

CASE 6974: C & K PETROLEUM, INC. FOR  
APPROVAL OF THE WHITE DRAW UNIT AREA,  
CHAVES COUNTY, NEW MEXICO.

Case No.

6974

Application

Transcripts

Small Exhibits

ETC

Unit Name WHITE DRUM UNIT EXPLORATORY  
 Operator C & K PEMOLSON, INC.  
 County CHAVES COUNTY, NEW MEXICO

DATE	OCC CASE NO.	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	6974	DATE						
Commissioner	OCC ORDER NO. R-6436	11-3-1980	13,404.08	11,804.80	1,279.28	320.00	yes	5yrs
November 1, 1980	Commission August 13, 1980							

UNIT AREA

TOWNSHIP 3 SOUTH, RANGE 27 EAST, NMPM  
 Sections 1 through 4: All  
 Sections 9 through 16: All  
 TOWNSHIP 3 SOUTH, RANGE 28 EAST, NMPM  
 Sections 4 through 9: All  
 Sections 16 through 18: All

**TERMINATED**  
 EFF: 8/13/81  
 FAILURE TO START WELL  
 2ND EXPLORATORY P&H  
 1ST WELL

Unit Name  
Operator  
County

WHITE DRILLING, INC.  
C. J. PETROBRAS, INC.  
CHAVES COUNTY, NEW MEXICO

STATE TRACT NO.	LEASE NO.	INST-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
3	L-5016-1	C.S.	3	3S	27E	N/2	10-21-80	957.76		Cities Service Co.
4	L-5017-1	C.S.	9	3S	27E	A11	10-21-80	1,120.00		Cities Service Co.
5	L-5018-1	C.S.	11	3S	27E	N/2, SE/4				
6	L-5019-1	C.S.	15	3S	27E	A11	10-21-80	640.00		Cities Service Co.
7	L-5020-1	C.S.	4	3S	28E	A11	10-21-80	1,278.89		Cities Service Co.
8	L-5021-1	C.S.	6	3S	28E	A11	10-21-80	2,258.23		Cities Service Co.
9	L-5022-1	C.S.	8	3S	28E	A11	10-21-80	1,280.00		Cities Service Co.
10	L-5023-1	C.S.	16	3S	28E	A11	10-21-80	960.00		Cities Service Co.
11	L-5024-1	C.S.	18	3S	28E	A11	10-21-80	630.72		Cities Service Co.
12	L-5025-1	C.S.	2	3S	27E	A11	10-22-80	639.20		Yates Petr. Corp.
13	L-5026-1	C.S.	12	3S	27E	A11	10-22-80	640.00		Yates Petr. Corp.
14	L-5027-1	C.S.	13	3S	27E	A11	10-22-80	640.00		Yates Petr. Corp.
15	L-5028-1	C.S.	16	3S	27E	A11	10-21-80	640.00		Depco, Inc.

TERMINATED  
8/13/81  
C.F.F.



South Central Region  
P. O. Box 26124  
Albuquerque, New Mexico 87125

SEP 11 1981

C & K Petroleum, Inc.  
Attention: Ms. David LeBow  
P. O. Drawer 3546  
Midland, Texas 79702

6974

Gentlemen:

The White Draw Unit Agreement, No. 14-08-0001-15443, Chaves County, New Mexico, was approved November 14, 1980, effective as of November 3, 1980. The term of such agreement is contingent upon the unit operator drilling one well at a time, allowing not more than six months time between the completion of one well and the beginning of the next, until a well capable of producing unitized substances in paying quantities is completed.

Our records show that the initial test well was plugged and abandoned on February 13, 1981, making the second unit test well due to be commenced by August 13, 1981.

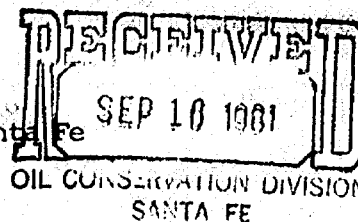
Inasmuch as the second unit test well was not commenced, the White Draw Unit Agreement is considered to have terminated automatically as of August 13, 1981, pursuant to section 9 of the unit agreement.

Sincerely yours,

(ORIG. SGD.) JAMES W. SHELTON

FOR Gene F. Daniel  
Deputy Conservation Manager  
Oil and Gas

cc: BLM, Santa Fe  
NMOC, Santa Fe/  
Comm. of Public Lands, Santa Fe  
DS, Roswell  
Roswell Accounting



State of New Mexico



ALEX J. ARMIJO  
COMMISSIONER



Commissioner of Public Lands

August 17, 1981

6974

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

REGISTERED MAIL

C & K Petroleum, Inc.  
P. O. Drawer 3546  
Midland, Texas 79702

Re: White Draw Unit Agreement  
Chaves County, New Mexico

ATTENTION: Ms. Danie Lebow

Gentlemen:

The White Draw Unit, Chaves County, New Mexico, was approved November 1, 1980, effective as of November 3, 1980. The term of such agreement is contingent upon the unit operator drilling one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well until a well capable of producing unitized substances in paying quantities is completed.

Your first exploratory well was completed as a dry hole, therefore, your second test well was due to of been commenced August 13, 1981, which is six months from the date the well No. 1 was tested. Inasmuch as the second test well was not commenced, the White Draw Unit agreement is considered to have terminated automatically by the terms of the agreement as of August 13, 1981.

Please notify all interested parties of this action.

Very truly yours,

ALEX J. ARMIJO  
COMMISSIONER OF PUBLIC LANDS

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

AJA/RDG/pm  
cc:

OCD-Santa Fe, New Mexico  
USGS-Albuquerque, New Mexico



800 C & K PETROLEUM BUILDING  
POST OFFICE DRAWER 3546  
MIDLAND, TEXAS 79702  
(915) 683-3311

August 13, 1981

Conservation Manager  
USGS, Oil & Gas  
P. O. Box 26124  
Albuquerque, New Mexico 87125

Attention: Mr. Joe Lara

Commissioner of Public Lands  
Oil & Gas Division  
P. O. Box 1148  
Santa Fe, New Mexico 87501

Attention: Mr. Ray Graham

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

Attention: Mr. Joe D. Ramey

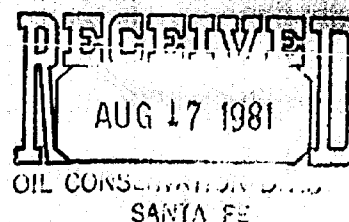
Re: White Draw Unit  
Chaves County, New Mexico

Gentlemen:

The above referenced unit was approved by the Commissioner of Public Lands on November 3, 1980, subsequent to Order No. R-6436 by the Oil Conservation Division. Certification-determination under Contract No. 14-08-0001-18443 issued from the USGS November 14, 1980, but effective as of November 3, 1980. Thereafter, C&K spudded and drilled to 5,500 feet a wildcat Abo test designated "White Draw Unit No. 1." Operations for plugging and abandoning same were completed on February 13, 1981.

This letter is to advise that C&K Petroleum, Inc. has not complied with the 6-month continuous drilling obligation contained in Paragraph 9 of said Unit Agreement. Therefore, it appears that the Unit Agreement will in fact terminate August 13, 1981.

6974



USGS, et al  
August 13, 1981  
Re: White Draw Unit  
Page 2

We regret that we were unable to establish production on this unit.  
Please advise us by return mail if other action on our part is required  
in order to terminate this unit.

Very truly yours,

*Danie Lebow*

Ms. Danie Lebow  
Senior Landman

DL/lc

cc: Mr. Randolph M. Richardson  
P. O. Box 819  
Roswell, N.M. 88201

6974

RANDOLPH M. RICHARDSON

OIL AND GAS LAND AND UNIT CONSULTANT

FEDERAL - STATE - FEE

P. O. BOX 819

ROSWELL, NEW MEXICO 88201

November 21, 1980

OFFICE 505 622-8801  
HOME 505 622-7985

In Re: White Draw Unit Area  
Chaves County, New Mexico  
C & K Petroleum, Operator

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

Gentlemen,

Pursuant to your order No. R-6436, Case No. 6974,  
in connection with the captioned Unit, I am enclosing  
copy of fully executed Unit Agreement.

Such Agreement contains approval by the Commissioner  
of Public Lands as well as approval by the U. S. G. S.

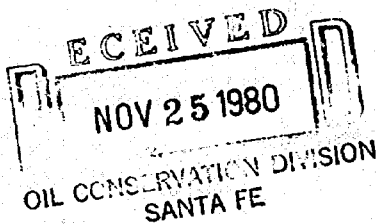
Please advise if all is not in order or if you need  
anything additional.

Yours very truly,



R. M. Richardson

Xerox: C & K Petroleum







United States Department of the Interior

South Central Region  
P. O. Box 26124  
Albuquerque, New Mexico 87125

11 NOV 1980

Randolph M. Richardson  
P. O. Box 819  
Roswell, New Mexico 88201

Dear Mr. Richardson:

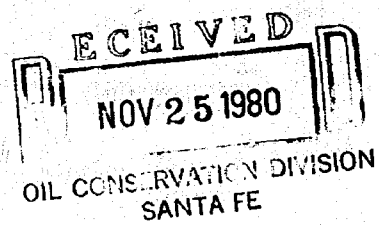
One approved copy of the White Draw unit agreement with C & K Petroleum, Inc., as operator, Chaves County, New Mexico is enclosed. Such agreement has been assigned No. 14-08-0001-18443 and is effective November 3, 1980, the date the Land Commissioner approved the unit.

You are requested to furnish the State of New Mexico and other interested principals with appropriate evidence of this approval.

Sincerely yours,

James W. Sutherland  
Conservation Manager

Enclosure





CERTIFICATION--DETERMINATION

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

A. Approve the attached agreement for the development and operation of the White Draw Unit Area, State of New Mexico, County of Chaves.

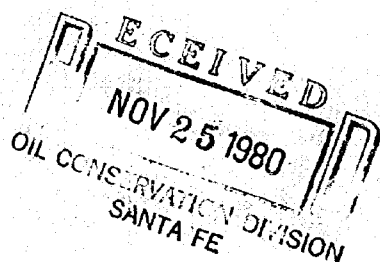
B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

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

D. Require the Unit Operator to furnish the U. S. Geological Survey two copies of:

1. All notices and reports of unit operations including revisions and changes to the unit agreement.

Dated 14 NOV 1980  
Contract Number 14-08-0001-18443



*James W. Sutherland*  
Conservation Manager  
United States Geological Survey



# NEW MEXICO STATE LAND OFFICE

## CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

WHITE DRAW UNIT

CHAVES COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated July 1, 1980, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 3rd day of November, 19 80.



*Alex J. Armijo*  
COMMISSIONER OF PUBLIC LANDS  
of the State of New Mexico

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. 6974  
Order No. R-6436

APPLICATION OF C & K PETROLEUM, INC.  
FOR APPROVAL OF THE WHITE DRAW UNIT  
AGREEMENT, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 23, 1980,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 13th day of August, 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, C & K Petroleum, Inc., seeks  
approval of the White Draw Unit Agreement covering 13,404.08  
acres, more or less, of State, Federal and Fee lands described  
as follows:

CHAVES COUNTY, NEW MEXICO  
TOWNSHIP 3 SOUTH, RANGE 27 EAST, NMPM  
Sections 1 through 4: All  
Sections 9 through 16: All

TOWNSHIP 3 SOUTH, RANGE 28 EAST, NMPM  
Sections 4 through 9: All  
Sections 16 through 18: All

(3) That all plans of development and operation and crea-  
tions, 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.

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Case No. 6974  
Order No. R-6436

(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 White Draw 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 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.

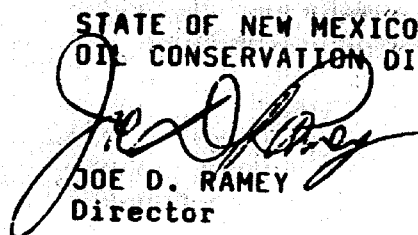
(6) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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Case No. 6974  
Order No. R-6436

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

S E A L

fd/



UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
WHITE DRAW UNIT AREA  
COUNTY OF CHAVES  
STATE OF NEW MEXICO  
NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 1<sup>st</sup> day of July, 1980, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

W I T N E S S E T H :

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Secs. 19-10-45, 46, 47 N.M. Statutes 1978 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interest of the State of New Mexico; and,

WHEREAS, the Oil Conservation Division of the State of New Mexico Energy and Minerals Department is authorized by an Act of the Legislature (Chapters 70 and 71, New Mexico Statutes 1978, Annotated) to approve this agreement and the conservation provisions hereof; and,

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

WHEREAS, it is the purpose of the parties hereto to conserve natural re-



sources, prevent waste, and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions, and limitations herein set forth;

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

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

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

T-3-S, R-27-E, NMPM  
Secs. 1,2,3,4; All  
Secs. 9,10,11;  
12,13,14,15,16; All

T-3-S, R-28-E, NMPM  
Secs. 4,5,6,7,8,9; All  
Secs. 16,17,18; All

Containing 13,404.08 Acres  
Chaves County, New Mexico

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

as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner," and not less than two (2) copies of the revised Exhibits shall be filed with the Land Commissioner, and one (1) copy with the Oil Conservation Division of the New Mexico Energy and Minerals Department, hereinafter referred to as "Division."

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

(a) Unit Operator, on its own motion or on demand of the Land Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably, the first day of a month subsequent to the date of notice.

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

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

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

(e) All legal subdivisions of land (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys

unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid five-year period shall become participating in the same manner as during said five-year period. However, when such diligent drilling operations cease, all non-participating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Land Commissioner and promptly notify all parties in interest.

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

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

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

4. UNIT OPERATOR. C & K Petroleum, Inc.  
is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in the capacity and not as an owner of interest in unitized substances, and the term "working-interest owner" when used shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working-interest owners and the Land Commissioner, and until all wells then drilled hereunder are placed in a satisfactory conditions for suspension or abandonment whichever is required by the State Division as to State and privately owned lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Land Commissioner.

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

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

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

(b) the selection shall have been approved by the Land Commissioner.

If no successor Unit Operator is selected and qualified as herein provided, the Land Commissioner, at his election, may declare this unit agreement terminated.



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

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



parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Land Commissioner, if on State land, or by the Division if on fee land unless on such effective date a well being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Abo Formation has been tested, or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling completing and producing operations, with a reasonable profit) or the Unit Operator shall, at any time, establish to the satisfaction of the Supervisor if on Federal land, or the Land Commissioner if on State land, or the Division if on Fee land that further drilling of said well would be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 5,300 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the Land Commissioner if on State land or the Division if on fee land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Upon failure to commence any well provided for in this section within the time allowed, including any extension of time granted by the Land Commissioner, this agreement will automatically terminate; upon failure to continue drilling diligently any well commenced hereunder, the Land Commissioner may, after 15-days notice to the Unit Operator, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Land Commissioner and State Division an acceptable plan of development and operation for the unitized land which, when approved by the Land Commissioner and State Division, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Land Commissioner and State Division a plan for an additional specified period for the development and operation of the unitized land.

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

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

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the 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 Land Commissioner is 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 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 Land Commissioner, or the State Division, the Unit Operator shall submit for approval by 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 reasonably proved to be productive in paying quantities; all lands in said schedule on approval of 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 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 area shall be combined into one, effective as of such appropriate date as may be approved or prescribed by 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 additional 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 predicated, provided, however, that a more appropriate effective date may be used if justified

by the Unit Operator and approved by the Land Commissioner and State 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.

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

In the absence of agreement at any time between the Unit Operator and the Land Commissioner and State Division as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Land Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands and the Land Commissioner for the State lands and the amount thereof shall be deposited, and directed by the Supervisor and the Land Commissioner, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty of the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Land Commissioner and State Division that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working-interest owners, be allocated to the land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp, and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Land Commissioner and State Division, or unavoidable lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working-interest owners shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part of tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was last defined at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor if on Federal Land, the Land Commissioner if on State Land, and the Division as to privately owned land, at such party's sole risk, costs, and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating



area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

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

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of operations approved by the Land Commissioner, a like amount of gas, after settlement as herein provided for any gas transferred from any other parti-



cipating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of operations or as may otherwise be consented to by the Land Commissioner as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

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

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

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

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals

required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby or until some portion of such land is included within a participating area.

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

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

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

(a) The development and operation of lands subject to this agreement under the terms thereof shall be deemed full performance of all obligations for development and operation with respect to each and every separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of the unit area.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease

shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

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

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

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

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

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

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

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

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

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Land Commissioner or his duly authorized representative, and shall terminate five (5) years from said effective date unless

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

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

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

(d) it is terminated as heretofore provided in this agreement. This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the working-interest owners signatory hereto, with the



approval of the Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

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

Powers in this section vested in the Land Commissioner and Division shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

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

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 post-paid registered or certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such

party may have furnished in writing to party sending the notice, demand or statement.

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 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 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) inclusive 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 readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds 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 the working interest in that tract may withdraw said tract from this agreement by written notice delivered to the Land Commissioner, the State Division, and the Unit Operator prior to the approval of this agreement by the Land Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working-interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working-interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working-interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A non-working interest is committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Land Commissioner and the State Division of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within sixty (60) days by the State Division; provided, however, that as to State lands all subsequent joinders must be approved by the Commissioner.

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

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

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

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

- (1) Accept those working-interests rights subject to this agreement and the unit operating agreement; or
- (2) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement.
- (3) Provide for the independent operation of any part of such land that are not then included within a participating area established hereunder.

If the fee owner of the unitized substances does not accept the working-interest rights subject to this agreement and the unit operating agreement or lease, such lands as above-provided within six (6) months after the surrendered or forfeited working-interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the

remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners or working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

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

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

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

32. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed, or implied, nor any operations conducted hereunder,



shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

33. 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.



C & K PETROLEUM, INC.

By: Lane M. Courtney Lebow  
Ass't. Secretary

By: [Signature]  
Exec. Vice-President

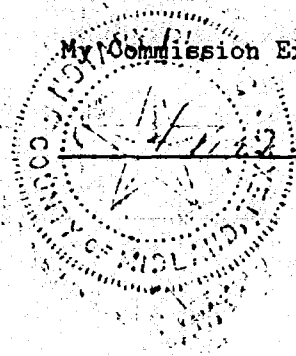
Address:

UNIT OPERATOR

STATE OF Texas )  
COUNTY OF Midland ) SS.

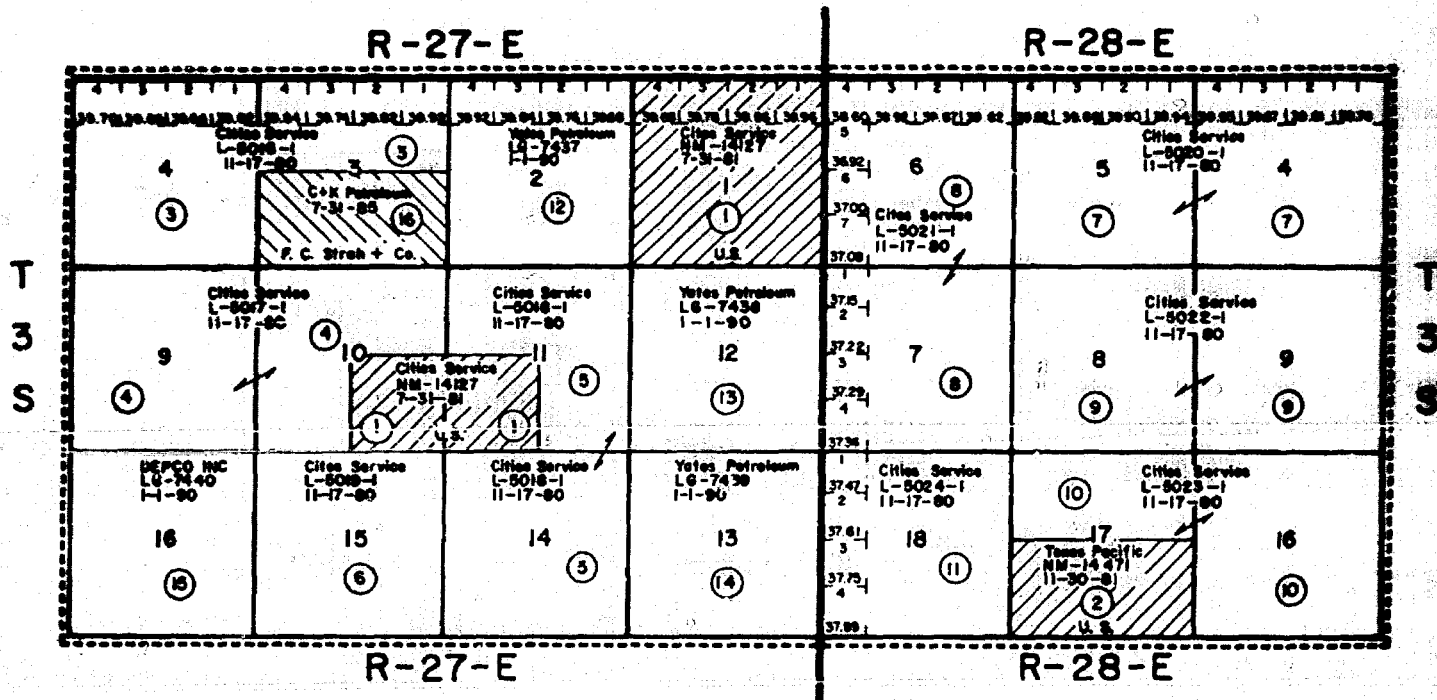
The foregoing instrument was acknowledged before me this 24 day of September, 1980, by [Signature] who is Exec. Vice-President of C & K PETROLEUM, INC. a corporation, for and on behalf of said Corporation.

My Commission Expires:



[Signature]  
Notary Public

DONNA WHILES, NOTARY PUBLIC  
IN AND FOR MIDLAND COUNTY, TEXAS  
MY COMMISSION EXPIRES 11/9/84



- Unit Outline
- Tract Number
- State of New Mexico Lands  
11,804.80 Acres, 88.07%
- ▨ Federal Lands  
1,279.28 Acres, 9.54%
- ▨ Patented (Fee) Lands  
320.00 Acres, 2.39%
- 13,404.08 Acres, 100%

EXHIBIT "A"

WHITE DRAW UNIT AREA

CHAVES COUNTY, NEW MEXICO

EXHIBIT "B"

SCHEDULE SHOWING ALL LAND AND LEASES

WITHIN THE WHITE DRAW UNIT AREA

CHAVES COUNTY NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. & EXP. DATE	BASIC ROYALTY	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<u>FEDERAL LANDS</u>							
1.	<u>T-3-S, R-27-E</u> Sec. 1: All Sec. 10: SW Sec. 11: SW	959.28	NM-14127 7-31-81	U.S.A. 12.5	Cities Service Company All	Est. F.J. Bradshaw 3.0	Cities Ser. Co. All
2.	<u>T-3-S, R-28-E</u> Sec. 17: SW	320.00	NM-14471 11-30-81	U.S.A. 12.5	Texas Pacific Oil Co. All	Mary Susan McNab 1.0 James H. Scott 1.0	Texas Pacific Oil Company All
<u>1,279.28 Acres Federal Lands, 9.54%</u>							
<u>STATE OF NEW MEXICO LANDS</u>							
3.	<u>T-3-S, R-27-E</u> Sec. 3: NW Sec. 4: All	957.76	L-5016-1 11-17-80	State 12.5	Cities Service Company All	None	Cities Ser. Co. All

4.	<u>T-3-S, R-27-E</u> Sec. 9: All Sec. 10: W <del>X</del> , NE <del>X</del>	1120.00	L-5017-1 11-17-80	State 12.5	Cities Service Company All	None	Cities Ser. Co. All
5.	<u>T-3-S, R-27-E</u> Sec. 11: M <del>X</del> , SE <del>X</del> Sec. 14: All	1120.00	L-5018-1 11-17-80	State 12.5	Cities Service Company All	None	Cities Ser. Co. All
6.	<u>T-3-S, R-27-E</u> Sec. 15: All	640.00	L-5019-1 11-17-80	State 12.5	Cities Service Company All	None	Cities Ser. Co. All
7.	<u>T-3-S, R-28-E</u> Sec. 4: All Sec. 5: All	1278.89	L-5020-1 11-17-80	State 12.5	Cities Service Company All	None	Cities Ser. Co. All
8.	<u>T-3-S, R-28-E</u> Sec. 6: All Sec. 7: All	1258.23	L-5021-1 11-17-80	State 12.5	Cities Service Company All	None	Cities Ser. Co. All
9.	<u>T-3-S, R-28-E</u> Sec. 8: All Sec. 9: All	1280.00	L-5022-1 11-17-80	State 12.5	Cities Service Company All	None	Cities Ser. Co. All

10.	<u>T-3-S, R-28-E</u> Sec. 16: All Sec. 17: M $\frac{1}{2}$	960.00	L-5023-1 11-17-80	State 12.5	Cities Service Company	All	None	Cities Ser. Co.	All
11.	<u>T-3-S, R-28-E</u> Sec. 18: All	630.72	L-5024-1 11-17-80	State 12.5	Cities Service Company	All	None	Cities Ser. Co.	All
12.	<u>T-3-S, R-27-E</u> Sec. 2: All	639.20	LG-7437 1-1-90	State 12.5	Yates Petr. Corp.	All	None	Yates Petr. Corp.	All
13.	<u>T-3-S, R-27-E</u> Sec. 12: All	640.00	LG-7438 1-1-90	State 12.5	Yates Petr. Corp.	All	None	Yates Petr. Corp.	All
14.	<u>T-3-S, R-27-E</u> Sec. 13: All	640.00	LG-7439 1-1-90	State 12.5	Yates Petr. Corp.	All	None	Yates Petr. Corp.	All
15.	<u>T-3-S, R-27-E</u> Sec. 16: All	640.00	LG-7440 1-1-90	State 12.5	Depco, Inc.	All	None	Depco, Inc.	All

---

11,804.30 Acres State land, 18.07%

---



PATENTED (FEE) LANDS

16. T-3-S, R-27-E  
Sec. 3: S½

320.00

Fee  
7-31-85

F. C. Stroh & Company C & K Petroleum, Inc. All  
12.5

None

C & K Petroleum, Inc.

320.00 acres Fee lands, 2.39%

Recapitulation  
State of New Mexico Lands, 11,804.80 acres, 88.07% of Unit Area  
Federal Lands, 1,279.28 acres, 9.54%  
Fee Lands, 320.00 acres 2.39%  
13,404.08 acres 100.00% of Unit Area

CONSENT AND RATIFICATION  
WHITE DRAW UNIT AGREEMENT  
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the White Draw Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 1st day of July, 1980, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Robert B. Hubbard Attorney-in-Fact

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_\_\_, by \_\_\_\_\_.

My Commission Expires:

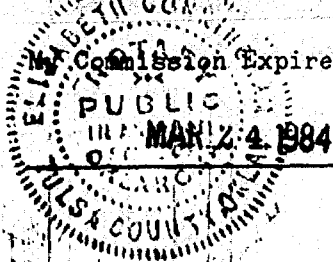
\_\_\_\_\_  
Notary Public

CORPORATE

STATE OF Oklahoma )  
COUNTY OF Tulsa ) SS.

The foregoing instrument was acknowledged before me this 21st day of October, 1980, by Robert B. Hubbard as Attorney-in-Fact, President of CITIES SERVICE COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:



Elizabeth L. Lunsford  
Notary Public

CONSENT AND RATIFICATION  
WHITE DRAW UNIT AGREEMENT  
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the White Draw Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 1st day of July, 1980, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

SUN TEXAS COMPANY

BY:

H. B. Hunt  
Regional Exploration Manager

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_\_\_, by \_\_\_\_\_.

My Commission Expires:

Notary Public

CORPORATE

STATE OF TEXAS )  
COUNTY OF MIDLAND ) SS.

The foregoing instrument was acknowledged before me this 24th day of October, 1980, by H. B. Hunt, Regional Exploration Manager of Sun Texas Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

9/21/84

P. L. Springer  
Notary Public  
Patty L. Springer  
Midland County, Texas

CONSENT AND RATIFICATION  
WHITE DRAW UNIT AGREEMENT  
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the White Draw Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 1st day of July, 1980, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

YATES PETROLEUM CORPORATION

By: [Signature]  
Attorney-in-Fact  
207 South 4th Street  
Artesia, New Mexico 88210

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_\_\_, by \_\_\_\_\_.

My Commission Expires:

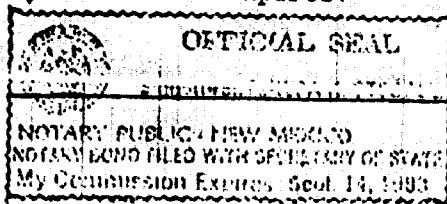
\_\_\_\_\_  
Notary Public

CORPORATE

STATE OF NEW MEXICO )  
COUNTY OF EDDY ) SS.

The foregoing instrument was acknowledged before me this 22nd day of October, 1980, by John A. Yates, Attorney-in-Fact for Yates Petroleum Corporation, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:



[Signature]  
Notary Public

CONSENT AND RATIFICATION  
WHITE DRAW UNIT AGREEMENT  
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the White Draw Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 1st day of July, 1980, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Michael D. Shepard, Secretary

DEPCO, Inc.  
K. G. Ranum, Vice President

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_\_\_, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CORPORATE

COLORADO )  
COUNTY OF DENVER ) SS.

The foregoing instrument was acknowledged before me this 21st day of October, 1980, by K. G. Ranum, Vice, President of DEPCO, Inc., a Delaware corporation, on behalf of said corporation.

My Commission Expires:

September 16, 1984.

Notary Public



State of New Mexico



ALEX J. ARMIJO  
COMMISSIONER



Commissioner of Public Lands  
November 3, 1980

P. O. BOX 1148  
SANTA FE, NEW MEXICO 87301

Mr. Randolph M. Richardson  
P. O. Box 819  
Roswell, New Mexico 88201

6974

Re: White Draw Unit  
Chaves County, New Mexico

Dear Mr. Richardson:

The Commissioner of Public Lands has this date approved the White Draw Unit, Chaves County, New Mexico, which you submitted on behalf of C & K Petroleum, Inc. Our approval is subject to like approval by the United States Geological Survey.

Enclosed are Five (5) Certificates of Approval.

Please advise this office when the USGS has given their approval so that we may finish processing same.

Very truly yours,

COMMISSIONER OF PUBLIC LANDS

BY:  
FLOYD O. PRANDO, Assistant  
Director, Oil and Gas Division  
AC 505-827-2748

AJA/FOP/s  
encls.  
cc:

OCD-Santa Fe, New Mexico ✓  
USGS-Roswell, New Mexico  
USGS-Albuquerque, New Mexico



# United States Department of the Interior

GEOLOGICAL SURVEY  
South Central Region  
P. O. Box 26124  
Albuquerque, New Mexico 87125

14 NOV 1980

6974

Randolph M. Richardson  
P. O. Box 819  
Roswell, New Mexico 88201

Dear Mr. Richardson:

One approved copy of the White Draw unit agreement with C & K Petroleum, Inc., as operator, Chaves County, New Mexico is enclosed. Such agreement has been assigned No. 14-08-0001-18443 and is effective November 3, 1980, the date the Land Commissioner approved the unit.

You are requested to furnish the State of New Mexico and other interested principals with appropriate evidence of this approval.

Sincerely yours,

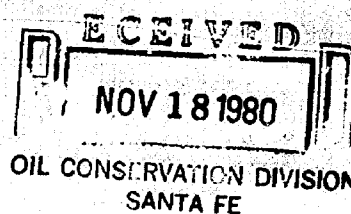
ORIGINAL SIGNED BY:

James W. Sutherland  
Conservation Manager

Enclosure

cc:

NMOCD, Santa Fe (ltr only)



Unit Name UNITED DRAM UNIT EXPLORATORY  
 Operator C & K PETROLEUM, INC.  
 County CHAVES COUNTY, NEW MEXICO

DATE	OCC CASE NO.	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
<u>APPROVED</u>	<u>OCC ORDER NO. R-6436</u>	<u>11-3-1980</u>	<u>13,404.08</u>	<u>11,804.80</u>	<u>1,279.28</u>	<u>320.00</u>	<u>yes</u>	<u>5yrs</u>
<u>Commissioner</u> <u>November 1, 1980</u>	<u>Commission</u> <u>August 13, 1980</u>							

UNIT AREA

TOWNSHIP 3 SOUTH, RANGE 27 EAST, NMPN  
Sections 1 through 4: All  
Sections 9 through 16: All  
TOWNSHIP 3 SOUTH, RANGE 28 EAST, NMPN  
Sections 4 through 9: All  
Sections 16 through 18: All

Unit Name WHITE DRAM UNIT-EXPLORATORY  
 Operator C & X PETROLEUM, INC.  
 County CHAVES COUNTY, NEW MEXICO

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
3	L-5016-1	C.S.	3	3S	27E	N/2	10-21-80	957.76		Cities Service Co.
4	L-5017-1	C.S.	9	3S	27E	A11				
5	L-5018-1	C.S.	11	3S	27E	N/2, SE/4	10-21-80	1,120.00		Cities Service Co.
6	L-5019-1	C.S.	15	3S	27E	A11	10-21-80	640.00		Cities Service Co.
7	L-5020-1	C.S.	4	3S	28E	A11	10-21-80	1,278.89		Cities Service Co.
8	L-5021-1	C.S.	6	3S	28E	A11	10-21-80	1,258.23		Cities Service Co.
9	L-5022-1	C.S.	8	3S	28E	A11	10-21-80	1,280.00		Cities Service Co.
10	L-5023-1	C.S.	16	3S	28E	A11	10-21-80	960.00		Cities Service Co.
11	L-5024-1	C.S.	18	3S	28E	A11	10-21-80	630.72		Cities Service Co.
12	LG-7437	C.S.	2	3S	27E	A11	10-22-80	639.20		Yates Petr. Corp.
13	LG-7438	C.S.	12	3S	27E	A11	10-22-80	640.00		Yates Petr. Corp.
14	LG-7439	C.S.	13	3S	27E	A11	10-22-80	640.00		Yates Petr. Corp.
15	LG-7440	C.S.	16	3S	27E	A11	10-21-80	640.00		Depco, Inc.

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
23 July 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of C&K Petroleum Com-  
pany for a unit agreement, Chaves  
County, New Mexico.

CASE  
6974

BEFORE: Richard L. Stamets

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:

Randolph Richardson, Esq.  
Roswell, New Mexico

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409



I N D E X

WILLIAM J. HENRY

Direct Examination by Mr. Richardson

3

E X H I B I T S

Applicant Exhibit One, Geologic Report

5

Applicant Exhibit Two, Map

5

Applicant Exhibit Three, Log

5

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

1 MR. STAMETS: We'll call next Case 6974.

2 MR. PADILLA: Application of C&K Petro-  
3 leum, Inc., for a unit agreement, Chaves County, New Mexico.

4 MR. RICHARDSON: Randolph M. Richardson,  
5 Roswell, New Mexico, appearing on behalf of the applicant.

6 We have already furnished a copy of the  
7 unit agreement, and I'd like to hand you a geologic report,  
8 which has been marked Exhibits One through Three.

9 I have one witness to be sworn.

10  
11 (Witness sworn.)

12  
13 WILLIAM J. HENRY

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

16  
17 DIRECT EXAMINATION

18 BY MR. RICHARDSON:

19 Q Mr. Henry, would you please state your  
20 present occupation, name, and background or qualifications  
21 which would qualify you to testify as an expert in this case?

22 A My name is William J. "Bill" Henry. I'm  
23 a consulting geologist, representing C&K Petroleum, out of  
24 Midland.

25 I'm a graduate of Texas Tech, 1952, and

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7499

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 I've worked about the last twenty-two years in southeast New  
2 Mexico.

3 Q Have you testified before before the Con-  
4 servation Division?

5 A Yes, I have.

6 Q Fairly recently?

7 A In the last three months.

8 Q In the last three months?

9 A In the last three months or so, yes.

10 Q Are you familiar with the White Draw Unit  
11 Area?

12 A Yes, I am.

13 Q And the matters contained in the applica-  
14 tion for approval?

15 A Yes, I am.

16 MR. RICHARDSON: Are the qualifications  
17 accepted?

18 MR. STAMETS: I presume Mr. Henry's edu-  
19 cation, experience, and previous qualification were as a  
20 geologist.

21 MR. RICHARDSON: Right.

22 MR. STAMETS: Is that correct? Then the  
23 witness is considered qualified.

24 A I thought I said consulting petroleum  
25 geologist, didn't I?

1 Q Is the form of unit agreement that pre-  
2 scribed by the Commissioner of Public Lands?

3 A Yes.

4 Q Has a unit area been designated by the  
5 United States Geological Survey as to an area logically  
6 suitable for development under a unit plan of development?

7 A No, this unit contains only about -- less  
8 than 10 percent Federal lands and no designation is necessary.

9 Q Would you please tell the Division the  
10 total number of acres within the unit area, and the number  
11 and percentage of acreage of Federal, State, and fee lands?

12 A Yes. There's a total of 13,404.08 acres.  
13 State acreage is 11,804.80; Federal, 1,279.28; fee, 320 acres.

14 Q Will you please tell the Division the  
15 township and range in which the unit is located and the ap-  
16 proximate location with reference to the nearest town?

17 A This is in northern Chaves County, Town-  
18 ship 3, 27, and Township 3, 28, and it's about twelve to fif-  
19 teen miles south of Ft. Sumner, New Mexico.

20 Q Mr. Henry, would you please now refer to  
21 your geological report which has been handed to the Examiner  
22 marked Exhibits One through Three? Was this report prepared  
23 by you?

24 A Yes, it was.

25 Q Would you please review the report, re-

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

1 ferring to the map, logs, by name, indicating the signifi-  
2 cance of the map and log?

3 A I'll not read the report; it's self-explan-  
4 atory. You have a copy of it.

5 Exhibit Two is a geological structure map  
6 contoured on top of the Abo for the possibility of Abo sands,  
7 which have recently come into focus as a reservoir in south-  
8 east New Mexico. These porous sands are developed in this  
9 area of our unit and we have looked at all the logs that are  
10 available in this area and we've found porous sands in this  
11 area which are similar, and electric log calculations from  
12 the key log that we're keying off of, which is the SunRay  
13 New Mexico State in Section 14 of 3, 27. It has indicated  
14 that it is possibly hydrocarbon productive, and looking at  
15 the sands in the other wells around here, and we have a well  
16 down in the south -- what would be the lefthand corner, which  
17 is the Yates McClellan Federal, which is a recent Abo sand  
18 well completion.

19 And other logs in this area that were  
20 drilled many years ago are indicative of hydrocarbons being  
21 present but they were never tested because this was not a  
22 primary reservoir at that time that the wells were drilled.

23 Q And your log that you have there is from  
24 which well?

25 A Is from Sun Ray New Mexico State in Section

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 435-7409



1 14 of 3 South, Range 27 East.

2 The water saturations are calculated on  
3 the righthand side of the log and indicate that these wells  
4 could be hydrocarbon productive.

5 Q Could you please tell the Division your  
6 conclusions as to the formations likely to be encountered and  
7 considered prospective?

8 A Well, we propose just to drill an Abo  
9 sand test, which the Abo sands are productive generally in  
10 the top 400 feet, and we have quite a few sands. They were  
11 positive under stratigraphic conditions. No one sand with  
12 sparse well control could be correlated over a big area.

13 Q Is there any possibility of anything above  
14 the Abo?

15 A Not in this particular area. There is  
16 some shows in the San Andres section up there but they're  
17 pretty inaccurate and I don't believe they'll be productive.

18 Q Will you please tell the Division the  
19 projected depth and location for the initial test well?

20 A Okay. The location is 1980 from the  
21 north and east of Section 14, Township 3 South, Range 27 East,  
22 Chaves County, and we propose to drill a 5300 foot Abo test.

23 Q Have the other working interest owners  
24 in the unit area been contacted?

25 A Yes, they have.

SALLY W. BOYD, C.S.I.  
Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

1 Q In your opinion, what percentage of the  
2 working interest will be committed and what percentage of  
3 the royalty will be committed?

4 A The working interest is 85 percent and  
5 the royalty is 95 percent.

6 Q In your opinion will the operation of  
7 this area under the proposed unit plan be -- of operation be  
8 in the interest of conservation and prevention of waste?

9 A Yes, it will.

10 Q Will the different institutions of the  
11 State, if any, receive their fair share of production, if  
12 established?

13 A Yes.

14 Q In the event of production will the cor-  
15 relative rights of all parties to the unit agreement be  
16 protected?

17 A Yes.

18 MR. RICHARDSON: I'd like to enter that  
19 geological report in evidence.

20 MR. STAMETS: Okay, the report, which  
21 is labeled Exhibits One through Three will be admitted.

22 MR. RICHARDSON: And I have nothing fur-  
23 ther.

24 MR. STAMETS: Any questions of the wit-  
25 ness? He may be excused.

SALLY W. BOYD, C.S.R.  
Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

SALLY W. BOYD, C.S.R.  
Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 433-7409

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## C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing 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.

Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6974, heard by me on 7-23-80.  
Richard L. [Signature] Examiner  
Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
23 July 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of C&K Petroleum Com-  
pany for a unit agreement, Chaves  
County, New Mexico.

CASE  
6974

BEFORE: Richard L. Stamets

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:

Randolph Richardson, Esq.  
Roswell, New Mexico

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409



I N D E X

WILLIAM J. HENRY

Direct Examination by Mr. Richardson

3

E X H I B I T S

Applicant Exhibit One, Geologic Report

5

Applicant Exhibit Two, Map

5

Applicant Exhibit Three, Log

5

SALLY W. BOYD, C.S.R.  
Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

1 MR. STAMETS: We'll call next Case 6974.

2 MR. PADILLA: Application of C&K Petro-  
3 leum, Inc., for a unit agreement, Chaves County, New Mexico.

4 MR. RICHARDSON: Randolph M. Richardson,  
5 Roswell, New Mexico, appearing on behalf of the applicant.

6 We have already furnished a copy of the  
7 unit agreement, and I'd like to hand you a geologic report,  
8 which has been marked Exhibits One through Three.

9 I have one witness to be sworn.

10  
11 (Witness sworn.)

12  
13 WILLIAM J. HENRY  
14 being called as a witness and having been duly sworn upon  
15 his oath, testified as follows, to-wit:

16  
17 DIRECT EXAMINATION

18 BY MR. RICHARDSON:

19 Q Mr. Henry, would you please state your  
20 present occupation, name, and background or qualifications  
21 which would qualify you to testify as an expert in this case?

22 A My name is William J. "Bill" Henry. I'm  
23 a consulting geologist, representing C&K Petroleum, out of  
24 Midland.

25 I'm a graduate of Texas Tech, 1952, and

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

SALLY W. BOYD, C.S.R.  
Rt. 1 Box 191-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

1 I've worked about the last twenty-two years in southeast New  
2 Mexico.  
3 Q Have you testified before before the Con-  
4 servation Division?  
5 A Yes, I have.  
6 Q Fairly recently?  
7 A In the last three months.  
8 Q In the last three months?  
9 A In the last three months or so, yes.  
10 Q Are you familiar with the White Draw Unit  
11 Area?  
12 A Yes, I am.  
13 Q And the matters contained in the applica-  
14 tion for approval?  
15 A Yes, I am.  
16 MR. RICHARDSON: Are the qualifications  
17 accepted?  
18 MR. STAMETS: I presume Mr. Henry's edu-  
19 cation, experience, and previous qualification were as a  
20 geologist.  
21 MR. RICHARDSON: Right.  
22 MR. STAMETS: Is that correct? Then the  
23 witness is considered qualified.  
24 A I thought I said consulting petroleum  
25 geologist, didn't I?

1 Q Is the form of unit agreement that pre-  
2 scribed by the Commissioner of Public Lands?

3 A Yes.

4 Q Has a unit area been designated by the  
5 United States Geological Survey as to an area logically  
6 suitable for development under a unit plan of development?

7 A No, this unit contains only about -- less  
8 than 10 percent Federal lands and no designation is necessary.

9 Q Would you please tell the Division the  
10 total number of acres within the unit area, and the number  
11 and percentage of acreage of Federal, State, and fee lands?

12 A Yes. There's a total of 13,404.08 acres.  
13 State acreage is 11,804.80; Federal, 1,279.28; fee, 320 acres.

14 Q Will you please tell the Division the  
15 township and range in which the unit is located and the ap-  
16 proximate location with reference to the nearest town?

17 A This is in northern Chaves County, Town-  
18 ship 3, 27, and Township 3, 28, and it's about twelve to fif-  
19 teen miles south of Ft. Sumner, New Mexico.

20 Q Mr. Henry, would you please now refer to  
21 your geological report which has been handed to the Examiner  
22 marked Exhibits One through Three? Was this report prepared  
23 by you?

24 A Yes, it was.

25 Q Would you please review the report, re-

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-E  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

1       ferring to the map, logs, by name, indicating the signifi-  
2       cance of the map and log?

3               A           I'll not read the report; it's self-explan-  
4       atory. You have a copy of it.

5                       Exhibit Two is a geological structure map  
6       contoured on top of the Abo for the possibility of Abo sands,  
7       which have recently come into focus as a reservoir in south-  
8       east New Mexico. These porous sands are developed in this  
9       area of our unit and we have looked at all the logs that are  
10      available in this area and we've found porous sands in this  
11      area which are similar, and electric log calculations from  
12      the key log that we're keying off of, which is the SunRay  
13      New Mexico State in Section 14 of 3, 27. It has indicated  
14      that it is possibly hydrocarbon productive, and looking at  
15      the sands in the other wells around here, and we have a well  
16      down in the south -- what would be the lefthand corner, which  
17      is the Yates McClellan Federal, which is a recent Abo sand  
18      well completion.

19                      And other logs in this area that were  
20      drilled many years ago are indicative of hydrocarbons being  
21      present but they were never tested because this was not a  
22      primary reservoir at that time that the wells were drilled.

23                      Q           And your log that you have there is from  
24      which well?

25                      A           Is from Sun Ray New Mexico State in Section

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409



1 14 of 3 South, Range 27 East.

2 The water saturations are calculated on  
3 the righthand side of the log and indicate that these wells  
4 could be hydrocarbon productive.

5 Q Could you please tell the Division your  
6 conclusions as to the formations likely to be encountered and  
7 considered prospective?

8 A Well, we propose just to drill an Abo  
9 sand test, which the Abo sands are productive generally in  
10 the top 400 feet, and we have quite a few sands. They were  
11 positive under stratigraphic conditions. No one sand with  
12 sparse well control could be correlated over a big area.

13 Q Is there any possibility of anything above  
14 the Abo?

15 A Not in this particular area. There is  
16 some shows in the San Andres section up there but they're  
17 pretty inaccurate and I don't believe they'll be productive.

18 Q Will you please tell the Division the  
19 projected depth and location for the initial test well?

20 A Okay. The location is 1980 from the  
21 north and east of Section 14, Township 3 South, Range 27 East,  
22 Chaves County, and we propose to drill a 5300 foot Abo test.

23 Q Have the other working interest owners  
24 in the unit area been contacted?

25 A Yes, they have.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 433-7409

SALLY W. BOYD, C.S.F.  
Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

Q In your opinion, what percentage of the working interest will be committed and what percentage of the royalty will be committed?

A The working interest is 85 percent and the royalty is 95 percent.

Q In your opinion will the operation of this area under the proposed unit plan be -- of operation be in the interest of conservation and prevention of waste?

A Yes, it will.

Q Will the different institutions of the State, if any, receive their fair share of production, if established?

A Yes.

Q In the event of production will the correlative rights of all parties to the unit agreement be protected?

A Yes.

MR. RICHARDSON: I'd like to enter that geological report in evidence.

MR. STAMETS: Okay, the report, which is labeled Exhibits One through Three will be admitted.

MR. RICHARDSON: And I have nothing further.

MR. STAMETS: Any questions of the witness? He may be excused.

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

SALLY W. BOYD, C.S.R.  
Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
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## C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing 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.

SALLY W. BOYD, C.S.R.  
Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. \_\_\_\_\_, heard by me on \_\_\_\_\_ 19\_\_\_\_.

\_\_\_\_\_, Examiner  
Oil Conservation Division



## STATE OF NEW MEXICO


August 14, 1980

POST OFFICE BOX 2080  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 927-8434

Re: CASE NO. 6974  
ORDER NO. R-6436

C & K Petroleum, Inc.

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

Yours very truly,  
  
JOE D. RAMEY  
Director

Hobbs OCD x  
Artesia OCD x  
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. 6974  
Order No. R-6436

APPLICATION OF C & K PETROLEUM, INC.  
FOR APPROVAL OF THE WHITE DRAW UNIT  
AGREEMENT, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 23, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 13th day of August, 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, C & K Petroleum, Inc., seeks approval of the White Draw Unit Agreement covering 13,404.08 acres, more or less, of State, Federal and Fee lands described as follows:

CHAVES COUNTY, NEW MEXICO  
TOWNSHIP 3 SOUTH, RANGE 27 EAST, NMPM  
Sections 1 through 4: All  
Sections 9 through 16: All

TOWNSHIP 3 SOUTH, RANGE 28 EAST, NMPM  
Sections 4 through 9: All  
Sections 16 through 18: 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.

-2-  
Case No. 6974  
Order No. R-6436

(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 White Draw 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.

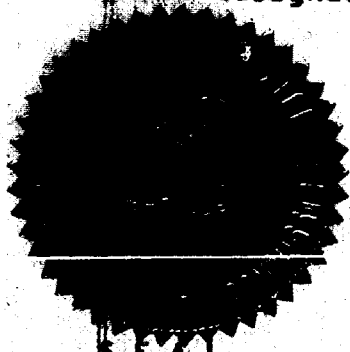
(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(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. 6974  
Order No. R-6436

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

SEAL

rd/

W. J. HENRY  
Consulting Petroleum Geologist  
POST OFFICE BOX 803  
MIDLAND, TEXAS 79701

VAUGHN BUILDING  
BUS. PHONE  
(915) 682-4464

RES. PHONE  
(915) 684-4220

C & K PETROLEUM, INC.

PROPOSED WHITE DRAW UNIT  
Chaves County, New Mexico

### Geology

The Proposed White Draw Unit is located in extreme northeastern Chaves County and adjacent to De Baca and Roosevelt Counties, New Mexico. The prospect is located on the Northwestern Shelf of the Permian Basin Province. The Abo is the main reservoir objective in this prospect with remote possibilities in the older Formations. The Abo Formation was deposited under evaporitic conditions consisting of predominantly various color shales, sands and anhydritic dolomites. The primary reservoir objectives are the sands deposited in the top 400+ of the Abo Formation of Permian age. These sands are lenticular, shaley and very stratigraphic in nature. The Proposed White Draw Unit is located in a fairway of porous Abo sand which have been concluded from various sparsely drilled well logs. The key log located in Section 14, T35-R27E, the SunRay-DK Oil No. 1 State "AK", is attached to this report to illustrate the potential for the Abo sands in this prospect. This log denotes several sands to be hydrocarbon (Gas) productive. No drill stem tests were conducted during the drilling of this test. The No. 1 state "AK" topped the basement granite at 6870'.

It recommended that a 5300' Abo Sand test be drilled 1980' FNL and 1980' FNL of Section 14, T35-R27E, Chaves County, New Mexico. This proposed location is believed to be located in the most optimum position geologically to encounter the better developed Abo Sands. It is also recommended that when additional subsurface well control is available that consideration be given for a basement test at a later date.

Respectfully submitted,

*Bill Henry*  
W. J. "Bill" Henry  
Consulting Geologist

WJH:d1

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION EXHIBIT NO. <u>1</u> CASE NO. <u>6974</u> Submitted by <u>C &amp; K Pet. Inc.</u> Hearing Date <u>7-23-80</u>
--

EXHIBIT 20.

6974

C & K Dist. Inc.

7-23-80

Technical drawing of a mechanical part, likely a piston or valve component, shown in cross-section. The drawing is plotted on a grid. Key features include a central shaft with a pin, a piston head with a crown, and a valve mechanism. Dimensions are indicated by numbers and lines. The drawing is oriented vertically on the page.



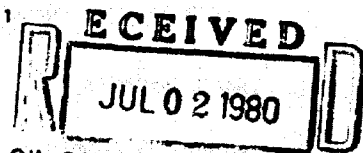
RANDOLPH M. RICHARDSON, III

ATTORNEY-AT-LAW

425 J. P. WHITE BUILDING

P. O. BOX 819 - 505/622-8801

ROSWELL, NEW MEXICO 88201



Mr. Nathan,

I called on this unit  
and it should already be on  
the docket for July 23, 1980.

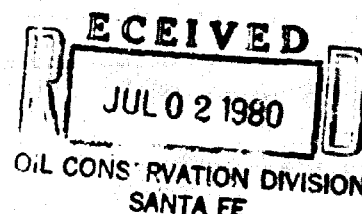
R.M. Richardson

7-1-80



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

APPLICATION FOR APPROVAL OF  
THE WHITE DRAW UNIT AGREEMENT  
CHAVES COUNTY, NEW MEXICO



New Mexico Oil Conservation Commission  
Santa Fe, New Mexico 87501

Case 6974

Comes the undersigned C & K Petroleum, Inc., with offices at Midland, Texas and files herewith one (1) copy of the proposed Unit Agreement for the development and operation of the White Draw Unit Area, Chaves County, New Mexico and hereby makes application for approval of said Unit Agreement as provided by law, and in support thereof states:

1. That the proposed Unit Area covered by said Agreement embraces 13,404.08 acres of land, more or less, more particularly described as follows:

T-3-S, R-27-E, NMPM  
Secs. 1,2,3,4; All  
Secs. 9,10,11,  
12,13,14,15,16; All

T-3-S, R-28-E, NMPM  
Secs. 4,5,6,7,8,9; All  
Secs. 16,17,18; All

Chaves County, New Mexico

2. That of the lands embraced within the proposed Unit, 1,279.28 acres are lands of the United States, being 9.54% of the Area, 11,804.80 acres are State of New Mexico lands being 88.07% of the Area, and 320.00 Acres are Fee lands being 2.39% of the Area.

3. That Applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all or substantially all of the geological feature involved, and that in the event of a discovery of oil and gas thereon, that said Unit Agreement will permit the producing area to be developed or operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That C & K Petroleum Inc., is designated as the Unit Operator in 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. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to test the Abo Sand Formation, but applicant is not obligated to drill said well in any event to a depth in excess of 5,300 feet.

5. That the applicant believes that in the event oil or gas is discovered in paying quantities on lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that maximum recovery will be obtained of unitized substances and that said Unit Agreement is in the interest of conservation of prevention of waste as contemplated by the New Mexico Oil Conservation division rules and regulations.

6. That Application for Approval of said Unit Agreement has been filed with the Commissioner of Public Lands.

7. That upon an order being entered by the New Mexico Oil Conservation Division approving said Unit Agreement, and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Division.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before a examiner on the matter of said unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Division as being in the interest of conservation and the prevention of waste. Applicant respectfully requests that this matter be heard at the first available hearing following this date.

DATED this 30th day of June, 1980.

C & K PETROLEUM, INC.

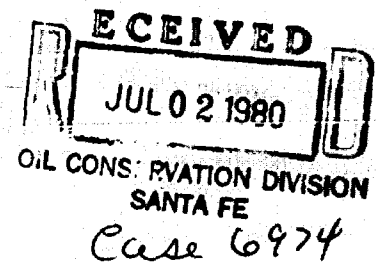
By

*Randolph M. Richardson, III*  
Randolph M. Richardson, III  
Attorney At Law  
P. O. Box 819  
Roswell, New Mexico 88201

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

APPLICATION FOR APPROVAL OF  
THE WHITE DRAW UNIT AGREEMENT  
CHAVES COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico 87501



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Secs. 1,2,3,4; All  
Secs. 9,10,11,  
12,13,14,15,16; All

T-3-S, R-28-E, NMPM  
Secs. 4,5,6,7,8,9; All  
Secs. 16,17,18; All

Chaves County, New Mexico

2. That of the lands embraced within the proposed Unit, 1,279.28 acres are lands of the United States, being 9.54% of the Area, 11,804.80 acres are State of New Mexico lands being 88.07% of the Area, and 320.00 Acres are Fee lands being 2.39% of the Area.

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DATED this 30th day of June, 1980.

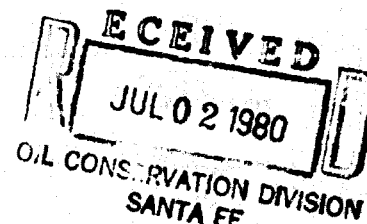
C & K PETROLEUM, INC.

By Randolph M. Richardson, III  
Randolph M. Richardson, III  
Attorney At Law  
P. O. Box 819  
Roswell, New Mexico 88201

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

APPLICATION FOR APPROVAL OF  
THE WHITE DRAW UNIT AGREEMENT  
CHAVES COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico 87501



Case 6974

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Secs. 1,2,3,4; All  
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12,13,14,15,16; All

T-3-S, R-28-E, NMPM  
Secs. 4,5,6,7,8,9; All  
Secs. 16,17,18; All

Chaves County, New Mexico

2. That of the lands embraced within the proposed Unit, 1,279.28 acres are lands of the United States, being 9.54% of the Area, 11,804.80 acres are State of New Mexico lands being 88.07% of the Area, and 320.00 Acres are Fee lands being 2.39% of the Area.

3. That Applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all or substantially all of the geological feature involved, and that in the event of a discovery of oil and gas thereon, that said Unit Agreement will permit the producing area to be developed or operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That C & K Petroleum Inc., is designated as the Unit Operator in 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. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to test the Abo Sand Formation, but applicant is not obligated to drill said well in any event to a depth in excess of 5,300 feet.

5. That the applicant believes that in the event oil or gas is discovered in paying quantities on lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that maximum recovery will be obtained of unitized substances and that said Unit Agreement is in the interest of conservation of prevention of waste as contemplated by the New Mexico Oil Conservation division rules and regulations.

6. That Application for Approval of said Unit Agreement has been filed with the Commissioner of Public Lands.

7. That upon an order being entered by the New Mexico Oil Conservation Division approving said Unit Agreement, and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Division.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before a examiner on the matter of said unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Division as being in the interest of conservation and the prevention of waste. Applicant respectfully requests that this matter be heard at the first available hearing following this date.

DATED this 30th day of June, 1980.

C & K PETROLEUM, INC.

By

*Randolph M. Richardson, III*  
Randolph M. Richardson, III  
Attorney At Law  
P. O. Box 819  
Roswell, New Mexico 88201

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
WHITE DRAW UNIT AREA  
CHAVES COUNTY, NEW MEXICO  
NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 1st day of July 1980 by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

WITNESSETH:

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, New Mexico Statutes 1980 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 (Sec. 1, Chap. 162), (Laws of 1951, Chap. 19, Art. 10, Sec. 47, New Mexico Statutes 1978 Annot.) 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 Energy and Minerals Department of the State of New Mexico (hereinafter referred to as the "Division"), is authorized by an Act of the Legislature (Chap. 72, Laws 1935, as amended, being Section 70-2-1 et seq. New Mexico Statutes Annotated, 1978 Compilation) to approve this agreement and the conservation provisions hereof; and

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

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

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

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

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

T-3-S, R-27-E, NMPM  
Secs. 1,2,3,4; All  
Secs. 9,10,11,  
12,13,14,15,16; All

T-3-S, R-28-E, NMPM  
Secs. 4,5,6,7,8,9; All  
Secs. 16,17,18; All

Containing 13,404.08 Acres more or less  
Chaves County, New Mexico

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

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

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

3. UNIT OPERATOR: C & K Petroleum Incorporated, whose address is C & K Bldg., Midland, Texas 79702 is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest, when such an interest is owned by it.

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

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



of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner and the Division.

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

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

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

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

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

8. DRILLING TO DISCOVERY: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embrace within the unit area and shall drill said well with due diligence to a depth sufficient to test the Also formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 5,300 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing

unitized substances in paying quantities is completed to the satisfaction of the Commissioner or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

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

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES:

Should unitized substances in paying quantities be discovered upon the unit area, the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter, file a report with the Commissioner and Division of the status of the development of the unit area and the development contemplated for the following twelve months period.

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

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units, but in such event, the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such

lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by (Sec. 19-10-20 N. M. Statutes 1978 Annotated,) of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by (Sec. 19-10-23 N.M. Statutes 1978 Annotated) and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

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

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

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

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES:

All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

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

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

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

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

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA:

The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to



make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not effect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

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



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

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

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

17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and the Division and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced in paying quantities from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five percent (75%) on an acreage basis of the owners of the working interests, signatory hereto, with the approval of the Commissioner and with notice to Division. Likewise, the failure to comply with the drilling requirements of Section 8 hereof, may subject this agreement to termination as provided in said section.

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

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

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

21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement, shall be suspended while, but only so long as, the unit operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator, whether similar to matters herein enumerated or not.

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

23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit area not committed hereto, prior to the submission of the agreement for final approval

by the Commissioner and the Division, may be committed hereto by the owner or owners of such rights, subscribing or consenting to this agreement, or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development, and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Division of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties, before participating in any benefits hereunder, shall be required to assume and pay to unit operator, their proportionate share of the unit expenses incurred prior to such party's or parties joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment or revenue.

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

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

UNIT OPERATOR AND WORKING INTEREST OWNER

C & K Petroleum, Inc.

DATE: \_\_\_\_\_  
ATTEST \_\_\_\_\_  
B \_\_\_\_\_  
BY \_\_\_\_\_

By \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of, 19\_\_\_\_  
by \_\_\_\_\_, \_\_\_\_\_ President of  
on behalf of said corporation, \_\_\_\_\_ a \_\_\_\_\_ corporation

My Commission Expires:

\_\_\_\_\_  
Notary Public

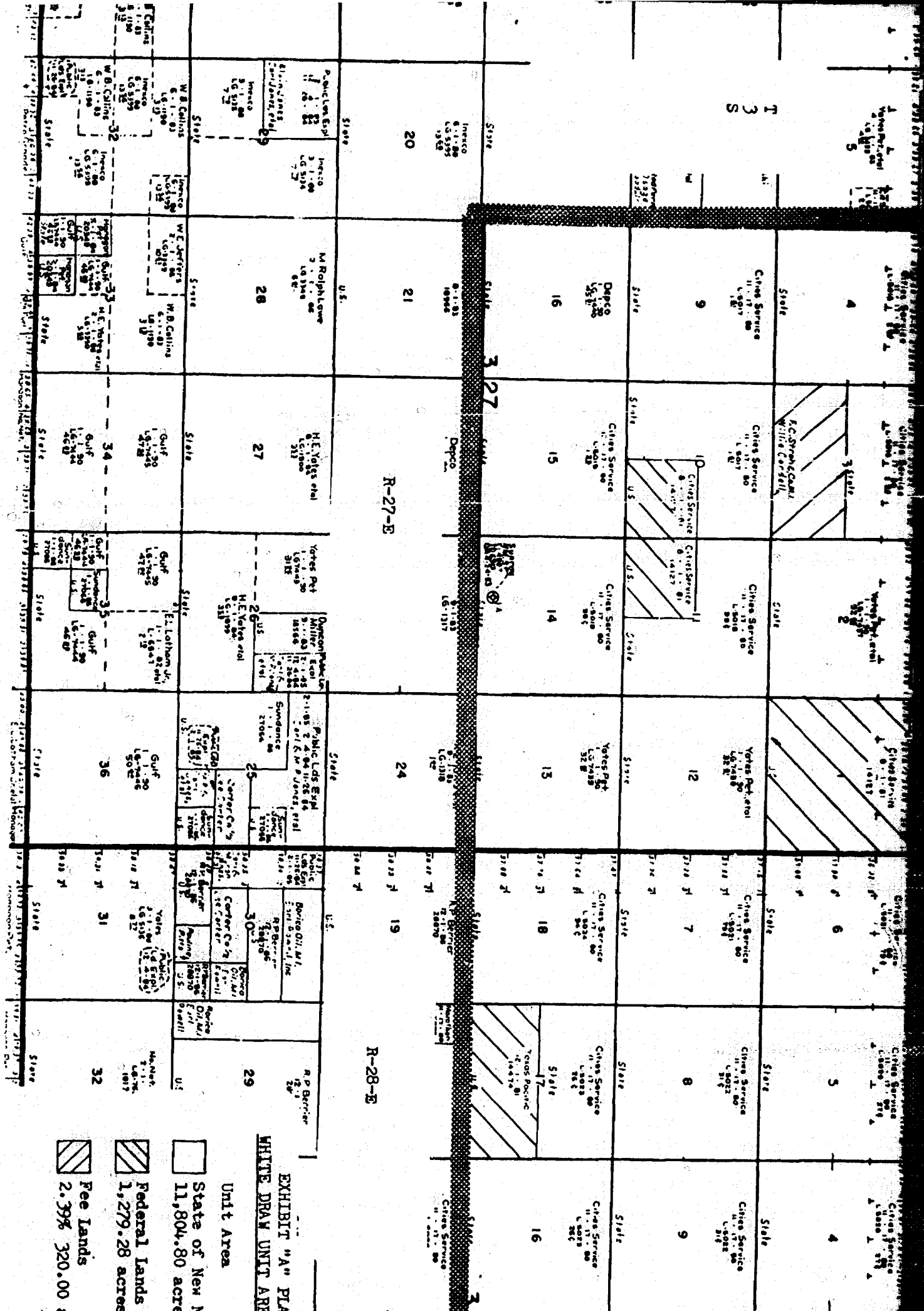
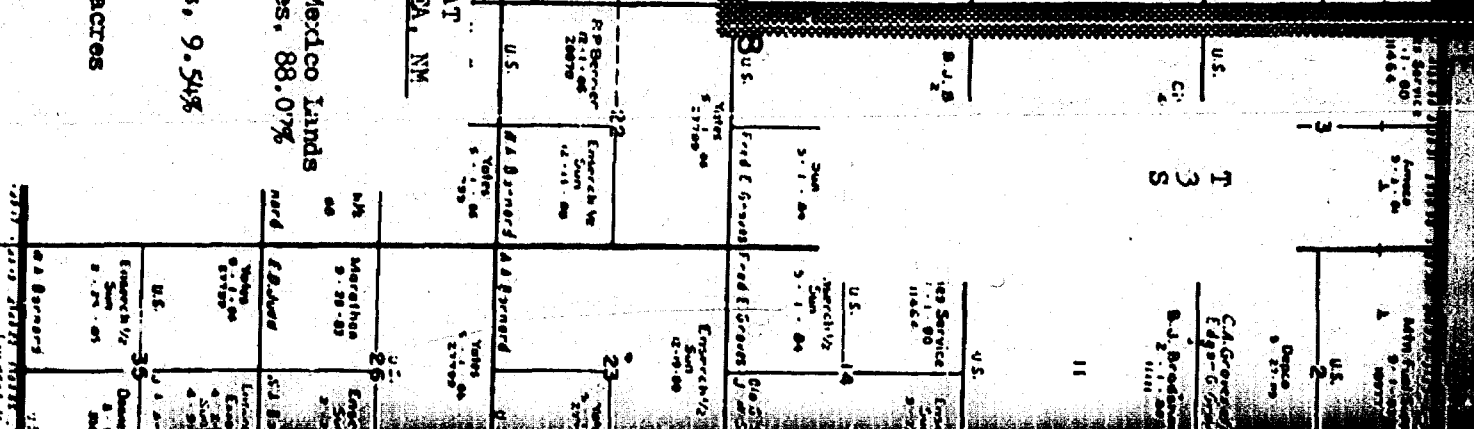


EXHIBIT "A" PLAT  
WHITE DRAW UNIT AREA, NM

- Unit Area
- ☐ State of New Mexico lands  
11,804.80 acres, 88.07%
  - ☒ Federal lands  
1,279.28 acres, 9.54%
  - ☒ Fee lands  
2.39% 320.00 acres



TOWNSHIP 3 South, RANGE 28 East, Chaves County, NM  
Sec. 4, 5, 6, 7, 8, 9, 16, 17, 18: All.

1. NM-14471 Texas Pacific Oil Co., Inc., 1700 One Main Place, Dallas, TX 75255  
10-yr O & G Lease dated 12/1/71.  
Sec. 17: S $\frac{1}{2}$ .  
OPERATING RIGHTS - Lessee - All.  
  
ORR's - 1% to Mary Susan McNab,  
7003 Shook Ave., Dallas, TX 75214  
- 1% to James H. Scott,  
7003 Shook Ave., Dallas, TX 75214

STATE OF NEW MEXICO OIL & GAS LEASES

2. L-5020-1 Cities Service Company., P. O. Box 300, Tulsa, OK 74102  
10-yr O & G Lease dated 11/17/70.  
Sec. 4: All; Sec. 5: All.  
NO MISCELLANEOUS INSTRUMENTS ON FILE.
3. L-5021-1 Cities Service Company.  
10-yr O & G Lease dated 11/17/70.  
Sec. 6: All; Sec. 7: All.  
NO MISCELLANEOUS INSTRUMENTS ON FILE.
4. L-5022-1 Cities Service Company.  
10-yr O & G Lease dated 11/17/70.  
Sec. 8: All; Sec. 9: All.  
NO MISCELLANEOUS INSTRUMENTS ON FILE.
5. L-5023-1 Cities Service Company.  
10-yr O & G Lease dated 11/17/70.  
Sec. 16: All; Sec. 17: N $\frac{1}{2}$ .
6. L-5024-1 Cities Service Company.  
10-yr O & G Lease dated 11/17/70.  
Sec. 18: All; Sec. 21: All.  
NO MISCELLANEOUS INSTRUMENTS ON FILE.

*Exhibit "B"*

*to be re typed*

*in proper order*

TOWNSHIP 3 South, RANGE 27 East, Chaves County, NM  
All of Sections 1,2,3,4,9,10,11,12,13,14,15, 16.

1. NM-14127

Cities Service Company, P. O. Box 300, Tulsa, OK 74102  
10-yr O & G Lease dated 8/1/71.  
Sec. 1: All; Sec. 10: SE $\frac{1}{4}$ ; Sec. 11: SW $\frac{1}{4}$ .  
OPERATING RIGHTS: Lessee - All.

ORR'S

- 3% reserved by F. J. & B. J. Bradshaw  
337 Pierpont, Salt Lake City, UT 84101

STATE OF NEW MEXICO OIL & GAS LEASES

2. LG-7437

Yates Petroleum Corporation, 207 S. 4th St., Artesia, NM 88210  
10-yr O & G Lease dated 1/1/80.  
Sec. 2: All.  
NO MISCELLANEOUS INSTRUMENTS ON FILE.

3. L-5016-1

Cities Service Company.  
10-yr O & G Lease dated 11/17/70.  
Sec. 3: N $\frac{1}{2}$ ; Sec. 4: All.  
NO MISCELLANEOUS INSTRUMENTS ON FILE.

4. L-5017-1

Cities Service Company.  
10-yr O & G Lease dated 11/17/70.  
Sec. 9: All; Sec. 10: N $\frac{1}{2}$ ; SW $\frac{1}{4}$ .  
NO MISCELLANEOUS INSTRUMENTS ON FILE.

5. L-5018-1

Cities Service Company.  
10-yr O & G Lease dated 11/17/70.  
Sec. 11: N $\frac{1}{2}$ ; SE $\frac{1}{4}$ ; Sec. 14: All.  
NO MISCELLANEOUS INSTRUMENTS ON FILE.

6. LG-7438

Yates Petroleum Corporation.  
10-yr O & G Lease dated 1/1/80.  
Sec. 12: All.  
NO MISCELLANEOUS INSTRUMENTS ON FILE.

7. LG-7439

Yates Petroleum Corporation.  
10-yr O & G Lease dated 1/1/80.  
Sec. 13: All.  
NO MISCELLANEOUS INSTRUMENTS ON FILE.

8. L-5019-1

Cities Service Company.  
10-yr O & G Lease dated 11/17/70.  
Sec. 15: All.  
NO MISCELLANEOUS INSTRUMENTS ON FILE.

9. LG-7440

Depco, Inc., 1025 Petroleum Club Bldg., Denver, CO 80202  
10-yr O & G Lease dated 1/1/80.  
Sec. 16: All.  
NO MISCELLANEOUS INSTRUMENTS ON FILE.



Dockets No. 24-80 and 25-80 are tentatively set for August 6 and 20, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

**DOCKET: COMMISSION HEARING - MONDAY - JULY 21, 1980**

**OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO**

**CASE 6967:** Application of Amoco Production Company for a carbon dioxide gas unit agreement, Union, Harding, and Quay Counties, New Mexico. Applicant, in the above-styled cause, seeks approval for the Bravo Dome Carbon Dioxide Gas Unit Area, comprising 1,174,225 acres, more or less, of State, Federal, and fee lands situate in all or portions of the following townships: in Union County: Township 18 North, Ranges 34 thru 37 East; Township 19 North, Ranges 34, 35, and 36 East; Townships 20 and 21 North, Ranges 34 and 35 East; Townships 22 and 23 North, Ranges 30 thru 35 East; Township 24 North, Ranges 31 thru 34 East; in Harding County: Townships 17 thru 21 North, Ranges 29 thru 33 East; and in Quay County: Township 16 North, Ranges 34, 35, and 36 East; and Township 17 North, Ranges 34 thru 37 East.

The lands proposed to be included in said Bravo Dome Carbon Dioxide Gas Unit Area are more specifically described in documents on file with, and available for public inspection in, the offices of the Oil Conservation Division, State Land Office Building, Santa Fe, New Mexico.

Docket No. 23-80

**DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 23, 1980**

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

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

- CASE 6968:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Bloomfield Oil and Gas Company and all other interested parties to appear and show cause why the Sheetz Well No. 1 located in Unit M of Section 14, Township 29 North, Range 11 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6969:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Associated Oil & Gas Company of New Mexico, Inc., Houston Fire and Casualty Insurance Company, and all other interested parties to appear and show cause why the Vigil Well No. 1 located in Unit J of Section 14, Township 12 North, Range 6 East, Sandoval County, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6970:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Union Oil and Mining and all other interested parties to appear and show cause why the Carl Lanier Well No. 1 located in Unit B of Section 6, Township 29 North, Range 9 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6971:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Astec Development Company and all other interested parties to appear and show cause why the Finch Well No. 1 located in Unit O of Section 15, Township 29 North, Range 11 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6972:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Coal Creek Oil Company and all other interested parties to appear and show cause why the W. E. Duggen Well No. 2 located in Unit H of Section 20, Township 29 North, Range 11 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6973:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit all interested parties to appear and show cause why a well drilled by unknown parties and located in Unit E of Section 16, Township 30 North, Range 11 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6974:** Application of C & K Petroleum, Inc. for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the White Draw Unit Area, comprising 13,404 acres, more or less, of State, Federal, and fee lands in Township 3 South, Ranges 27 and 28 East.

July 23

Randy Richardson

C & K Petroleum Inc.  
White Draw Unit Area

640
<u>21</u>
640
<u>1280</u>
13440

\* 13,440 acres State federal & fee

Twp 3 South 27 East  
Twp 3 South 28 East

Chaves County

622-8801 Ranch

Called in 9:05 am 6-27-80

written appx to follow

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. 6974

Order No. R-6436

APPLICATION OF C & K PETROLEUM, INC.  
FOR APPROVAL OF THE WHITE DRAW  
UNIT AGREEMENT, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 23  
19 80, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this \_\_\_\_\_ day of July, 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, C & K Petroleum, Inc.,  
seeks approval of the White Draw Unit Agreement  
covering 13,404.08 acres, more or less, of State, Federal  
and Fee lands described as follows:

CHAVES COUNTY, NEW MEXICO  
Township 3 South, Range 27 East, N.M.P.M.  
Section 1 through 24: R11  
Section 25 through 36: R11  
Township 3 South, Range 28 East, N.M.P.M.  
Section 1 through 36: R11  
Section 16 through 18: R11

(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 White Draw 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 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.