64  
65 submitted to the Director and the Land Commissioner not later 65  
66 than 60 days prior to the expiration of said ten-year period. 66  
67

68 Any expansion of the unit area pursuant to this section 68  
69 which embraces lands theretofore eliminated pursuant to this 69  
70 subsection 2(e) shall not be considered automatic commitment or 70  
71 recommitment of such lands. 71

1 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land 1  
2 committed to this agreement shall constitute land referred to 2  
3 herein as "unitized land" or "land subject to this agreement." 3  
4 All oil and gas in any and all formations of the unitized land 4  
5 are unitized under the terms of this agreement and herein are 5  
6 called "unitized substances." 6  
7

8 4. UNIT OPERATOR. Bill Stapler is hereby designated as 8  
9 Unit Operator and by signature hereto as Unit Operator agrees and 9  
10 consents to accept the duties and obligations of Unit Operator 10  
11 for the discovery, development, and production of unitized substances 11  
12 as herein provided. Whenever reference is made herein to the 12  
13 Unit Operator, such reference means the Unit Operator acting in 13  
14 the capacity and not as an owner of interest in unitized substances, 14  
15 and the term "working-interest owner" when used shall include or 15  
16 refer to Unit Operator as the owner of a working interest when 16  
17 such an interest is owned by it. 17  
18

19 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit operator 19  
20 shall have the right to resign at any time prior to the establishment 20  
21 of a participating area or area hereunder, but such resignation 21  
22 shall not become effective so as to release Unit Operator from 22  
23 the duties and obligations of Unit Operator and terminate Unit 23  
24 Operator's rights as such for a period of six (6) months after 24  
25 notice of intention to resign has been served by Unit Operator on 25  
26 all working-interest owners and the Supervisor, the Land Commissioner, 26  
27 and State Division and until all wells then drilled hereunder are 27  
28 placed in a satisfactory condition for suspension or abandonment 28  
29 whichever is required by the Supervisor as to Federal lands and 29  
30 the Land Commissioner as to State lands or the State Division if 30  
31 on Fee lands, unless a new Unit Operator shall have been selected 31  
32 and approved and shall have taken over and assumed the duties and 32  
33 obligations of Unit Operator prior to the expiration of said 33  
34 period. 34  
35

36 Unit Operator shall have the right to resign in like manner 36  
37 and subject to like limitations as above provided at any time a 37  
38 participating area established hereunder is in existence, but, in 38  
39 all instances of resignation or removal, until a successor unit 39  
40 operator is selected and approved as hereinafter provided, the 40  
41 working-interest owners shall be jointly responsible for perfor- 41  
42 mance of the duties of unit operator, and shall not later than 30 42  
43 days before such resignation or removal becomes effective appoint 43  
44 a common agent to represent them in any action to be taken hereunder. 44  
45

46 The resignation of Unit Operator shall not release Unit 46  
47 Operator from any liability for any default by it hereunder 47  
48 occurring prior to the effective date of its resignation. 48  
49

50 The Unit Operator may, upon default or failure in the 50  
51 performance of its duties or obligations hereunder, be subject to 51  
52 removal by the same percentage vote of the owners of working 52  
53 interest as herein provided for the selection of a new Unit 53  
54 Operator. Such removal shall be effective upon notice thereof to 54  
55 the Supervisor and the Land Commissioner. 55  
56

57 The resignation or removal of Unit Operator under this 57  
58 agreement shall not terminate its right, title, or interest as 58  
59 the owner of a working interest or other interest in unitized 59  
60 substances, but upon the resignation or removal of Unit Operator 60  
61 becoming effective, such Unit Operator shall deliver possession 61  
62 of all wells, equipment, materials, and appurtenances used in 62  
63 conducting the unit operations to the new duly qualified successor 63  
64 Unit Operator or to the common agent, if no such new Unit Operator 64  
65 is elected, to be used for the purpose of conducting unit opera- 65  
66 tions hereunder. Nothing herein shall be construed as authorizing 66  
67 removal of any material, equipment, and appurtenances needed for 67  
68 the preservation of any wells. 68  
69

70 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator 70  
71 shall tender his or its resignation as Unit Operator or shall be 71

1 removed as hereinabove provided, or a change of Unit Operator is 1  
2 negotiated by working-interest owners, the owners of the working 2  
3 interest in the participating area or areas according to their 3  
4 respective acreage interests in such participating area or areas, 4  
5 or until a participating area shall have been established, the 5  
6 owners of the working interests according to their respective 6  
7 acreage interests in all unitized land, shall by majority vote 7  
8 select a successor Unit Operator: Provided, that, if a majority 8  
9 but less than 75 per cent of the working interests qualified to 9  
10 vote are owned by one party to this agreement, a concurring vote 10  
11 of one or more additional working interest owners shall be required 11  
12 to select a new operator. Such selections shall not become 12  
13 effective until 13  
14

15 (a) a Unit Operator so selected shall accept in writing the 15  
16 duties and responsibilities of Unit Operator, and 16  
17

18 (b) the selection shall have been approved by the Supervisor 18  
19 and approved by the Land Commissioner. 19  
20

21 If no successor Unit Operator is selected and qualified as 21  
22 herein provided, the Director and the Land Commissioner, at their 22  
23 election, may declare this unit agreement terminated. 23  
24

25 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If 25  
26 the Unit Operator is not the sole owner of working interests, 26  
27 costs and expenses incurred by Unit Operator in conducting unit 27  
28 operations hereunder shall be paid and apportioned among and 28  
29 borne by the owners of working interests, all in accordance with 29  
30 the agreement or agreements entered into by and between the Unit 30  
31 Operator and the owners of working interest, whether one or more, 31  
32 separately or collectively. Any agreement or agreements entered 32  
33 into between the working-interest owners and the Unit Operator as 33  
34 provided in this section, whether one or more, are herein referred 34  
35 to as the "unit operating agreement." Such unit operating agree- 35  
36 ment shall also provide the manner in which the working-interest 36  
37 owners shall be entitled to receive their respective proportionate 37  
38 and allocated share of the benefits accruing hereto in conformity 38  
39 with their underlying operating agreements, leases, or other 39  
40 independent contracts, and such other rights and obligations as 40  
41 between Unit Operator and the working-interest owners as may be 41  
42 agreed upon by Unit Operator and the working-interest owners; 42  
43 however, no such unit operating agreement shall be deemed either 43  
44 to modify any of the terms and conditions of this agreement or to 44  
45 relieve the Unit Operator of any right or obligation established 45  
46 under this unit agreement, and in case of any inconsistency or 46  
47 conflict between this unit agreement and the unit operating 47  
48 agreement, this unit agreement shall govern. Three true copies 48  
49 of any unit operating agreement executed pursuant to this section 49  
50 should be filed with the Supervisor and one true copy with the 50  
51 Land Commissioner, prior to approval of this unit agreement. 51  
52

53 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as 53  
54 otherwise specifically provided herein, the exclusive right, 54  
55 privilege and duty of exercising any and all rights of the 55  
56 parties hereto which are necessary or convenient for prospecting 56  
57 for, producing, storing, allocating, and distributing the unitized 57  
58 substances are hereby delegated to and shall be exercised by the 58  
59 Unit Operator as herein provided. Acceptable evidence of title 59  
60 to said rights shall be deposited with said Unit Operator and, 60  
61 together with this agreement, shall constitute and define the 61  
62 rights, privileges, and obligations of Unit Operator. Nothing 62  
63 herein, however, shall be construed to transfer title to any land 63  
64 or to any lease or operating agreement, it being understood that 64  
65 under this agreement the Unit Operator, in its capacity as Unit 65  
66 Operator, shall exercise the rights of possession and use vested 66  
67 in the parties hereto only for the purposes herein specified. 67  
68

69 9. DRILLING TO DISCOVERY. Within six (6) months after the 69  
70 effective date hereof, the Unit Operator shall begin to drill an 70  
71 adequate test well at a location approved by the Supervisor, if 71

1 on Federal land, or by the Land Commissioner, if on State land, 1  
2 or by the Division, if on Fee lands, unless on such effective 2  
3 date a well is being drilled conformably with the terms hereof, 3  
4 and thereafter continue such drilling diligently until the Second 4  
5 Bone Spring Sand has been tested or until at a lesser depth 5  
6 unitized substances shall be discovered which can be produced in 6  
7 paying quantities (to-wit: quantities sufficient to repay the 7  
8 costs of drilling, completing and producing operations, with a 8  
9 reasonable profit) or the Unit Operator shall, at any time, 9  
10 establish to the satisfaction of the Supervisor if on Federal 10  
11 land, or the Land Commissioner if on State land, or the Division 11  
12 if on Fee lands, that further drilling of said well would be 12  
13 unwarranted or impracticable: provided, however, that Unit 13  
14 Operator shall not, in any event, be required to drill said well 14  
15 to a depth in excess of 11400 feet. Until the discovery of a 15  
16 deposit of unitized substances capable of being produced in 16  
17 paying quantities, the Unit Operator shall continue drilling 17  
18 diligently one well at a time, allowing not more than six (6) 18  
19 months between the completion of one well and the beginning of 19  
20 the next well, until a well capable of producing unitized sub- 20  
21 stances in paying quantities is completed to the satisfaction of 21  
22 said Supervisor if on Federal land or of the Land Commissioner if 22  
23 on State land, or the Division if on Fee lands, or until it is 23  
24 reasonably proved that the unitized land is incapable of producing 24  
25 unitized substances in paying quantities in the formations drilled 25  
26 hereunder. Nothing in this section shall be deemed to limit the 26  
27 right of the Unit Operator to resign as provided in Section 5 27  
28 hereof, or as requiring Unit Operator to commence or continue any 28  
29 drilling during the period pending such resignation becoming 29  
30 effective in order to comply with the requirements of this 30  
31 section. The Supervisor and Land Commissioner may modify the 31  
32 drilling requirements of this section by granting reasonable 32  
33 extensions of time when, in their opinion, such action is warranted. 33  
34

35 Upon failure to commence any well provided for in this 35  
36 section within the time allowed, including any extension of time 36  
37 granted by the Supervisor and the Land Commissioner, this agree- 37  
38 ment will automatically terminate; upon failure to continue 38  
39 drilling diligently any well commenced hereunder, the Supervisor 39  
40 and the Land Commissioner may, after 15-days notice to the Unit 40  
41 Operator, declare this unit agreement terminated. 41  
42

43 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six 43  
44 (6) months after completion of a well capable of producing 44  
45 unitized substances in paying quantities, the Unit Operator 45  
46 shall submit for the approval of the Supervisor, the Land Commis- 46  
47 sioner, and State Division an acceptable plan of development and 47  
48 operation for the unitized land which, when approved by the 48  
49 Supervisor, the Land Commissioner, and State Division, shall 49  
50 constitute the further drilling and operating obligations of the 50  
51 Unit Operator under this agreement for the period specified 51  
52 therein. Thereafter from time to time before the expiration 52  
53 of any existing plan, the Unit Operator shall submit for the 53  
54 approval of the Supervisor, the Land Commissioner and State 54  
55 Division a plan for an additional specified period for the 55  
56 development and operation of the unitized land. 56  
57

58 Any plan submitted pursuant to this section shall provide 58  
59 for the exploration of the unitized area and for the diligent 59  
60 drilling necessary for determination of the area or areas thereof 60  
61 capable of producing unitized substances in paying quantities in 61  
62 each and every productive formation and shall be as complete and 62  
63 adequate as the Supervisor, the Land Commissioner, and State 63  
64 Division may determine to be necessary for timely development and 64  
65 proper conservation of the oil and gas resources of the unitized 65  
66 area and shall: 66  
67

68 (a) specify the number and locations of any wells to be 68  
69 drilled and the proposed order and time for such drilling; and 69  
70  
71

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the Land Commissioner, and State Division.

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

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

1 It is the intent of this section that a participating  
2 area shall represent the area known or reasonably estimated  
3 to be productive in paying quantities; but regardless of any  
4 revision of the participating area, nothing herein contained  
5 shall be construed as requiring any retroactive adjustment  
6 for production obtained prior to the effective date of the  
7 revision of the participating area.  
8

9 In the absence of agreement at any time between the Unit  
10 Operator and the Supervisor, the Land Commissioner, and State  
11 Division, as to the proper definition or redefinition of a  
12 participating area, or until a participating area has, or areas  
13 have, been established as provided herein, the portion of all  
14 payments affected thereby shall be impounded in a manner mutually  
15 acceptable to the owners of working interest and the Supervisor  
16 and the Land Commissioner. Royalties due the United States shall  
17 be determined by the Supervisor for Federal lands, the Land  
18 Commissioner for the State lands, and the Division for the Fee  
19 lands, and the amount thereof shall be deposited, as directed by  
20 the Supervisor and the Land Commissioner, and the Division to be  
21 held as unearned money until a participating area is finally  
22 approved and then applied as earned or returned in accordance  
23 with a determination of the sum due as Federal and State royalty  
24 on the basis of such approved participating area.  
25

26 Whenever it is determined, subject to the approval of the  
27 Supervisor, the Land Commissioner, and State Division that a  
28 well drilled under this agreement is not capable of production in  
29 paying quantities and inclusions of the land on which it is  
30 situated in a participating area is unwarranted, production from  
31 such well shall, for the purposes of settlement among all parties  
32 other than working interest owners, be allocated to the land on  
33 which the well is located unless such land is already within the  
34 participating area established for the pool or deposit from which  
35 such production is obtained. Settlement for working interest  
36 benefits from such a well shall be made as provided in the unit  
37 operating agreement.  
38

39 Determination as to whether a well completed within the Unit  
40 Area prior to the effective date of this agreement is capable of  
41 producing unitized substances in paying quantities shall be  
42 deferred until an initial participating area is established as a  
43 result of the completion of a well for production in paying  
44 quantities in accordance with Section 9 hereof.  
45

46 12. ALLOCATION OF PRODUCTION. All unitized substances  
47 produced from each participating area established under this  
48 agreement, except any part thereof used in conformity with good  
49 operating practices within the unitization area for drilling,  
50 operating, camp and other production or development purposes, for  
51 repressuring or recycling in accordance with a plan of develop-  
52 ment approved by the Supervisor, Land Commissioner, and State  
53 Division, or unavoidable loss, shall be deemed to be produced  
54 equally on an acreage basis from the several tracts of unitized  
55 land of the participating area established for such production  
56 and, for the purpose of determining any benefits accruing under  
57 this agreement, each such tract of unitized land shall have  
58 allocated to it such percentage of said production as the number  
59 of acres of such tract included in said participating area bears  
60 to the total acres of unitized land in said participating area,  
61 except that allocation of production hereunder for purposes other  
62 than for settlement of royalty, overriding royalty, or payment  
63 out of production obligations of the respective working interest  
64 owners, shall be on the basis prescribed in the unit operating  
65 agreement whether in conformity with the basis of allocation  
66 herein set forth or otherwise. It is hereby agreed that pro-  
67 duction of unitized substances from a participating area shall be  
68 allocated as provided herein regardless of whether any wells are  
69 drilled on any particular part or tract of said participating  
70 area. If any gas produced from one participating area is used  
71 for repressuring or recycling purposes in another participating



1 area, the first gas withdrawn from such last-mentioned partici- 1  
2 pating area for sale during the life of this agreement shall be 2  
3 considered to be the gas so transferred until an amount equal to 3  
4 that transferred shall be so produced for sale and such gas shall 4  
5 be allocated to the participating area from which initially 5  
6 produced as such area was defined at the time of such final 6  
7 production. 7  
8

9 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND 9  
10 OR FORMATION. Any party hereto owning or controlling the working 10  
11 interest in any unitized land having thereon a regular well 11  
12 location may with the approval of the Supervisor, and the Land 12  
13 Commissioner, and the State Division as to Fee Lands, at such 13  
14 party's sole risk, costs and expense, drill a well to test any 14  
15 formation for which a participating area has not been established 15  
16 or to test any formation for which a participating area has been 16  
17 established if such location is not within said participating 17  
18 area, unless within 90 days of receipt of notice from said party 18  
19 of his intention to drill the well the Unit Operator elects and 19  
20 commences to drill such a well in like manner as other wells are 20  
21 drilled by the Unit Operator under this agreement. 21  
22

23 If any such well drilled as aforesaid by a working interest 23  
24 owner results in production such that the land upon which it is 24  
25 situated may properly be included in a participating area, such 25  
26 participating area shall be established or enlarged as provided 26  
27 in this agreement and the well shall thereafter be operated by 27  
28 the Unit Operator in accordance with the terms of this agreement 28  
29 and the unit operating agreement. 29  
30

31 If any well drilled as aforesaid by a working interest owner 31  
32 obtains production in quantities insufficient to justify the 32  
33 inclusion of the land upon which such well is situated in a 33  
34 participating area, such well may be operated and produced by the 34  
35 party drilling the same subject to the conservation requirements 35  
36 of this agreement. The royalties in amount or value of produc- 36  
37 tion from any such well shall be paid as specified in the 37  
38 underlying lease and agreements affected. 38  
39

40 14. ROYALTY SETTLEMENT. The United States and any State 40  
41 and any royalty owner who is entitled to take in kind a share of 41  
42 the substances now unitized hereunder shall hereafter be entitled 42  
43 to the right to take in kind its share of the unitized substances, 43  
44 and the Unit Operator, or the working interest owner in case of 44  
45 the operation of a well by working interest owner as herein 45  
46 provided for in special cases, shall make deliveries of such 46  
47 royalty share taken in kind in conformity with the applicable 47  
48 contracts, laws, and regulations. Settlement for royalty interest 48  
49 not taken in kind shall be made by working interest owners 49  
50 responsible therefor under existing contracts, laws, and regu- 50  
51 lations, or by the Unit Operator, on or before the last day of 51  
52 each month for unitized substances produced during the preceding 52  
53 calendar month; provided, however, that nothing herein contained 53  
54 shall operate to relieve the lessees of any land from their 54  
55 respective lease obligations for the payment of any royalties due 55  
56 under their leases. 56  
57

58 If gas obtained from lands not subject to this agreement is 58  
59 introduced into any participating area hereunder, for use in 59  
60 repressuring, stimulation of production, or increasing ultimate 60  
61 recovery, in conformity with a plan of operations approved by the 61  
62 Supervisor and the Land Commissioner, and the Division, a like 62  
63 amount of gas, after settlement as herein provided for any gas 63  
64 transferred from any other participating area and with appro- 64  
65 priate deduction for loss from any cause, may be withdrawn from 65  
66 the formation into which the gas is introduced, royalty free as 66  
67 to dry gas, but not as to any products which may be extracted 67  
68 therefrom; provided that such withdrawal shall be at such time as 68  
69 may be provided in the approval plan of operations or as may 69  
70 otherwise be consented to by the Supervisor, the Land Commissioner, 70  
71 and the Division, as conforming to good petroleum engineering 71

1 practice; and provided further, that such right of withdrawal 1  
2 shall terminate on the termination of this Unit Agreement. 2  
3

4 Royalty due the United States shall be computed as provided 4  
5 in the operating regulations and paid in value or delivered in 5  
6 kind as to all unitized substances on the basis of the amounts 6  
7 thereof allocated to unitized Federal land as provided herein at 7  
8 the rates specified in the respective Federal leases, or at such 8  
9 lower rate or rates as may be authorized by law or regulation; 9  
10 provided, that for leases on which the royalty rate depends on 10  
11 the daily average production per well, said average production 11  
12 shall be determined in accordance with the operating regulations 12  
13 as though each participating area were a single consolidated 13  
14 lease. 14  
15

16 Royalty due on account of State lands shall be computed and 16  
17 paid on the basis of all unitized substances allocated to such 17  
18 lands. 18  
19

20 15. RENTAL SETTLEMENT. Rental or minimum royalties due on 20  
21 leases committed hereto shall be paid by working interest owners 21  
22 responsible therefor under existing contracts, laws, and regu- 22  
23 lations, provided that nothing herein contained shall operate to 23  
24 relieve the lessees of any land from their respective lease 24  
25 obligations for the payment of any rental or minimum royalty due 25  
26 under their leases. Rental or minimum royalty for lands of the 26  
27 United States subject to this agreement shall be paid at the rate 27  
28 specified in the respective leases from the United States unless 28  
29 such rental or minimum royalty is waived, suspended, or reduced 29  
30 by law or by approval of the Secretary or his duly authorized 30  
31 representative. 31  
32

33 Rentals on State of New Mexico lands subject to this agreement 33  
34 shall be paid at the rates specified in the respective leases. 34  
35

36 With respect to any lease on non-Federal land containing 36  
37 provisions which would terminate such lease unless drilling 37  
38 operations are commenced upon the land covered thereby within the 38  
39 time therein specified or rentals are paid for the privilege of 39  
40 deferring such drilling operations, the rentals required thereby 40  
41 shall, notwithstanding any other provision of this agreement, be 41  
42 deemed to accrue and become payable during the term thereof as 42  
43 extended by this agreement and until the required drilling 43  
44 operations are commenced upon the land covered thereby or until 44  
45 some portion of such land is included within a participating 45  
46 area. 46  
47

48 16. CONSERVATION. Operations hereunder and production of 48  
49 unitized substances shall be conducted to provide for the most 49  
50 economical and efficient recovery of said substances without 50  
51 waste, as defined by or pursuant to State or Federal law or 51  
52 regulation. 52  
53

54 17. DRAINAGE. The Unit Operator shall take such measures 54  
55 as the Supervisor and Land Commissioner deems appropriate and 55  
56 adequate to prevent drainage of unitized substances from unitized 56  
57 land by wells on land not subject to this agreement. 57  
58

59 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The 59  
60 terms, conditions, provisions of all leases, subleases, and other 60  
61 contracts relating to exploration drilling, development, or 61  
62 operation for oil or gas on lands committed to this agreement are 62  
63 hereby expressly modified and amended to the extent necessary to 63  
64 make the same conform to the provisions hereof, but otherwise to 64  
65 remain in full force and effect; and the parties hereto hereby 65  
66 consent that the Secretary, as to Federal leases and the Land 66  
67 Commissioner, as to State leases, shall and each by his approval 67  
68 hereof, or by the approval hereof by his duly authorized repre- 68  
69 sentative, does hereby establish, alter, change, or revoke the 69  
70 drilling, producing, rental, minimum royalty, and royalty 70  
71 requirements of Federal and State leases committed hereto and the 71



1 regulations in respect thereto to conform said requirements to 1  
2 the provisions of this agreement, and without limiting the 2  
3 generality of the foregoing, all leases, subleases, and contracts 3  
4 are particularly modified in accordance with the following: 4  
5

6 (a) The development and operating of lands subject to this 6  
7 agreement under the terms thereof shall be deemed full perfor- 7  
8 mance of all obligations for development and operating with 8  
9 respect to each and every separately owned tract subject to this 9  
10 agreement, regardless of whether there is any development of any 10  
11 particular tract of the unit area. 11  
12

13 (b) Drilling and producing operations performed hereunder 13  
14 upon any tract of the unitized lands will be accepted and deemed 14  
15 to be performed upon and for the benefit of each and every tract 15  
16 of unitized land, and no lease shall be deemed to expire by 16  
17 reason of failure to drill or produce wells situated on the land 17  
18 therein embraced. 18  
19

20 (c) Suspension of drilling or producing operations on all 20  
21 unitized lands pursuant to direction or consent of the Secretary 21  
22 and the Land Commissioner, or his duly authorized representative, 22  
23 shall be deemed to constitute such suspension pursuant to such 23  
24 direction or consent as to each and every tract of unitized land. 24  
25 A suspension of drilling or producing operations limited to 25  
26 specified lands shall be applicable only to such lands. 26  
27

28 (d) Each lease, sublease, or contract relating to the 28  
29 exploration, drilling, development or operation for oil or gas 29  
30 of lands other than those of the United States and State of New 30  
31 Mexico committed to this agreement, which, by its terms might 31  
32 expire prior to the termination of this agreement, is hereby 32  
33 extended beyond any such terms so provided therein so that it 33  
34 shall be continued in full force and effect for and during the 34  
35 term of this agreement. 35  
36

37 (e) Any Federal lease for a fixed term of twenty (20) years 37  
38 or any renewal thereof or any part of such lease which is made 38  
39 subject to this agreement shall continue in force beyond the term 39  
40 provided therein until the termination hereof. Any other Federal 40  
41 lease committed hereto shall continue in force beyond the term so 41  
42 provided therein or by law as to the land committed so long as 42  
43 such lease remains subject hereto, provided that production is 43  
44 had in paying quantities under this unit agreement prior to the 44  
45 expiration date of the term of such lease, or in the event actual 45  
46 drilling operations are commenced on unitized land, in accordance 46  
47 with the provisions of this agreement, prior to the end of the 47  
48 primary term of such lease and are being diligently prosecuted at 48  
49 that time, such lease shall be extended for two years and so long 49  
50 thereafter as oil or gas is produced in paying quantities in 50  
51 accordance with the provisions of the Mineral Leasing Act 51  
52 Revision of 1960. 52  
53

54 (f) Each sublease or contract relating to the operation and 54  
55 development of unitized substances from lands of the United 55  
56 States committed to this agreement, which by its terms would 56  
57 expire prior to the time at which the underlying lease, as extended 57  
58 by the immediately preceding paragraph, will expire, is hereby 58  
59 extended beyond any such term so provided therein so that it 59  
60 shall be continued in full force and effect for and during the 60  
61 term of the underlying lease as such term is herein extended. 61  
62

63 (g) The segregation of any Federal lease committed to this 63  
64 agreement is governed by the following provision in the fourth 64  
65 paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended 65  
66 by the Act of September 2, 1960 (74 Stat. 781-784): "Any 66  
67 (Federal) lease heretofore or hereafter committed to any such 67  
68 (unit) plan embracing lands that are in part within and in part 68  
69 outside of the area covered by any such plan shall be segregated 69  
70 into separate leases as to the lands committed and the lands not 70  
71 committed as of the effective date of unitization: Provided 71

1 however, that any such lease as to the nonunitized portion shall 1  
2 continue in force and effect for the term thereof but for not 2  
3 less than two years from the date of such segregation and so long 3  
4 thereafter as oil or gas is produced in paying quantities." 4  
5

6 (h) In the event the Initial Test Well is commenced prior 6  
7 to the expiration date of the shortest term State lease within 7  
8 the Unit Area, any lease embracing lands of the State of New 8  
9 Mexico which is made subject to this agreement, shall continue in 9  
10 force beyond the term provided therein as to the lands committed 10  
11 hereto until the termination hereof. 11  
12

13 (i) Any lease embracing lands of the State of New Mexico 13  
14 having only a portion of its lands committed hereto, shall be 14  
15 segregated as to the portion committed and the portion not 15  
16 committed, and the terms of such lease shall apply separately to 16  
17 such segregated portions commencing as of the effective date 17  
18 hereof; provided, however, notwithstanding any of the provisions 18  
19 of this agreement to the contrary any lease embracing lands of 19  
20 the State of New Mexico having only a portion of its lands 20  
21 committed hereto shall continue in full force and effect beyond 21  
22 the term provided therein as to all lands embraced in such lease, 22  
23 if oil or gas is discovered and is capable of being produced in 23  
24 paying quantities from some part of the lands embraced in such 24  
25 lease at the expiration of the secondary term of such lease; or 25  
26 if, at the expiration of the secondary term, the lessee or the 26  
27 Unit Operator is then engaged in bona fide drilling or reworking 27  
28 operations on some part of the lands embraced in such lease, the 28  
29 same as to all lands embraced therein, shall remain in full force 29  
30 and effect so long as such operations are being diligently 30  
31 prosecuted, and if they result in the production of oil or gas; 31  
32 said lease shall continue in full force and effect as to all of 32  
33 the lands embraced therein, so long thereafter as oil or gas in 33  
34 paying quantities is being produced from any portion of said 34  
35 lands. 35  
36

37 (j) Any lease embracing lands of the State of New Mexico 37  
38 which is made subject to this agreement, shall continue in force 38  
39 beyond the term provided therein as to the lands committed 39  
40 hereto until the termination hereof, subject to the provisions of 40  
41 subsection (e) of Section 2 and subsection (i) of this Section 41  
42 18. 42  
43

44 (k) Any lease, other than a Federal lease, having only a 44  
45 portion of its lands committed hereto shall be segregated as to 45  
46 the portion committed and the portion not committed, and the 46  
47 provisions of such lease shall apply separately to such segre- 47  
48 gated portions commencing as of the effective date hereof. In 48  
49 the event any such lease provides for a lump sum rental payment, 49  
50 such payment shall be prorated between the portions so segregated 50  
51 in proportion to the acreage of respective tracts. 51  
52

53 19. COVENANTS RUN WITH LAND. The covenants herein shall be 53  
54 construed to be covenants running with the land with respect to 54  
55 the interest of the parties hereto and their successors in 55  
56 interest until this agreement terminates, and any grant, transfer, 56  
57 or conveyance, or interest in land or leases subject hereto shall 57  
58 be and hereby is conditioned upon the assumption of all privileges 58  
59 and obligations hereunder by the grantee, transferee, or other 59  
60 successor in interest. No assignment or transfer of any working 60  
61 interest, royalty, or other interest subject hereto shall be 61  
62 binding upon Unit Operator until the first day of the calendar 62  
63 month after Unit Operator is furnished the original, photostatic, 63  
64 or certified copy of the instrument of transfer. 64  
65

66 20. EFFECTIVE DATE AND TERM. This agreement shall become 66  
67 effective upon approval by the Secretary and the Land Commis- 67  
68 sioner or his duly authorized representative, and shall terminate 68  
69 five (5) years from said effective date unless: 69  
70  
71

1 (a) such date of expiration is extended by the Director and 1  
2 the Land Commissioner, or 2  
3

4 (b) it is reasonably determined prior to the expiration of 3  
5 the fixed term or any extension thereof that the unitized land is 4  
6 incapable of production of unitized substances in paying 5  
7 quantities in the formations tested hereunder and after notice of 6  
8 intention to terminate the agreement on such ground is given by 7  
9 the Unit Operator to all parties in interest at their last known 8  
10 addresses, the agreement is terminated with the approval of the 9  
11 Supervisor and the Land Commissioner, or 10  
12

13 (c) a valuable discovery of unitized substances has been 13  
14 made or accepted on unitized land during said initial term or any 14  
15 extension thereof, in which event the agreement shall remain in 15  
16 effect for such term and so long as unitized substances can be 16  
17 produced as to federal lands, and are being produced as to State 17  
18 Lands in quantities sufficient to pay for the cost of producing 18  
19 same from wells on unitized land within any participating area 19  
20 established hereunder and, should production cease, so long 20  
21 thereafter as diligent operations are in progress for the resto- 21  
22 ration of production or discovery of new production and so long 22  
23 thereafter as unitized substances so discovered are produced 23  
24 as aforesaid, or 24  
25

26 (d) it is terminated as heretofore provided in this agree- 26  
27 ment. This agreement may be terminated at any time by not less 27  
28 than 75 per centum, on an acreage basis, of the working interest 28  
29 owners signatory hereto, with the approval of the Supervisor and 29  
30 the Land Commissioner; notice of any such approval to be given by 30  
31 the Unit Operator to all parties hereto. 31  
32

33 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The 33  
34 Director is hereby vested with authority to alter or modify from 34  
35 time to time in his discretion the quantity and rate of produc- 35  
36 tion under this agreement when such quantity and rate is not 36  
37 fixed pursuant to Federal or State law or does not conform to any 37  
38 statewide voluntary conservation or allocation program, which is 38  
39 established, recognized, and generally adhered to by the majority 39  
40 of operators in such State, such authority being hereby limited 40  
41 to alteration or modification in the public interest, the purpose 41  
42 hereof and the public interest to be served thereby to be stated 42  
43 in the order of alteration or modification. Without regard to 43  
44 the foregoing, the Director is also hereby vested with authority 44  
45 to alter or modify from time to time in his discretion the rate 45  
46 of prospecting and development and the quantity and rate of 46  
47 production under this agreement when such alteration or modifi- 47  
48 cation is in the interest of attaining the conservation objectives 48  
49 stated in this agreement and is not in violation of any applicable 49  
50 Federal or State law; provided, further, that no such alteration 50  
51 or modification shall be effective as to any land of the State of 51  
52 New Mexico, as to the rate of prospecting and developing in the 52  
53 absence of the specific written approval thereof by the Com- 53  
54 missioner and as to any lands of the State of New Mexico or 54  
55 privately owned lands subject to this agreement as to the quantity 55  
56 and rate of production in the absence of specific written approval 56  
57 thereof by the Division. 57  
58

59 Powers in this section vested in the Director shall only be 59  
60 exercised after notice to Unit Operator and opportunity for 60  
61 hearing to be held not less than 15 days from notice. 61  
62

63 22. APPEARANCES. Unit Operator shall, after notice to 63  
64 other parties affected, have the right to appear for and on 64  
65 behalf of any and all interests affected hereby before the 65  
66 Department of the Interior and the Commissioner of Public Lands 66  
67 and the Division and to appeal from orders issued under the 67  
68 regulations of said Department or Land Commissioner or to apply 68  
69 for relief from any of said regulations or in any proceedings 69  
70 relative to operations before the Department of the Interior or 70  
71 the Land Commissioner, or the Division, or any other legally 71

constituted authority; provided however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

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

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

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

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

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

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

28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of

1 the working interest in that tract may withdraw said tract from 1  
2 this agreement by written notice delivered to the Supervisor, the 2  
3 Land Commissioner, and the Division and the Unit Operator prior 3  
4 to the approval of this agreement by the Supervisor, the Land 4  
5 Commissioner, and the Division. Any oil or gas interest in lands 5  
6 within the unit area not committed hereto prior to submission of 6  
7 this agreement for final approval may thereafter be committed 7  
8 hereto by the owner or owners thereof subscribing or consenting 8  
9 to this agreement, and, if the interest is a working interest, by 9  
10 the owner of such interest also subscribing to the unit operating 10  
11 agreement. After operations are commenced hereunder, the right 11  
12 of subsequent joinder, as provided in this section, by a working 12  
13 interest owner is subject to such requirements of approvals, if 13  
14 any, pertaining to such joinder, as may be provided for in the 14  
15 unit operating agreement. After final approval hereof, joinder 15  
16 by a non-working interest owner must be consented to in writing 16  
17 by the working interest owner committed hereto and responsible 17  
18 for the payment of any benefits that may accrue hereunder in 18  
19 behalf of such non-working interest. A non-working interest may 19  
20 not be committed to this unit unless the corresponding working 20  
21 interest is committed hereto. Joinder to the unit agreement by 21  
22 a working interest owner, at any time, must be accompanied by 22  
23 appropriate joinder to the unit operating agreement, if more than 23  
24 one committed working interest owner is involved, in order for 24  
25 the interest to be regarded as committed to this unit agreement. 25  
26 Except as may otherwise herein be provided, subsequent joinders 26  
27 to this agreement shall be effective as of the first day of the 27  
28 month following the filing with the Supervisor, the Land Com- 28  
29 missioner, and the State Division of duly executed counterparts 29  
30 of all or any papers necessary to establish effective commitment 30  
31 of any tract to this agreement unless objection to such joinder 31  
32 is duly made within sixty (60) days by the Supervisor, the Land 32  
33 Commissioner, or the State Division, provided, however, that as 33  
34 to State lands all subsequent joinders must be approved by the 34  
35 Land Commissioner. 35  
36

37 29. COUNTERPARTS. This agreement may be executed in 37  
38 any number of counterparts no one of which needs to be executed 38  
39 by all parties or may be ratified or consented to by separate 39  
40 instrument in writing specifically referring hereto and shall be 40  
41 binding upon all those parties who have executed such a counter- 41  
42 part, ratification, or consent hereto with the same force and 42  
43 effect as if all such parties had signed the same document and 43  
44 regardless of whether or not it is executed by all other parties 44  
45 owning or claiming an interest in the lands within the above- 45  
46 described unit area. 46  
47

48 30. SURRENDER. Nothing in this agreement shall prohibit 48  
49 the exercise by any working-interest owner of the right to 49  
50 surrender vested in such party by any lease, sublease, or opera- 50  
51 ting agreement as to all or any part of the lands covered 51  
52 thereby, provided that each party who will or might acquire such 52  
53 working interest by such surrender or by forfeiture as hereafter 53  
54 set forth, is bound by the terms of this agreement. 54  
55

56 If, as a result of any such surrender, the working interest 56  
57 rights as to such lands become vested in any party other than the 57  
58 fee owner of the unitized substances, said party may forfeit such 58  
59 rights and further benefits from operation hereunder as to said 59  
60 land to the party next in the chain of title who shall be and 60  
61 become the owner of such working interest. 61  
62

63 If, as the result of any such surrender or forfeiture, 63  
64 working interest rights become vested in the fee owner of the 64  
65 unitized substances, such owner may: 65  
66

67 (1) Accept those workinginterests rights subject to this 67  
68 agreement and the unit operating agreement; or 68  
69  
70  
71

1 (2) Lease the portion of such land as is included in a 1  
2 participating area established hereunder subject to this agree- 2  
3 ment and the unit operating agreement. 3  
4

5 (3) Provide for the independent operation of any part of 5  
6 such land that are not then included within a participating area 6  
7 established hereunder. 7  
8

9 If the fee owner of the unitized substances does not accept 9  
10 the working-interest rights subject to this agreement and the 10  
11 unit operating agreement or lease, such lands as above-provided 11  
12 within six (6) months after the surrendered or forfeited working- 12  
13 interest rights become vested in the fee owner, the benefits and 13  
14 obligations of operations accruing to such lands under this 14  
15 agreement and the unit operating agreement shall be shared by the 15  
16 remaining owners of unitized working interests in accordance with 16  
17 their respective working interest ownerships, and such owners or 17  
18 working interests shall compensate the fee owner of unitized 18  
19 substances in such lands by paying sums equal to the rentals, 19  
20 minimum royalties, and royalties applicable to such lands under 20  
21 the lease in effect when the lands were unitized. 21  
22

23 An appropriate accounting and settlement shall be made, for 23  
24 all benefits accruing to or payments and expenditures made or 24  
25 incurred on behalf of such surrendered or forfeited working 25  
26 interest subsequent to the date of surrender or forfeiture, and 26  
27 payment of any moneys found to be owing by such an accounting 27  
28 shall be made as between the parties within thirty (30) days. In 28  
29 the event no unit operating agreement is in existence and a 29  
30 mutually acceptable agreement between the proper parties thereto 30  
31 cannot be consummated, the Supervisor may prescribe such 31  
32 reasonable and equitable agreement as he deems warranted under 32  
33 the circumstances. 33  
34

35 The exercise of any right vested in a working-interest owner 35  
36 to reassign such working interest to the party from whom obtained 36  
37 shall be subject to the same conditions as set forth in this 37  
38 section in regard to the exercise of a right to surrender. 38  
39

40 31. TAXES. The working-interest owners shall render and 40  
41 pay for their account and the account of the royalty owners all 41  
42 valid taxes on or measured by the unitized substances in and 42  
43 under or that may be produced, gathered, and sold from the land 43  
44 subject to this contract after the effective date of this agree- 44  
45 ment, or upon the proceeds derived therefrom. The working- 45  
46 interest owners on each tract shall and may charge the proper 46  
47 proportion of said taxes to the royalty owners having interests 47  
48 in said tract, and may currently retain and deduct sufficient of 48  
49 the unitized substances or derivative products, or net proceeds 49  
50 thereof from the allocated share of each royalty owner to secure 50  
51 reimbursement for the taxes so paid. No such taxes shall be 51  
52 charged to the United States or the State of New Mexico or to any 52  
53 lessor who has a contract with his lessor who has a contract with 53  
54 his lessee which requires the lessee to pay such taxes. 54  
55

56 32. NO PARTNERSHIP. It is expressly agreed that the 56  
57 relation of the parties hereto is that of independent contractors 57  
58 and nothing in this agreement contained, expressed, or implied, 58  
59 not any operations conducted hereunder, shall create or be 59  
60 deemed to have created a partnership or association between the 60  
61 parties hereto or any of them. 61  
62

63 33. CONFLICT OF SUPERVISION. Neither the Unit Operator nor 63  
64 the working-interest owners, nor any of them, shall be subject to 64  
65 any forfeiture, termination, or expiration of any right hereunder 65  
66 or under any leases or contracts subject hereto, or to any penalty 66  
67 or liability on account of delay or failure in whole or in part 67  
68 to comply with any applicable provisions thereof to the extent 68  
69 that the said Unit Operator or the working-interest owners, or 69  
70 any of them, are hindered, delayed, or prevented from complying 70  
71 therewith by reason of failure of the Unit Operator to obtain, in 71

the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Division, agree that all powers and authority vested in the State Division in and by any provisions of this agreement are vested in the State Division and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

#### 34. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS.

Nothing in this agreement shall modify or change either the special Federal Lease stipulations relating to surface management or such special Federal Lease stipulations relating to surface and environmental protection, attached to and made a part of, Oil and Gas Leases covering lands within the Unit Area.

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

BILL STAPLER  
"Unit Operator"

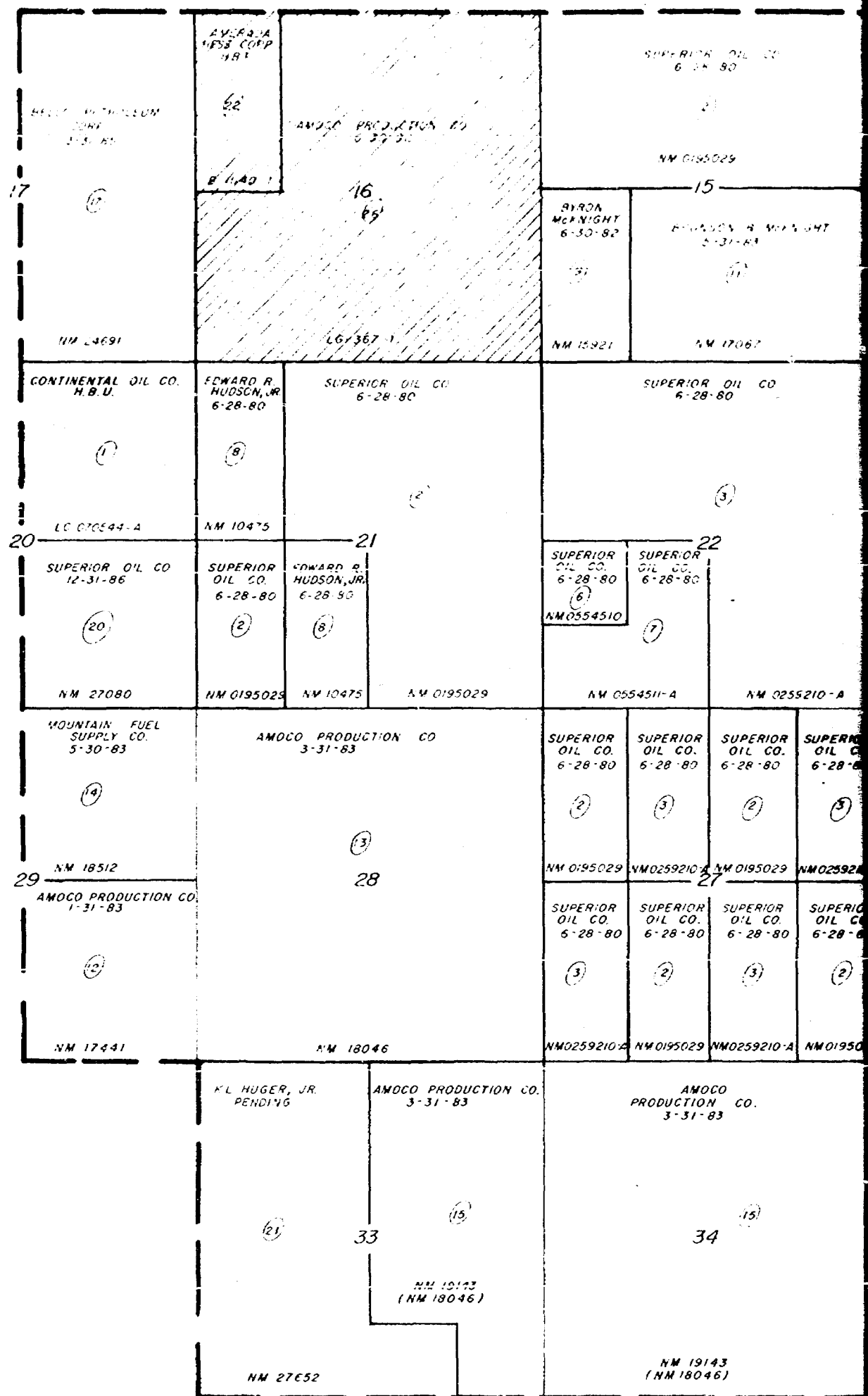
STATE OF TEXAS        )  
                              ) ss  
COUNTY OF HARRIS    )

The foregoing instrument was acknowledged before me this day of \_\_\_\_\_, 19\_\_\_\_, by Bill Stapler.

Notary Public

My commission expires:



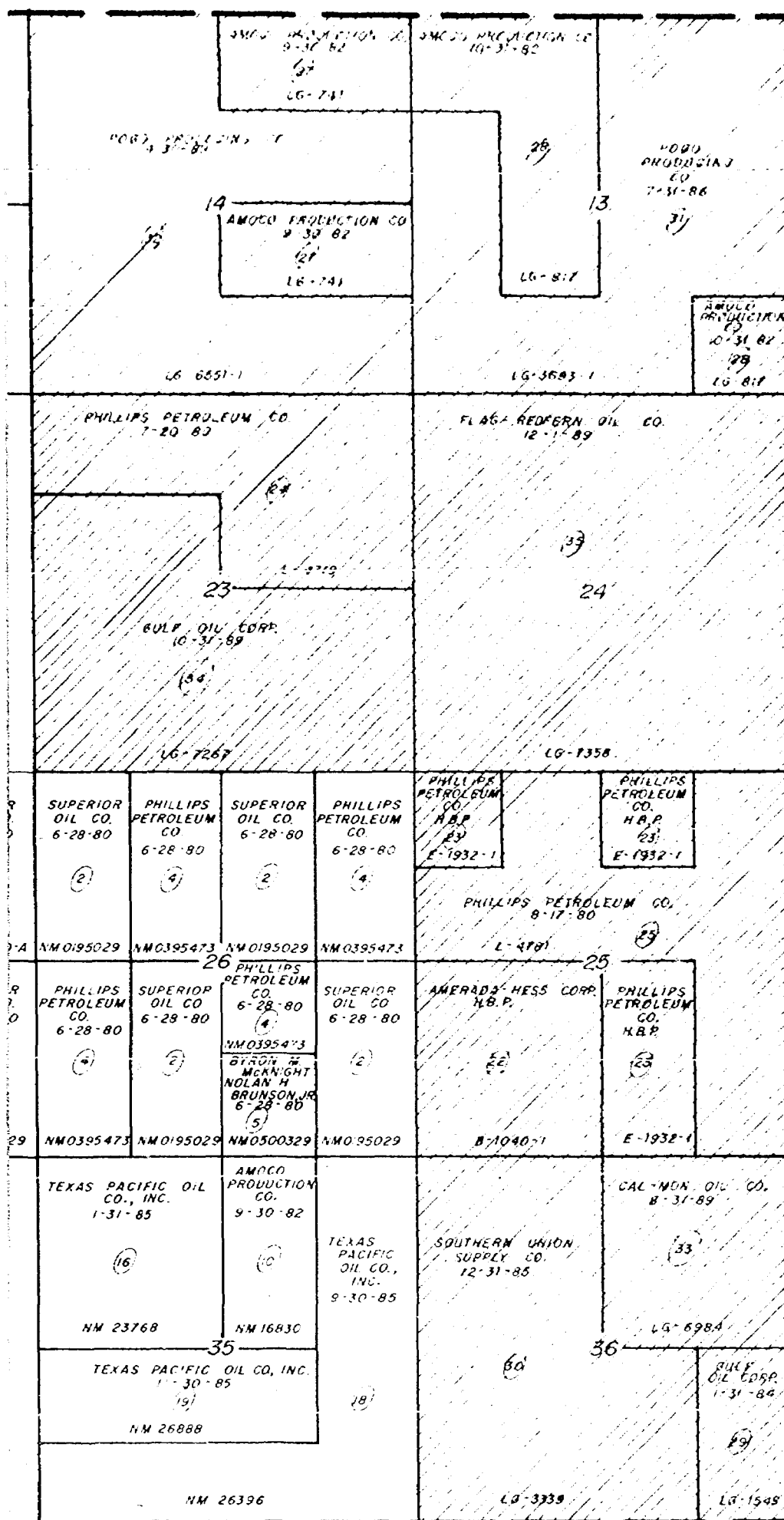


	ACREAGE	PERCENTAGE
State	4480	40%
Federal	6720	60%
TOTAL	11,200	100%

(11) Tract Number

Unit Outline





*EXHIBIT A*

**QUARK UNIT AREA**

LEA COUNTY, NEW MEXICO

$$1'' = 2000'$$

SCHEDULE "B" - QUARK UNIT AREA - IEA COUNTY, NEW MEXICO

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Lessee of Record & Percentage	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
FEDERAL LANDS -- ALL IN TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM, IEA COUNTY, NEW MEXICO							
1	Sec. 20: NE $\frac{1}{4}$	160	LC 070544-A H.B.U.	U.S.A. 12.5%	Continental Oil Co. 100%	Robert R. & Fachel E. Boice Frederick R. & Marie C. Brown J.G. Thornhill Bryan Bell, Custodian Wm. J. Rieker Grady L. Blythe	Continental Oil Co. 100%
2	Sec. 15: NE $\frac{1}{4}$ Sec. 21: E $\frac{1}{2}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 26: W $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 27: W $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$	1,440	NM 0195029 6/28/80	U.S.A. 12.5%	The Superior Oil Co. 100%	Walter L. Morrison	The Superior Oil Co. 100%
3	Sec. 22: E $\frac{1}{2}$ , NW $\frac{1}{4}$ Sec. 27: E $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$	800	NM 0259210-A 6/28/80	U.S.A. 12.5%	The Superior Oil Co. 100%	Norman M. Albright \$750/acre PP out of 5%	The Superior Oil Co. 100%
4	Sec. 26: E $\frac{1}{2}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , NW $\frac{1}{2}$ SE $\frac{1}{4}$	280	NM 0395473 6/28/80	U.S.A. 12.5%	Phillips Petroleum 100%	James O. Breene, Jr. Eugene L. Dechant	Phillips Petrol. 100%
5	Sec. 26: SW $\frac{1}{2}$ SE $\frac{1}{4}$	40	NM 0500329 6/28/80	U.S.A. 12.5%	Byron M. McKnight Nolan H. Brunson, Jr. 100%	Nancy C. Phelps John F. Oakason Est.	Byron M. McKnight Nolan H. Brunson, Jr. .5%
6	Sec. 22: NW $\frac{1}{2}$ SW $\frac{1}{4}$	40	NM 0554510 6/28/80	U.S.A. 12.5%	The Superior Oil Co. 100%	Vincent J. Duncan	The Superior Oil Co. 100%
7	Sec. 22: SW $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$	120	NM 0554511-A 6/28/80	U.S.A. 12.5%	The Superior Oil Co. 100%	The Carolina Corp.	The Superior Oil Co. 100%

SCHEDULE "B" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Lessee of Record Percentage	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
8	Sec. 21: W $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$	160	NM 10475 6/28/80	U.S.A. 12.5%	Edward R. Hudson, Jr. 100%	Charles W. Hicks \$1,000/acre PP out of 1/16 of 8/8	Edward R. Hudson, Jr. 100%
9	Sec. 15: W $\frac{1}{2}$ SW $\frac{1}{4}$	80	NM 15921 6/30/82	U.S.A. 12.5%	Byron McKnight 100%	Phil Troutman	Byron McKnight 100%
10	Sec. 35: W $\frac{1}{2}$ NE $\frac{1}{4}$	80	NM 16830 9/30/82	U.S.A. 12.5%	Amoco Production Co. 100%	Jack J. Grynberg	Amoco Production Co. 100%
11	Sec. 15: E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$	240	NM 17067 5/31/83	U.S.A. 12.5%	Brunson & McKnight, Inc. 100%	Evelyn G. Langrish G.W. Allen	Brunson & McKnight, Inc. 100%
12	Sec. 29: SE $\frac{1}{4}$	160	NM 17441 1/31/83	U.S.A. 12.5%	Amoco Production Co. 100%	Pat H. Ladner	Amoco Production Co. 100%
13	Sec. 28: All	640	NM 18046 3/31/83	U.S.A. 12.5%	Amoco Production Co. 100%	George D. Davis, Jr. Central SW Oil Corp.	Amoco Production Co. 100%
14	Sec. 29: NE $\frac{1}{4}$	160	NM 18512 5/30/83	U.S.A. 12.5%	Mountain Fuel Supply Co. 100%	None	Mountain Fuel Supply Co. 100%
15	Sec. 33: NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 34: All	920	NM 19143 (NM 18046) 3/31/83	U.S.A. 12.5%	Amoco Production Co. 100%	George D. Davis, Jr. Central SW Oil Corp.	Amoco Production Co. 100%
16	Sec. 35: NW $\frac{1}{4}$	160	NM 23768 1/31/85	U.S.A. 12.5%	Texas Pacific Oil Co., Inc. 100%	Donald W. Sidwell	Texas Pacific Oil Co. 100%
17	Sec. 17: E $\frac{1}{4}$	320	NM 24691 3/31/85	U.S.A. 12.5%	Belco Petrol. Corp. 100%	Wanda Burness	Belco Petroleum Corp. 100%

SCHEDULE "B" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Lessee of Record & Percentage	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
18	Sec. 35: E $\frac{1}{2}$ E $\frac{1}{2}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{2}$ SE $\frac{1}{4}$	280	NM 26396 9/30/85	U.S.A. 12.5%	Texas Pacific Oil Co., Inc. 100%	Adah G. Macauley Trust Partnership Thomas G. Dorrough 2 $\frac{1}{2}$ % 2 $\frac{1}{2}$ %	Texas Pacific Oil Co., Inc. 100%
19	Sec. 35: N $\frac{1}{2}$ SW $\frac{1}{4}$ , NW $\frac{1}{2}$ SE $\frac{1}{4}$	120	NM 26388 11/30/85	U.S.A. 12.5%	Texas Pacific Oil Co., Inc. 100%	Edward C. Green C.E. Strange John C. Manning & Eva G. Manning, Trustees, John C. Manning Trust #1 2 $\frac{1}{2}$ % 1 $\frac{1}{2}$ % 1 $\frac{1}{2}$ %	Texas Pacific Oil Co., Inc. 100%
20	Sec. 20: SE $\frac{1}{4}$	160	NM 27080 12/31/86	U.S.A. 12.5%	The Superior Oil Co. 100%	Theodore L. Hamer 5%	The Superior Oil Co. 100%
21	Sec. 33: W $\frac{1}{2}$ , SW $\frac{1}{2}$ SE $\frac{1}{4}$	360	NM 27652 Pending	U.S.A. 12.5%	K.L. Huger, Jr. 100%	None	K.L. Huger, Jr. 100%

TOTAL FEDERAL TRACTS: 21

TOTAL FEDERAL ACREAGE: 6,720 acres; 60%

SCHEDULE "E" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Lessee of Record & Percentage	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
STATE OF NEW MEXICO LANDS -- ALL IN TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO							
22	Sec. 16: W $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 25: SW $\frac{1}{4}$	240	B-1040-1 H.B.P.	State NM 12.5%	Amerada-Hess Corp. 100%	None	Amerada-Hess Corp. 100%
23	Sec. 25: NW $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$	160	E-1932-1 H.B.P.	State NM 12.5%	Phillips Petrol. Co. 100%	None	Phillips Petroleum Co. 100%
24	Sec. 23: NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$	240	L-4719 7/20/80	State NM 12.5%	Phillips Petrol. Co. 100%	None	Phillips Petroleum Co. 100%
25	Sec. 25: E $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{2}$ NE $\frac{1}{4}$ , NE $\frac{1}{2}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$	320	L-4781 8/17/80	State NM 12.5%	Phillips Petrol. Co. 100%	None	Phillips Petroleum Co. 100%
26	Sec. 16: E $\frac{1}{2}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	560	LG-367-1 6/30/82	State NM 12.5%	Amoco Production Co. 100%	None	Amoco Production Co. 100%
27	Sec. 14: N $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$	160	LG-741	State NM 12.5%	Amoco Production Co. 100%	None	Amoco Production Co. 100%
28	Sec. 13: E $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{2}$ SE $\frac{1}{4}$	200	LG-817 10/31/82	State NM 12.5%	Amoco Production Co. 100%	None	Amoco Production Co. 100%
29	Sec. 36: E $\frac{1}{2}$ SE $\frac{1}{4}$	80	LG-1548 1/31/84	State NM 12.5%	Gulf Oil Corp. 100%	None	Gulf Oil Corp. 100%
30	Sec. 36: W $\frac{1}{2}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$	400	LG-3339 12/31/85	State NM 12.5%	Southern Union Supply Co. 100%	None	Southern Union Supply Co. 100%
31	Sec. 13: NE $\frac{1}{4}$ , SW $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{2}$ SW $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{2}$ SE $\frac{1}{4}$	440	LG-3693-1 7/31/86	State NM 12.5%	Pogo Producing Co. 100%	None	Pogo Producing Co. 100%

SCHEDULE "B" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Lessee of Record & Percentage	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
STATE LANDS (continued)							
32	Sec. 14: S $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$	480	LG-6555-1 4/30/89	State NM 12.5%	Pogo Producing Co. 100%	None	Pogo Producing Co. 100%
33	Sec. 36: NE $\frac{1}{4}$	160	LG-6984 8/31/89	State NM 12.5%	Cal-Mon Oil Co. 100%	None	Cal-Mon Oil Co. 100%
34	Sec. 23: S $\frac{1}{2}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$	400	LG-7267 10/31/89	State NM 12.5%	Gulf Oil Corp. 100%	None	Gulf Oil Corp. 100%
35	Sec. 24: All	640	LG-7353 12/1/89	State NM 12.5%	Flag-Redfern Oil Co. 100%	None	Flag-Redfern Oil Co. 100%

TOTAL STATE TRACTS: 14

TOTAL STATE ACREAGE: 4,480 acres; Percentage of Unit 40%

TOTAL FEDERAL ACREAGE: 6,720 acres; Percentage of Unit 60%

TOTAL ACREAGE: 11,200 acres 100%

Dockets Nos. 1-80 and 2-80 are tentatively set for January 3 and 16, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - DECEMBER 12, 1979

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

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

ALLOWABLE: (1) Consideration of the allowable production of gas for January, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for January, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6752: Application of Bill Stapler for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Quark Unit Area, comprising 11,200 acres, more or less, of State and Federal lands in Township 22 South, Range 34 East.

CASE 6753: Application of Amax Chemical Corporation for the amendment of Order No. R-111-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-111-A to extend the boundaries of the Potash-Oil Area by the inclusion of certain lands in Sections 26 and 27, Township 19 South, Range 29 East.

CASE 6754: Application of Petroleum Development Corporation for a non-standard gas proration unit and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location for a well to be drilled 660 feet from the North and West lines of Section 15, Township 19 South, Range 32 East, Lusk-Morrow Gas Pool, the W/2 of said Section 15 to be dedicated to the well as a non-standard 320-acre proration unit.

CASE 6755: Application of Dome Petroleum Corporation for water disposal, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to extend the previously authorized water disposal interval in its Santa Fe 20 Well No. 2 located in Unit F of Section 20, Township 21 North, Range 8 West, Snake Eyes-Entrada Oil Pool, to include the perforated interval from 5756 feet to 5790 feet in the Entrada formation.

CASE 6756: Application of Amoco Production Company for pool contraction and creation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Air Strip-Bone Spring Pool to comprise the Middle Bone Spring formation only, from 9300 feet to 9460 feet, and the creation of the Air Strip-Upper Bone Spring Pool to comprise said formation from 9180 feet to 9260 feet and the Air Strip-Lower Bone Spring Pool to comprise said formation from 10,100 feet to 10,400 feet. All depths are from the log of the Amoco State FU Well No. 2 in Unit N of Section 25, Township 18 South, Range 34 East, for which well applicant also seeks 51,310 barrels of discovery allowable.

CASE 6757: Application of Amoco Production Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its State FU Well No. 1 located in Unit K of Section 25, Township 18 South, Range 34 East, to produce oil from the Air Strip Upper and Middle Bone Spring Pools thru parallel strings of tubing.

CASE 6758: Application of Amoco Production Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its State "C" Tract 11 Well No. 11 located in Unit X of Section 2, Township 21 South, Range 36 East, to produce oil from the Hardy-Blinebry Pool and an undesignated Drinkard pool through parallel strings of tubing.

CASE 6719: (Continued and Readvertised)

Application of Sam H. Snoddy for an amendment to Order No. R-5521, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5521, which authorizes the directional drilling of the Federal Well No. 2 in Section 25, Township 20 South, Range 32 East, to permit the well to be bottomed within 400 feet of a point 1320 feet from the South and West lines of Section 25.

CASE 6759: Application of Sun Oil Company for an unorthodox location, non-standard gas proration unit, infill findings, simultaneous dedication, and downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Reeves Well No. 6, 660 feet from the North line and 610 feet from the East line of Section 29, Township 20 South, Range 37 East, Eumont Gas Pool, to be simultaneously dedicated with its Reeves Well No. 2 in Unit D of Section 29 to a 160-acre non-standard gas proration unit comprising the N/2 N/2 of Section 29. Also sought are findings that the proposed well is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing unit well, and authority to commingle Eumont and Monument production in the wellbore of the proposed well.

State of New Mexico



ALEX J. ARMIJO  
COMMISSIONER



Commissioner of Public Lands  
November 29, 1979

P. O. BOX 1148  
SANTA FE, NEW MEXICO 87501

Hunker-Fedric, P.A.  
Suite 210, Hinkle Building  
P. O. Box 1837  
Roswell, New Mexico 88201

Re: Quark Unit  
Lea County, New Mexico

ATTENTION: Mr. George H. Hunker, Jr.

Gentlemen:

We have received the instruments which you submitted with your letter of November 26, 1979, regarding the proposed Quark Unit, Lea County, New Mexico.

This office has no objection to the forming of the unit provided the USGS designates the area as being logical for unitization and your form of agreement contains all the requirements of the Commissioner of Public Lands.

Enclosed is a sample copy containing the most recent changes. All changes are outlined in red.

Your Exhibit "B" has been checked against our leases and it is in good order, however, please reflect the "LESSEE OF RECORD AND PERCENTAGE" column even if the WORKING INTEREST column is the same.

Very truly yours,

ALEX J. ARMIJO  
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*  
RAY D. GRAHAM, Director  
Oil and Gas Division  
AC 505-827-2748

AJA/RDG/s  
encl.



LAW OFFICES OF  
HUNKER-FEDRIC, P. A.  
SUITE 210, HINKLE BUILDING  
POST OFFICE BOX 1837  
ROSWELL, NEW MEXICO 88201

GEORGE H. HUNKER, JR.  
DON M. FEDRIC

TELEPHONE 622-2700  
AREA CODE 505

November 26, 1979

Mr. Joe D. Ramey, Secretary-Director  
New Mexico Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87501

*Case 6752*

Attention: Mr. D.F. Nutter, Chief Engineer

Re: Quark Unit  
Lea County, New Mexico

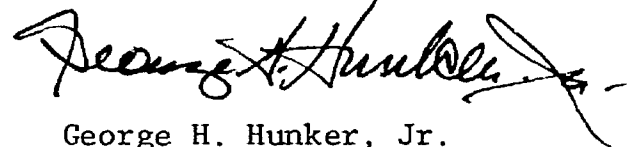
Gentlemen:

In connection with the above matter, we hand you herewith the original and two counterparts of our application for approval of the captioned unit. The case has previously been filed, as you will recall.

Please advise us if there are any changes in your plans to hold a hearing before an examiner on December 12, 1979.

Sincerely yours,

HUNKER-FEDRIC, P.A.



George H. Hunker, Jr.

GHH:dd  
Enc.

xc: Mr. Eugene Greenwood  
P.O. Box 1122  
Midland, Texas 79701

RECEIVED  
NOV 29 1979  
NEW MEXICO  
OIL CONSERVATION DIVISION  
SANTA FE

BEFORE THE OIL CONSERVATION DIVISION  
STATE DEPARTMENT OF ENERGY AND MINERALS  
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF  
QUARK UNIT  
LEA COUNTY, NEW MEXICO

CASE NO. 6752

TO: New Mexico Oil Conservation Division  
State Department of Energy and Minerals  
P.O. Box 2088  
Santa Fe, New Mexico 87501

Comes now BILL STAPLER, One Kingwood Place, Suite 205,  
Kingwood, Texas 77337, and hereby makes application for approval  
of Unit Agreement for the Development and Operation of Quark Unit,  
Lea County, New Mexico, and in support thereof, states:

1. That the proposed Unit Area covered by said Agreement  
embraces 11,200 acres of land, more or less, more particularly  
described as follows:

Township 22 South, Range 34 East, N.M.P.M.

Sections 13,14,15,16: All  
Section 17:  $E\frac{1}{2}$   
Section 20:  $E\frac{1}{2}$   
Sections 21,22,23,24,  
25,26,27,28: All  
Section 29:  $E\frac{1}{2}$   
Sections 33,34,35,36: All.

2. That all of the lands embraced within the proposed unit  
are contained in United States of America and State of New Mexico  
oil and gas leases, and the mineral rights thereunder are owned  
respectively by the United States of America and the State of New  
Mexico. As reflected on Schedule "B" attached to this Application,  
the total Federal acreage is 6,720 acres, or 60% of the Unit Area,  
and the State acreage consists of 4,480 acres, being 40% of the Unit.

3. That an application has been made for the designation of  
said Unit Area and for approval of the form of Unit Agreement by  
the Director of the United States Geological Survey and by the  
Commissioner of Public Lands, State of New Mexico, Santa Fe, New  
Mexico. It is anticipated that said area will be designated as  
being logical for unitization by the United States Geological Survey.

4. That Applicant is informed and believes and upon information and belief, states that the proposed unit area contains all or substantially all of the geological feature involved, and in the event the unit agreement is approved, the area will be developed and operated in the interest of conservation and prevention of waste of unitized substances.


5. That Bill Stapler is designated as Unit Operator of said Unit Agreement, and as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas, subject to all applicable laws and regulations. The purpose of the unit agreement is for unitization of the area in question and the drilling of an exploratory well in Section 26 to a depth sufficient to test the Bone Spring formation, expected to be encountered at a depth of 11,400 feet.

6. That upon an order being entered by the New Mexico Oil Conservation Division approving said agreement and upon approval thereof by the Director, United States Geological Survey, and by the Commissioner of Public Lands, an approved copy of the unit agreement and all documents approving the same will be filed with the New Mexico Oil Conservation Division.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of the approval of said unit agreement and upon said hearing, said unit agreement be approved by the New Mexico Oil Conservation Division as being in the interest of conservation and prevention of waste.

Respectfully submitted,

BILL STAPLER

By   
George H. Hunker, Jr.  
HUNKER-FEDRIC, P.A.  
P.O. Box 1837  
Roswell, New Mexico 88201  
Attorneys for Bill Stapler

SCHEDULE "B" - QUARK UNIT AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
<u>FEDERAL LANDS -- ALL IN TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO</u>						
1	Sec. 20: NE $\frac{1}{4}$	1.60	LC 070544-A H.B.U.	U.S.A. 12.5%	Robert R. & Rachel E. Boice - .00125% Frederick R. & Marie C. Brown - .00125% J.G. Thornhill - .00250% Bryan Bell, Custodian - .00500% Wm. J. Rieker - .02000% Grady L. Blythe - .02000%	Continental Oil Co. 100%
2	Sec. 15: NE $\frac{1}{4}$ Sec. 21: E $\frac{1}{2}$ , NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 26: W $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 27: W $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$	1,440	NM 0195029 6/28/80	U.S.A. 12.5%	Walter L. Morrison - 5%	The Superior Oil Co. 100%
3	Sec. 22: E $\frac{1}{2}$ , NW $\frac{1}{4}$ Sec. 27: E $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$	800	NM 0259210-A 6/28/80	U.S.A. 12.5%	Norman M. Albright - \$750/acre PP out of 5%	The Superior Oil Co. 100%
4	Sec. 26: E $\frac{1}{2}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , NW $\frac{1}{2}$ SE $\frac{1}{4}$	280	NM 0395473 6/28/80	U.S.A. 12.5%	James O. Breene, Jr. - 3% Eugene L. Dechant - 2%	Phillips Petroleum Co. - 100%
5	Sec. 26: SW $\frac{1}{2}$ SE $\frac{1}{4}$	40	NM 0500329 6/28/80	U.S.A. 12.5%	Nancy C. Phelps - 4 $\frac{1}{2}$ % John E. Oakason Est. .5%	Byron M. McKnight Nolan H. Brunson, Jr.
6	Sec. 22: NW $\frac{1}{2}$ SW $\frac{1}{4}$	40	NM 0554510 6/28/80	U.S.A. 12.5%	Vincent J. Duncan - 5%	The Superior Oil Co. 100%
7	Sec. 22: SW $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$	120	NM 0554511-A 6/28/80	U.S.A. 12.5%	The Carolina Corp. - 5%	The Superior Oil Co. 100%

SCHEDULE "B" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
8	Sec. 21: W $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$	160	NM 10475 6/28/80	U.S.A. 12.5%	Charles W. Hicks - \$1,000/acre PP cut of 1/16 of 8/8	Edward R. Hudson, Jr. 100%
9	Sec. 15: W $\frac{1}{2}$ SW $\frac{1}{4}$	80	NM 15921 6/30/82	U.S.A. 12.5%	Phil Troutman	3% Byron McKnight
10	Sec. 35: W $\frac{1}{2}$ NE $\frac{1}{4}$	80	NM 16330 9/30/82	U.S.A. 12.5%	Jack J. Grynberg-	6.25% Amoco Production Co. 100%
11	Sec. 23: All	640	NM 18046 3/31/83	U.S.A. 12.5%	George D. Davis, Jr.- Central SW Oil Corp.-	2% Amoco Production Co. 3% 100%
12	Sec. 33: NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 34: All	920	NM 19143 (NM 18046) 3/31/83	U.S.A. 12.5%	George D. Davis, Jr.- Central SW Oil Corp.-	2% Amoco Production Co. 3% 100%
13	Sec. 15: E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$	240	NM 17067 5/31/83	U.S.A. 12.5%	Evelyn G. Langris- G.W. Allen	3% Brunson & McKnight, 2% Inc. - 100%
14	Sec. 35: NW $\frac{1}{4}$	160	NM 23768 1/31/85	U.S.A. 12.5%	Donald W. Sidwell-	6.25% Texas Pacific Oil Co., Inc. - 100%
15	Sec. 35: E $\frac{1}{2}$ E $\frac{1}{2}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	230	NM 26396 9/30/85	U.S.A. 12.5%	Adah G. Macauley Trust Partnership Thomas G. Dorough	2 $\frac{1}{2}$ % Texas Pacific Oil Co., Inc. - 100%
16	Sec. 35: N $\frac{1}{2}$ SW $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$	120	NM 26388 11/30/85	U.S.A. 12.5%	Edward C. Green C.E. Strange John C. Manning & Eva G. Manning, Trustees, John C. Manning Trust #1	2 $\frac{1}{2}$ % Texas Pacific Oil Co., Inc. - 100%
17	Sec. 33: W $\frac{1}{2}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	360	NM 27652 Pending	U.S.A. 12.5%		K.L. Huger, Jr. 100%

SCHEDULE "B" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
18	Sec. 29: SE $\frac{1}{4}$	160	NM 17441 1/31/83	U.S.A. 12.5%	Pat H. Ladner - 4%	Amoco Production Co. 100%
19	Sec. 29: NE $\frac{1}{4}$	160	NM 18512 5/30/83	U.S.A. 12.5%		
20	Sec. 17: E $\frac{1}{2}$	320	NM 24691 3/31/85	U.S.A. 12.5%	Wanda Burness - 5%	Belco Petroleum Corp. 100%
21	Sec. 20: SE $\frac{1}{4}$	160	NM 27080 12/31/86	U.S.A. 12.5%	Theodore L. Hamer - 5%	The Superior Oil Co. 100%

TOTAL FEDERAL TRACTS: 21

TOTAL FEDERAL ACREAGE: 6,720 acres; 60%

SCHEDULE "B" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
STATE OF NEW MEXICO LANDS -- ALL IN TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO						
22	Sec. 16: W $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 25: SW $\frac{1}{4}$	240	B-1040-1 H.B.P.	State NM 12.5%	None	Amerada-Hess Corp. 100%
23	Sec. 25: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$	160	E-1932-1 H.B.P.	State NM 12.5%	None	Phillips Petroleum Co. - 100%
24	Sec. 23: NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$	240	L-4719 7/20/80	State NM 12.5%	None	Phillips Petroleum Co. - 100%
25	Sec. 25: E $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$	320	L-4781 8/17/80	State NM 12.5%	None	Phillips Petroleum Co. - 100%
26	Sec. 16: E $\frac{1}{2}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	560	LG-367-1 6/30/82	State NM 12.5%	None	Amoco Production Co. 100%
27	Sec. 14: N $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$	160	LG-741 9/30/82	State NM 12.5%	None	Amoco Production Co. 100%
28	Sec. 13: E $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , SE $\frac{1}{2}$ SE $\frac{1}{4}$	200	LG-817 10/31/82	State NM 12.5%	None	Amoco Production Co. 100%
29	Sec. 36: E $\frac{1}{2}$ SE $\frac{1}{4}$	80	LG-1548 1/31/84	State NM 12.5%	None	Gulf Oil Corp. 100%
30	Sec. 36: W $\frac{1}{2}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$	400	LG-3339 12/31/85	State NM 12.5%	None	Southern Union Supply Co. - 100%
31	Sec. 13: NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{2}$ SW $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	440	LG-3693-1 7/31/86	State NM 12.5%	None	Pogo Producing Co. 100%

SCHEDULE "B" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
STATE LANDS (continued)						
32	Sec. 14: S $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$	480	LG-6555-1 4/30/89	State NM 12.5%	None	Pogo Producing Co. 100%
33	Sec. 36: NE $\frac{1}{4}$	160	LG-6984 8/31/89	State NM 12.5%	None	Cal-Mon Oil Co. 100%
34	Sec. 23: S $\frac{1}{2}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$	400	LG-7267 10/31/89	State NM 12.5%	None	Gulf Oil Corp. 100%
35	Sec. 24: All	640				

TOTAL STATE TRACTS: 14

TOTAL STATE ACREAGE: 4,480 acres; Percentage of Unit 40%

TOTAL FEDERAL ACREAGE: 6,720 acres; Percentage of Unit 60%

TOTAL ACREAGE: 11,200 acres 100%



BEFORE THE OIL CONSERVATION DIVISION  
STATE DEPARTMENT OF ENERGY AND MINERALS  
STATE OF NEW MEXICO

OIL CONSERVATION DIVISION  
SANTA FE

APPLICATION FOR APPROVAL OF  
QUARK UNIT  
LEA COUNTY, NEW MEXICO

CASE NO. 6752

TO: New Mexico Oil Conservation Division  
State Department of Energy and Minerals  
P.O. Box 2088  
Santa Fe, New Mexico 87501

Comes now BILL STAPLER, One Kingwood Place, Suite 205,  
Kingwood, Texas 77337, and hereby makes application for approval  
of Unit Agreement for the Development and Operation of Quark Unit,  
Lea County, New Mexico, and in support thereof, states:

1. That the proposed Unit Area covered by said Agreement  
embraces 11,200 acres of land, more or less, more particularly  
described as follows:

Township 22 South, Range 34 East, N.M.P.M.

Sections 13,14,15,16: All  
Section 17:  $E\frac{1}{2}$   
Section 20:  $E\frac{1}{2}$   
Sections 21,22,23,24,  
25,26,27,28: All  
Section 29:  $E\frac{1}{2}$   
Sections 33,34,35,36: All.

2. That all of the lands embraced within the proposed unit  
are contained in United States of America and State of New Mexico  
oil and gas leases, and the mineral rights thereunder are owned  
respectively by the United States of America and the State of New  
Mexico. As reflected on Schedule "B" attached to this Application,  
the total Federal acreage is 6,720 acres, or 60% of the Unit Area,  
and the State acreage consists of 4,480 acres, being 40% of the Unit.

3. That an application has been made for the designation of  
said Unit Area and for approval of the form of Unit Agreement by  
the Director of the United States Geological Survey and by the  
Commissioner of Public Lands, State of New Mexico, Santa Fe, New  
Mexico. It is anticipated that said area will be designated as  
being logical for unitization by the United States Geological Survey.

4. That Applicant is informed and believes and upon information and belief, states that the proposed unit area contains all or substantially all of the geological feature involved, and in the event the unit agreement is approved, the area will be developed and operated in the interest of conservation and prevention of waste of unitized substances.

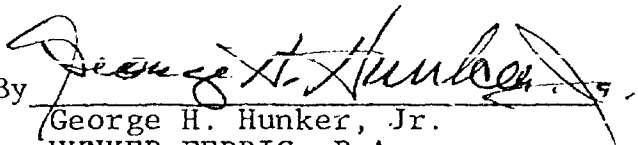
5. That Bill Stapler is designated as Unit Operator of said Unit Agreement, and as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas, subject to all applicable laws and regulations. The purpose of the unit agreement is for unitization of the area in question and the drilling of an exploratory well in Section 26 to a depth sufficient to test the Bone Spring formation, expected to be encountered at a depth of 11,400 feet.

6. That upon an order being entered by the New Mexico Oil Conservation Division approving said agreement and upon approval thereof by the Director, United States Geological Survey, and by the Commissioner of Public Lands, an approved copy of the unit agreement and all documents approving the same will be filed with the New Mexico Oil Conservation Division.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of the approval of said unit agreement and upon said hearing, said unit agreement be approved by the New Mexico Oil Conservation Division as being in the interest of conservation and prevention of waste.

Respectfully submitted,

BILL STAPLER

By 

George H. Hunker, Jr.  
HUNKER-FEDRIC, P.A.  
P.O. Box 1837  
Roswell, New Mexico 88201  
Attorneys for Bill Stapler

SCHEDULE "B" - QUARK UNIT AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
<u>FEDERAL LANDS -- ALL IN TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO</u>						
1	Sec. 20: NE $\frac{1}{4}$	160	LC 070544-A H.B.U.	U.S.A. 12.5%	Robert R. & Rachel E. Boice - .00125% Frederick R. & Marie C. Brown - .00125% J.G. Thornhill - .00250% Bryan Bell, Custodian - .00500% Wm. J. Pieker - .02000% Grady L. Blythe - .02000%	Continental Oil Co. 100%
2	Sec. 15: NE $\frac{1}{4}$ Sec. 21: E $\frac{1}{2}$ , NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 26: W $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 27: W $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$	1,440	NM 0195029 6/28/80	U.S.A. 12.5%	Walter L. Morrison - 5%	The Superior Oil Co. 100%
3	Sec. 22: E $\frac{1}{2}$ , NW $\frac{1}{4}$ Sec. 27: E $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$	800	NM 0259210-A 6/28/80	U.S.A. 12.5%	Norman M. Albright - \$750/acre PP out of 5%	The Superior Oil Co. 100%
4	Sec. 26: E $\frac{1}{2}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , NW $\frac{1}{2}$ SE $\frac{1}{4}$	280	NM 0395473 6/28/80	U.S.A. 12.5%	James O. Breene, Jr. - 3% Eugene L. Dechant - 2%	Phillips Petroleum Co. - 100%
5	Sec. 26: SW $\frac{1}{2}$ SE $\frac{1}{4}$	40	NM 0500329 6/28/80	U.S.A. 12.5%	Nancy C. Phelps - 4 $\frac{1}{2}$ % John E. Oakason Est. .5%	Byron M. McKnight Nolan H. Brunson, Jr.
6	Sec. 22: NW $\frac{1}{2}$ SW $\frac{1}{4}$	40	NM 0554510 6/28/80	U.S.A. 12.5%	Vincent J. Duncan - 5%	The Superior Oil Co. 100%
7	Sec. 22: SW $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$	120	NM 0554511-A 6/28/80	U.S.A. 12.5%	The Carolina Corp. - 5%	The Superior Oil Co. 100%

SCHEDULE "B" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
8	Sec. 21: W $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$	160	NM 10475 6/28/80	U.S.A. 12.5%	Charles W. Hicks - \$1,000/acre PP out of 1/16 of 8/8	Edward F. Hudson, Jr. 100%
9	Sec. 15: W $\frac{1}{2}$ SW $\frac{1}{4}$	80	NM 15921 6/30/82	U.S.A. 12.5%	Phil Troutman - 3%	Byron McKnight
10	Sec. 35: W $\frac{1}{2}$ NE $\frac{1}{4}$	80	NM 16830 9/30/82	U.S.A. 12.5%	Jack J. Grynberg- 6.25%	Amoco Production Co. 100%
11	Sec. 28: All	640	NM 18046 3/31/83	U.S.A. 12.5%	George D. Davis, Jr.- 2% Central SW Oil Corp.- 3%	Amoco Production Co. 100%
12	Sec. 33: NE $\frac{1}{4}$ , NW $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 34: All	920	NM 19143 (NM 18046) 3/31/83	U.S.A. 12.5%	George D. Davis, Jr.- 2% Central SW Oil Corp.- 3%	Amoco Production Co. 100%
13	Sec. 15: E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$	240	NM 17067 5/31/83	U.S.A. 12.5%	Evelyn G. Langris- 3% G.W. Allen - 2%	Brunson & McKnight, Inc. - 100%
14	Sec. 35: NW $\frac{1}{4}$	160	NM 23768 1/31/85	U.S.A. 12.5%	Donald W. Sidwell- 6.25%	Texas Pacific Oil Co., Inc. - 100%
15	Sec. 35: E $\frac{1}{2}$ E $\frac{1}{4}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{2}$ SE $\frac{1}{4}$	280	NM 26396 9/30/85	U.S.A. 12.5%	Adah G. Macauley Trust Partnership - 2 $\frac{1}{2}$ % Thomas G. Dorough - 2 $\frac{1}{2}$ %	Texas Pacific Oil Co., Inc. - 100%
16	Sec. 35: N $\frac{1}{2}$ SW $\frac{1}{4}$ , NW $\frac{1}{2}$ SE $\frac{1}{4}$	120	NM 26888 11/30/85	U.S.A. 12.5%	Edward C. Green - 2 $\frac{1}{2}$ % C.E. Strange - 1 $\frac{1}{2}$ % John C. Manning & Eva G. Manning, Trustees, John C. Manning Trust #1 - 1 $\frac{1}{2}$ %	Texas Pacific Oil Co., Inc. - 100%
17	Sec. 33: W $\frac{1}{2}$ , SW $\frac{1}{2}$ SE $\frac{1}{4}$	360	NM 27652 Pending	U.S.A. 12.5%		K.L. Huger, Jr. 100%

SCHEDULE "B" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
18	Sec. 29: SE $\frac{1}{4}$	160	NM 17441 1/31/83	U.S.A. 12.5%	Pat H. Ladner - 4%	Amoco Production Co. 100%
19	Sec. 29: NE $\frac{1}{4}$	160	NM 18512 5/30/83	U.S.A. 12.5%		
20	Sec. 17: E $\frac{1}{2}$	320	NM 24691 3/31/85	U.S.A. 12.5%	Wanda Burness - 5%	Belco Petroleum Corp. 100%
21	Sec. 20: SE $\frac{1}{4}$	160	NM 27080 12/31/86	U.S.A. 12.5%	Theodore L. Hamer - 5%	The Superior Oil Co. 100%

TOTAL FEDERAL TRACTS: 21

TOTAL FEDERAL ACREAGE: 6,720 acres; 60%

SCHEDULE "B" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
STATE OF NEW MEXICO LANDS -- ALL IN TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO						
22	Sec. 16: W $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 25: SW $\frac{1}{4}$	240	B-1040-1 H.B.P.	State NM 12.5%	None	Amerada-Hess Corp. 100%
23	Sec. 25: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$	160	E-1932-1 H.B.P.	State NM 12.5%	None	Phillips Petroleum Co. - 100%
24	Sec. 23: NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$	240	L-4719 7/20/80	State NM 12.5%	None	Phillips Petroleum Co. - 100%
25	Sec. 25: E $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$	320	L-4781 8/17/80	State NM 12.5%	None	Phillips Petroleum Co. - 100%
26	Sec. 16: E $\frac{1}{2}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	560	LG-367-1 6/30/82	State NM 12.5%	None	Amoco Production Co. 100%
27	Sec. 14: N $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$	160	LG-741 9/30/82	State NM 12.5%	None	Amoco Production Co. 100%
28	Sec. 13: E $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , SE $\frac{1}{2}$ SE $\frac{1}{4}$	200	LG-817 10/31/82	State NM 12.5%	None	Amoco Production Co. 100%
29	Sec. 36: E $\frac{1}{2}$ SE $\frac{1}{4}$	80	LG-1548 1/31/84	State NM 12.5%	None	Gulf Oil Corp. 100%
30	Sec. 36: W $\frac{1}{2}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$	400	LG-3339 12/31/85	State NM 12.5%	None	Southern Union Supply Co. - 100%
31	Sec. 13: NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{2}$ SW $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	440	LG-3693-1 7/31/86	State NM 12.5%	None	Pogo Producing Co. 100%

SCHEDULE "E" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Explr. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
-----------	-------------	-----------	----------------------------------	----------------------------------	---------------------------------------	-------------------------------------

STATE LANDS (continued)

32	Sec. 14: S $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$	480	LG-6555-1 4/30/89	State NM 12.5%	None	Pogo Producing Co. 100%
33	Sec. 36: NE $\frac{1}{4}$	160	LG-6984 8/31/89	State NM 12.5%	None	Cal-Mon Cil Co. 100%
34	Sec. 23: S $\frac{1}{2}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$	400	LG-7267 10/31/89	State NM 12.5%	None	Gulf Oil Corp. 100%
35	Sec. 24: All	640				

TOTAL STATE TRACTS: 14

TOTAL STATE ACREAGE: 4,480 acres; Percentage of Unit 40%

TOTAL FEDERAL ACREAGE: 6,720 acres; Percentage of Unit 60%

TOTAL ACREAGE: 11,200 acres 100%

BEFORE THE OIL CONSERVATION DIVISION  
STATE DEPARTMENT OF ENERGY AND MINERALS  
STATE OF NEW MEXICO

OIL CONSERVATION DIVISION  
SANTA FE

APPLICATION FOR APPROVAL OF  
QUARK UNIT  
LEA COUNTY, NEW MEXICO

CASE NO. 6752

TO: New Mexico Oil Conservation Division  
State Department of Energy and Minerals  
P.O. Box 2088  
Santa Fe, New Mexico 87501

Comes now BILL STAPLER, One Kingwood Place, Suite 205,  
Kingwood, Texas 77337, and hereby makes application for approval  
of Unit Agreement for the Development and Operation of Quark Unit,  
Lea County, New Mexico, and in support thereof, states:

1. That the proposed Unit Area covered by said Agreement  
embraces 11,200 acres of land, more or less, more particularly  
described as follows:

Township 22 South, Range 34 East, N.M.P.M.

Sections 13,14,15,16: All  
Section 17:  $E\frac{1}{2}$   
Section 20:  $E\frac{1}{2}$   
Sections 21,22,23,24,  
25,26,27,28: All  
Section 29:  $E\frac{1}{2}$   
Sections 33,34,35,36: All.

2. That all of the lands embraced within the proposed unit  
are contained in United States of America and State of New Mexico  
oil and gas leases, and the mineral rights thereunder are owned  
respectively by the United States of America and the State of New  
Mexico. As reflected on Schedule "B" attached to this Application,  
the total Federal acreage is 6,720 acres, or 60% of the Unit Area,  
and the State acreage consists of 4,480 acres, being 40% of the Unit.

3. That an application has been made for the designation of  
said Unit Area and for approval of the form of Unit Agreement by  
the Director of the United States Geological Survey and by the  
Commissioner of Public Lands, State of New Mexico, Santa Fe, New  
Mexico. It is anticipated that said area will be designated as  
being logical for unitization by the United States Geological Survey.



4. That Applicant is informed and believes and upon information and belief, states that the proposed unit area contains all or substantially all of the geological feature involved, and in the event the unit agreement is approved, the area will be developed and operated in the interest of conservation and prevention of waste of unitized substances.

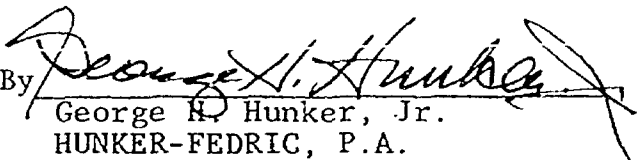
5. That Bill Stapler is designated as Unit Operator of said Unit Agreement, and as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas, subject to all applicable laws and regulations. The purpose of the unit agreement is for unitization of the area in question and the drilling of an exploratory well in Section 26 to a depth sufficient to test the Bone Spring formation, expected to be encountered at a depth of 11,400 feet.

6. That upon an order being entered by the New Mexico Oil Conservation Division approving said agreement and upon approval thereof by the Director, United States Geological Survey, and by the Commissioner of Public Lands, an approved copy of the unit agreement and all documents approving the same will be filed with the New Mexico Oil Conservation Division.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of the approval of said unit agreement and upon said hearing, said unit agreement be approved by the New Mexico Oil Conservation Division as being in the interest of conservation and prevention of waste.

Respectfully submitted,

BILL STAPLER

By   
George H. Hunker, Jr.  
HUNKER-FEDRIC, P.A.  
P.O. Box 1837  
Roswell, New Mexico 88201  
Attorneys for Bill Stapler

SCHEDULE "B" - QUARK UNIT AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
<u>FEDERAL LANDS -- ALL IN TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO</u>						
1	Sec. 20: NE $\frac{1}{4}$	160	LC 070544-A H.B.U.	U.S.A. 12.5%	Robert R. & Rachel E. Boice - .00125% Frederick R. & Marie C. Brown - .00125% J.G. Thornhill - .00250% Bryan Bell, Custodian - .00500% Wm. J. Rieker - .02000% Grady L. Blythe - .02000%	Continental Oil Co. 100%
2	Sec. 15: NE $\frac{1}{4}$ Sec. 21: E $\frac{1}{2}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 26: W $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 27: W $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$	1,440	NM 0195029 6/28/80	U.S.A. 12.5%	Walter L. Morrison - 5%	The Superior Oil Co. 100%
3	Sec. 22: E $\frac{1}{2}$ , NW $\frac{1}{4}$ Sec. 27: E $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$	800	NM 0259210-A 6/28/80	U.S.A. 12.5%	Norman M. Albright - \$750/acre PP out of 5%	The Superior Oil Co. 100%
4	Sec. 26: E $\frac{1}{2}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , NW $\frac{1}{2}$ SE $\frac{1}{4}$	280	NM 0395473 6/28/80	U.S.A. 12.5%	James O. Breene, Jr. - 3% Eugene L. Dechant - 2%	Phillips Petroleum Co. - 100%
5	Sec. 26: SW $\frac{1}{2}$ SE $\frac{1}{4}$	40	NM 0500329 6/28/80	U.S.A. 12.5%	Nancy C. Phelps - 4 $\frac{1}{2}$ % John E. Oakason Est. .5%	Byron M. McKnight Nolan H. Brunson, Jr.
6	Sec. 22: NW $\frac{1}{2}$ SW $\frac{1}{4}$	40	NM 0554510 6/28/80	U.S.A. 12.5%	Vincent J. Duncan - 5%	The Superior Oil Co. 100%
7	Sec. 22: SW $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$	120	NM 0554511-A 6/28/80	U.S.A. 12.5%	The Carolina Corp. - 5%	The Superior Oil Co. 100%

SCHEDULE "B" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
8	Sec. 21: W $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$	160	NM 10475 6/28/80	U.S.A. 12.5%	Charles W. Hicks - \$1,000/acre PP out of 1/16 of 8/8	Edward F. Hudson, Jr. 100%
9	Sec. 15: W $\frac{1}{2}$ SW $\frac{1}{4}$	80	NM 15921 6/30/82	U.S.A. 12.5%	Phil Troutman - 3%	Byron McKnight
10	Sec. 35: W $\frac{1}{2}$ NE $\frac{1}{4}$	80	NM 16830 9/30/82	U.S.A. 12.5%	Jack J. Grynberg- 6.25%	Amoco Production Co. 100%
11	Sec. 28: All	640	NM 18046 3/31/83	U.S.A. 12.5%	George D. Davis, Jr. - 2% Central SW Oil Co.- 3%	Amoco Production Co. 100%
12	Sec. 33: NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 34: All	920	NM 19143 (NM 18046) 3/31/83	U.S.A. 12.5%	George D. Davis, Jr. - 2% Central SW Oil Co.- 3%	Amoco Production Co. 100%
13	Sec. 15: E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$	240	NM 17067 5/31/83	U.S.A. 12.5%	Evelyn G. Langrish - 3% G.W. Allen - 2%	Brunson & McKnight, Inc. - 100%
14	Sec. 35: NW $\frac{1}{4}$	160	NM 23768 1/31/85	U.S.A. 12.5%	Donald W. Sidwell- 6.25%	Texas Pacific Oil Co., Inc. - 100%
15	Sec. 35: E $\frac{1}{2}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	280	NM 26396 9/30/85	U.S.A. 12.5%	Adah G. Macaulley Trust Partnership - 2 $\frac{1}{2}$ % Thomas G. Dorough - 2 $\frac{1}{2}$ %	Texas Pacific Oil Co., Inc. - 100%
16	Sec. 35: N $\frac{1}{2}$ SW $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$	120	NM 26888 11/30/83	U.S.A. 12.5%	Edward C. Green - 2 $\frac{1}{2}$ % C.E. Strange - 1 $\frac{1}{2}$ % John C. Manning & Eva G. Manning, Trustees, John C. Manning Trust #1 - 1 $\frac{1}{2}$ %	Texas Pacific Oil Co., Inc. - 100%
17	Sec. 33: W $\frac{1}{2}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	360	NM 27652 Pending	U.S.A. 12.5%		K.L. Huger, Jr. 100%

SCHEDULE "B" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
18	Sec. 29: SE $\frac{1}{4}$	160	NM 17441 1/31/83	U.S.A. 12.5%	Pat H. Ladner - 4%	Amoco Production Co. 100%
19	Sec. 29: NE $\frac{1}{4}$	160	NM 18512 5/30/83	U.S.A. 12.5%		
20	Sec. 17: E $\frac{1}{2}$	320	NM 24691 3/31/85	U.S.A. 12.5%	Wanda Burness - 5%	Belco Petroleum Corp. 100%
21	Sec. 20: SE $\frac{1}{4}$	160	NM 27080 12/31/86	U.S.A. 12.5%	Theodore L. Hamer - 5%	The Superior Oil Co. 100%

TOTAL FEDERAL TRACTS: 21

TOTAL FEDERAL ACREAGE: 6,720 acres; 60%

SCHEDULE "B" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
STATE OF NEW MEXICO LANDS -- ALL IN TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO						
22	Sec. 16: W $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 25: SW $\frac{1}{4}$	240	B-1040-1 H.B.P.	State NM 12.5%	None	Amerada-Hess Corp. 100%
23	Sec. 25: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$	160	E-1932-1 H.B.P.	State NM 12.5%	None	Phillips Petroleum Co. - 100%
24	Sec. 23: NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$	240	L-4719 7/20/80	State NM 12.5%	None	Phillips Petroleum Co. - 100%
25	Sec. 25: E $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$	320	L-4781 8/17/80	State NM 12.5%	None	Phillips Petroleum Co. - 100%
26	Sec. 16: E $\frac{1}{2}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$	560	LG-357-1 6/30/82	State NM 12.5%	None	Amoco Production Co. 100%
27	Sec. 14: N $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$	160	LG-741 9/30/82	State NM 12.5%	None	Amoco Production Co. 100%
28	Sec. 13: E $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$	200	LG-817 10/31/82	State NM 12.5%	None	Amoco Production Co. 100%
29	Sec. 36: E $\frac{1}{2}$ SE $\frac{1}{4}$	80	LG-1548 1/31/84	State NM 12.5%	None	Gulf Oil Corp. 100%
30	Sec. 36: W $\frac{1}{2}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$	400	LG-3339 12/31/85	State NM 12.5%	None	Southern Union Supply Co. - 100%
31	Sec. 13: NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	440	LG-3693-1 7/31/86	State NM 12.5%	None	Pogo Producing Co. 100%

SCHEDULE "B" - QUARK UNIT AREA (continued):

Tract No.	Description	No. Acres	Serial No. and Expir. Lease Date	Land Owner Percentage of Royalty	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
-----------	-------------	-----------	----------------------------------	----------------------------------	---------------------------------------	-------------------------------------

STATE LANDS (continued)

32	Sec. 14: S $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$	480	LG-6555-1 4/30/89	State NM 12.5%	None	Pogo Producing Co. 100%
33	Sec. 36: NE $\frac{1}{4}$	160	LG-6984 8/31/89	State NM 12.5%	None	Cal-Mon Oil Co. 100%
34	Sec. 23: S $\frac{1}{2}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$	400	LG-7267 10/31/89	State NM 12.5%	None	Gulf Oil Corp. 100%
35	Sec. 24: All	640				

TOTAL STATE TRACTS: 14

TOTAL STATE ACREAGE: 4,480 acres; Percentage of Unit 40%

TOTAL FEDERAL ACREAGE: 6,720 acres; Percentage of Unit 60%

TOTAL ACREAGE: 11,200 acres 100%

Dan Nutter

Bill Stapler  
unit agreement Lea

Quark Unit Lea  
11200 acres state &  
Federal lands.  
T22S R34E Lea Co.

Geo Hunker  
4:49 p 11/19  
written appeal to J. Lewis

ROUGH

dr/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 6752

Order No. R-6217

APPLICATION OF BILL STAPLER  
FOR APPROVAL OF THE QUARK  
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 12,  
19 79, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 12 day of December, 19 80, the  
Division Director, 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 Division has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, Bill Stapler,  
seeks approval of the Quark Unit Agreement  
covering 11,200 acres, more or less, of State Federal  
and ~~any other~~ lands described as follows:

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

Sections 13 through 16: All  
Section 17: E/2  
Section 20: E/2  
Sections 21 through 28: All

← cont.  
(3) That all plans of development and operation and creations,  
expansions, or contractions of participating areas or expansions  
or contractions of the unit area, should be submitted to the  
Director of the Division for approval.

→ Section 29: E/2  
Sections 33 through 36: All



(4) 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 Quark 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 Division 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 Division 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 Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

*the Division shall be notified of any change of unit operator, and*

(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for

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 Division immediately in writing of such termination.

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

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