

CASE 7096: READ & STEVENS, INC. FOR
APPROVAL OF THE NORTH BAUM UNIT AREA,
LEA COUNTY, NEW MEXICO

Case No.

7096

Application

Transcripts

Small Exhibits

ETC

Unit Name NORTH BAUM UNIT- EXPLORATORY
Operator READ AND STEVENS, INC.
County LEA

OCD

DATE	OCC CASE NO.	EFFECTIVE	TOTAL	STATE	FEDERAL	INDIAN-FEE	SEGREGATION
APPROVED	NO. 7096	DATE	ACREAGE				CLAUSE
COMMISSIONER	OCC ORDER NO. R-6544	2-16-81	637.16	637.16	-0-	-0-	Modified
2-16-81	1-14-81						

UNIT AREA

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM
Section 24: E/2

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM
Section 19: W/2

TERMINATED
APPE 8-26-82 EFF: 6-1-82
WILL NOT DRILL THEIR 2ND WELL
READ & STEVENS REQUESTED TERMINATION

Unit Name	NORTH BAUM UNIT- EXPLORATORY
Operator	READ AND STEVENS, INC.
County	LEA

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
1	E-35-2	C.S.	24	13S	32E	E/2NE/4	1-12-81	80.00		Wiser Oil Company
2	K-4670	C.S.	19	13S	33E	Lots 1, 2, 3, 4, E/2W/2	1-30-81	317.16		Amoco Production C
3	LG-3487	C.S.	24	13S	32E	W/2NE/4, SE/4	12-19-80	240.00		Read & Stevens, In

TERMINATED
 APP: 8-26-82 EFF 6-1-82
 Will NOT DRILL THEIR 2ND WELL
 R&S Requested TERMINATION OF UNIT

State of New Mexico



ALEX J. ARMIJO
COMMISSIONER



Commissioner of Public Lands
August 26, 1982

P. O. BOX 1148
SANTA FE, NEW MEXICO 87504
87504-1148

Read and Stevens, Inc.
P. O. Box 1518
Roswell, New Mexico 88201

Re: North Baum Unit
Lea County, New Mexico
Termination

7096

ATTENTION: Mr. Joe Wigley

Gentlemen:

The North Baum Unit Agreement, Lea County, New Mexico, was approved effective as of February 16, 1981. 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 North Baum Unit Well No. 1 was timely commenced and was completed on June 1, 1981 as a commercial well. Your letter dated May 13, 1982 notifying this office that the North Baum Unit Well No. 2 would not be drilled prior to the June 1, 1982 due date and recommending that said unit be terminated has been received. Section 9 of the unit agreement states that "after discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area". Inasmuch as you will not be drilling a second well pursuant to section 9 of the unit agreement, the North Baum Unit has this date been terminated effective June 1, 1982.

Please advise all other 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
encls.

cc: OCD-Santa Fe, New Mexico
Administration

314 SECURITY NATIONAL BANK BUILDING

PHONE 505 622-3770

CHARLES B. READ
PRESIDENT

NORMAN L. STEVENS, JR.
VICE-PRESIDENT

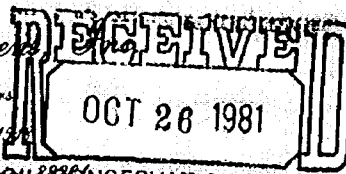
Read & Stevens, Inc.

Oil Producers

P. O. Box 1148

Roswell, New Mexico 88201

October 21, 1981



CONSERVATION DIVISION
SANTA FE

7096

Mr. Ray Graham
New Mexico State Land Office
P. O. Box 1148
Santa Fe, New Mexico 87501

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

Re: North Baum Unit
Lea County, New Mexico

Gentlemen:

The captioned North Baum Unit was approved by the Commissioner of Public Lands under date of February 16, 1981, after approval by the Oil Conservation Division. The Unit contains 100% State Lands with only three different State Leases.

The Initial Test Well, located 1980' FSL and 660' FEL, Section 24, T-13-S, R-32-E, NMPM, was timely commenced and was drilled to a depth of 10,050 feet and was completed June 1, 1981, through perforations between 9,752' and 9,768' with two shots per foot.

The initial potential was 56 BOPD plus 25 BWP and 120 MCF of Gas. The well was placed on production and has continuously produced an average of 54 BOPD for the past five (5) months with no significant changes in production of oil or water.

Read & Stevens, Inc., as Unit Operator, do feel that this is a commercial well as defined in the Unit Agreement and that the Unit should be considered as productive and all leases within the Unit Area considered as extended by production. It is our opinion that the well will "pay out" within approximately 18 months.

A Division Order has been prepared and royalty has been paid to the State. Since all of the State lands within the Unit Area are classified as Common School, the royalty has been paid to the State without allocation to the different leases. Please advise if this is incorrect and if the royalty payment should be allocated pursuant to the Unit Agreement to all three leases.

Read & Stevens, Inc.

Mr. Ray Graham
New Mexico State Land Office
October 21, 1981
Page 2

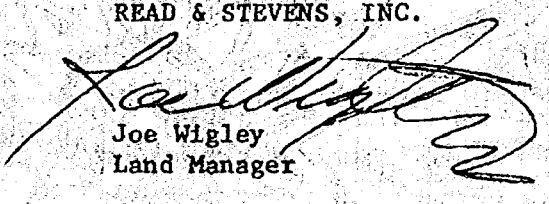
Under the terms of the Unit Agreement, the Unit Operator is to file with you, on or before December 1, 1981, a status report and a Plan of Development. This is being prepared and should be submitted prior to the end of the six-month period.

The Unit Agreement provides that Unit Operator shall drill a well every six months until a well capable of producing in paying quantities is completed to the satisfaction of the Commissioner. We believe that such well has been completed, and although it is not provided for in the Unit Agreement, we would like to have some sort of confirmation from the Commissioner.

Thank you, and please advise.

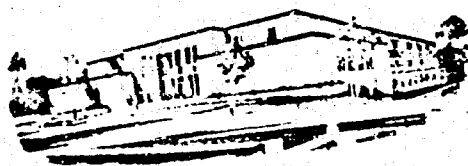
Yours very truly,

READ & STEVENS, INC.


Joe Wigley
Land Manager

JW:cb

State of New Mexico



Commissioner of Public Lands
December 1, 1981

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



ALEX J. ARMIJO
COMMISSIONER

Read & Stevens, Inc.
P. O. Box 1518
Roswell, New Mexico 88201

7096

Re: 1981-1982 Plan of Development
North Baum Unit
Lea County, New Mexico

ATTENTION: Mr. David S. Harle

Gentlemen:

The Commissioner of Public Lands has this date approved your 1981-1982 Plan of Development for the North Baum Unit, Lea County, New Mexico. Such Plan is for the period beginning December 1, 1981 and ending December 1, 1982.

Your Plan of Development proposes the drilling of the North Baum Unit Well No. 2 in Section 24, Township 13 South, Range 32 East, to test the Bough A B C and D carbonates.

Enclosed is one approved copy for your files.

Please remit a Three (\$3.00) Dollar filing fee

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

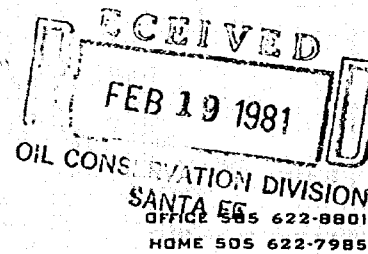
BY:
RAY D. GRAHAM, Director
Oil and Gas Division
AC 505/827-2748

AJA/RDG/pm
encl.
cc:

OCD-Santa Fe, New Mexico

RANDOLPH M. RICHARDSON
OIL AND GAS LAND AND UNIT CONSULTANT
FEDERAL - STATE - FEE
P. O. BOX 819
ROSWELL, NEW MEXICO 88201

February 18, 1981



In Re: North Baum Unit
Lea County, New Mexico

Oil Conservation Division
Department of Energy and Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Pursuant to Case #7096 of Order #R6544, I am enclosing one executed copy of Unit Agreement together with State Land Commissioner Approval.

Please advise if you need anything additional at this time.

Yours truly,

R. M. Richardson

RMR/sr

Enclosures

cc: Read & Stevens, Inc.

Amoco Production Company

Wiser Oil Company



NEW MEXICO STATE LAND OFFICE

FEB 19 1981

OIL CONSERVATION DIVISION
SANTA FE

CERTIFICATE OF APPROVAL

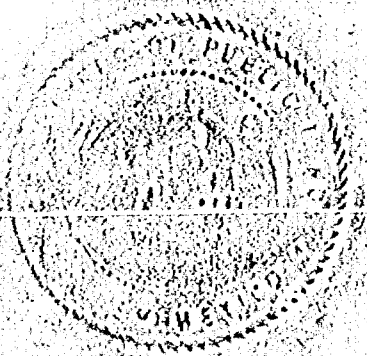
COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
NORTH BAUM UNIT
LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated August 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 16th day of February, 19 81.



Alex J. Cisneros
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. 7096
Order No. R-6544

APPLICATION OF READ & STEVENS, INC.
FOR APPROVAL OF THE NORTH BAUM UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 10, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 14th day of January, 1981, 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, Read & Stevens, Inc., seeks approval of the North Baum Unit Agreement covering 637.16 acres, more or less, of State lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM
Section 24: E/2

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM
Section 19: W/2

(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.

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Case No. 7096
Order No. R-6544

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

IT IS THEREFORE ORDERED:

(1) That the North Baum 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; 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.

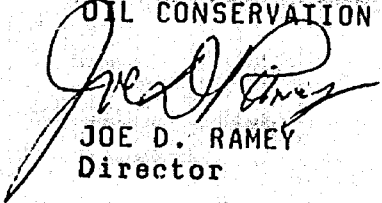
(6) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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Case No. 7096
Order No. R-6544

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

NORTH BAUM UNIT AREA
LEA COUNTY, NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the 1st day of August
19 80 by and between the parties subscribing, ratifying or consenting hereto, and
herein referred to as the "parties hereto";

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is
authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended
by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N. M. Statutes
1978 Annot.), 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 and Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap.
19, Art. 10, Sec. 47, N. M. Statutes 1978 Annotated) to amend with the approval of
lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil
and gas lease embracing State Lands so that the length of the term of said lease may
coincide with the term of such agreements for the unit operation and development of
part or all of any oil or gas pool, field, or area; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Depart-
ment 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 North Baum
Unit Area covering the land hereinafter described to give reasonably
effective control of operations therein; and

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

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

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

T-13-S, R-32-E, NMPM
Sec. 24; E $\frac{1}{2}$

T-13-S, R-33-E, NMPM
Sec. 19; W $\frac{1}{2}$

Containing 637.16 acres,
more or less.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit B attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all 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: Read & Stevens, Inc., whose address is P. O. Box 1518, Roswell, New Mexico 88201 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 the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

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

8. DRILLING TO DISCOVERY: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Bough "C" 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 10,000 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 leasees 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 or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five 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.

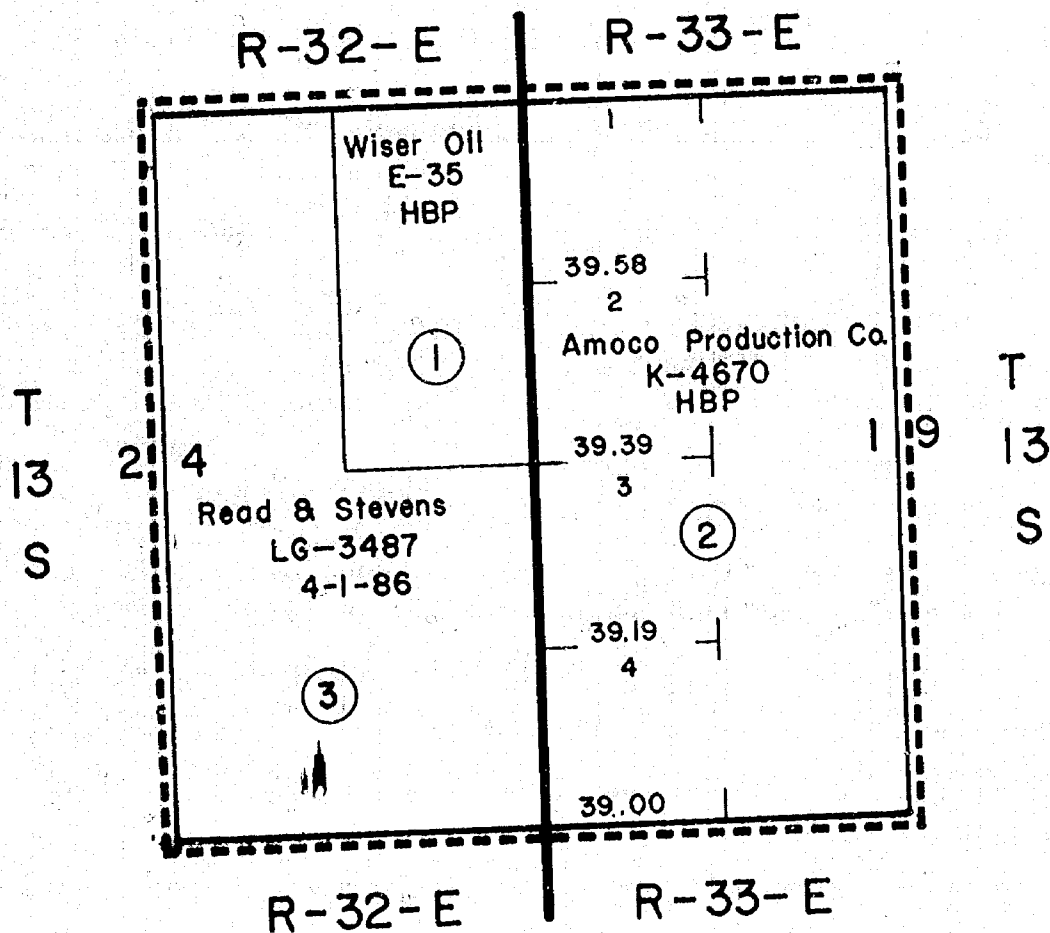
21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement, shall be suspended while, but only so long as, the unit operator, despite the exercise 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 JOINER: Any oil or gas interest in lands within the unit area not committed hereto, prior to the submission of the agreement for final approval

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

Karen J. McFadden
Notary Public



---- Unit Area

○ Tract Number

□ State of New Mexico Lands
637.16 Acres - 100 % of
Unit Area

EXHIBIT "A"

NORTH BAUM UNIT AREA
Lea County, New Mexico

EXHIBIT "B"
Schedule Showing all Lands and Leases
Within the North Baum Unit Area
Lea County, New Mexico

TRACT NO.	DESCRIPTION OF LAND	ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING AN
ALL LANDS - State of New Mexico							
1.	T-13-S, R-32-E, NMPM Sec. 24: E $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	E-35-2 HBP	State 12.5	Wiser Oil Co. All (Southern Pet. Expl.)	None	Wiser
2.	T-13-S, R-33-E, NMPM Sec. 19: Lots 1,2,3,4 E $\frac{1}{2}$ W $\frac{1}{2}$	317.16	K-4670 HBP	State 12.5	Amoco Production Co. All	None	Amoco
3.	T-13-S, R-32-E, NMPM Sec. 24: W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$	240.00	LG-3487 4-1-86	State 12.5	Read & Stevens, Inc. All	None	Read
Total		637.16 Acres, State of New Mexico Lands, 100% of Unit Area					

INTEREST OF PARTIES UNDER THIS AGREEMENT:

Read & Stevens, Inc.	240.00 Acres	37.66715%
Wiser Oil Company	80.00 Acres	12.55571%
Amoco Production Company	317.16 Acres	49.77714%
Total	637.16 Acres	100.00000%

EXHIBIT "B"
Schedule Showing all Lands and Leases
Within the North Baum Unit Area
Lea County, New Mexico

ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<u>ALL LANDS - State of New Mexico</u>					
0.00	E-35-2 HBP	State 12.5	Wiser Oil Co. All (Southern Pet. Expl.)	None	Wiser Oil Co. All
31.16	K-4670 HEP	State 12.5	Amoco Production Co. All	None	Amoco Prod. All
0.00	LG-3487 4-1-86	State 12.5	Read & Stevens, Inc. All	None	Read & Stevens, Inc. All
<u>16 Acres, State of New Mexico Lands, 100% of Unit Area</u>					

INTEREST OF PARTIES UNDER THIS AGREEMENT:

Read & Stevens, Inc.	240.00 Acres	37.66715%
Wiser Oil Company	80.00 Acres	12.55571%
Amoco Production Company	317.16 Acres	49.77714%
Total	637.16 Acres	100.00000%

CONSENT AND RATIFICATION
NORTH BAUM UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the North Baum Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 1st day of August, 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.

Amoco Production Company
N. MENNINGER
Attorney-in-Fact
APPROVED
RS

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 Harris) SS.

The foregoing instrument was acknowledged before me this 30th day of January, 1981, by C. N. MENNINGER, President of Amoco Production Co., a Delaware corporation, on behalf of said corporation.

My Commission Expires:

Shirley B. Barnes
Notary Public

SHIRLEY B. BARNES
Notary Public in Harris County, Texas
My Commission Expires 11-2-81

CONSENT AND RATIFICATION
NORTH BAUM UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the North Baum Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 1st day of August, 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.

Attest:

Secretary

The Wiser Oil Company

By: President

INDIVIDUAL

STATE OF _____)
COUNTY OF _____) SS.

The foregoing instrument was acknowledged before me this _____ day of _____, 1981, by _____
My Commission Expires:

Notary Public

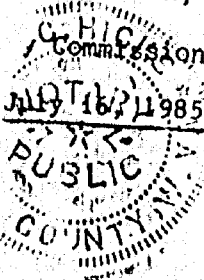
CORPORATE

STATE OF West Virginia)
COUNTY OF Tyler) SS.

The foregoing instrument was acknowledged before me this 12th day of January, 1981, by John C. Wright, President of The Wiser Oil Company, a Delaware corporation, on behalf of said corporation.

Commission Expires:

Notary Public



Unit Name NORTH BAUM UNIT- EXPLORATORY
Operator READ AND STEVENS, INC.
County LEA

DATE APPROVED	OCC CASE NO. <u>7096</u> OCC ORDER NO. <u>R-6544</u>	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE
COMMISSIONER 2-16-81	COMMISSION 1-14-81	2-16-81	637.16	637.16	-0-	-0-

UNIT AREA

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM
Section 24: E/2

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM
Section 19: W/2

Unit Name NORTH BAUM UNIT- EXPLORATORY
Operator READ AND STEVENS, INC.
County LEA

CASE NO. <u>7096</u>	EFFECTIVE	TOTAL	STATE	FEDERAL	INDIAN-FEE	SEGREGATION	TERM
ORDER NO. <u>R-6544</u>	DATE	ACREAGE				CLAUSE	
MISSION	2-16-81	637.16	637.16	-0-	-0-	Modified	2 yrs.

4-81

2 EAST, NMPM

3 EAST, NMPM

Unit Name	NORTH BAUM UNIT- EXPLORATORY
Operator	READ AND STEVENS, INC.
County	LEA

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED
1	E-35-2	C.S.	24	13S	32E	E/2NE/4	1-12-81	80.00	
2	K-4670	C.S.	19	13S	33E	Lots 1, 2, 3, 4, E/2W/2	1-30-81	317.16	
3	LG-3487	C.S.	24	13S	32E	W/2NE/4, SE/4	12-19-80	240.00	

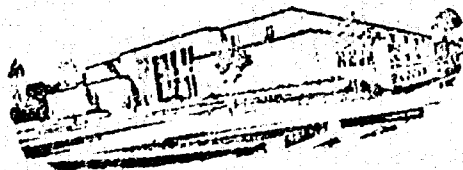
Unit Name	NORTH BAUM UNIT- EXPLORATORY
Operator	READ AND STEVENS, INC.
County	LEA

INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
C.S.	24	13S	32E	E/2NE/4	1-12-81	80.00		Wiser Oil Company
C.S.	19	13S	33E	Lots 1, 2, 3, 4, E/2W/2	1-30-81	317.16		Amoco Production Co.
C.S.	24	13S	32E	W/2NE/4, SE/4	12-19-80	240.00		Read & Stevens, Inc



ALEX J. ARMIJO
COMMISSIONER

State of New Mexico



Commissioner of Public Lands
February 16, 1981

7096

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

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

Re: North Baum Unit
Lea County, New Mexico

Dear Mr. Richardson:

The Commissioner of Public Lands has this date given final approval to the North Baum Unit, Lea County, New Mexico, which you submitted on behalf of Read and Stevens, Inc. The effective date is the same date as approved.

Enclosed are Five (5) Certificates of Approval.

On Exhibit "B", Tract 1, please show the assignment number right after the lease number (E-35-2).

Very truly yours,

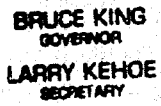
ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY:

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

AJA/RDG/s
encls.
cc:

OCD-Santa Fe, New Mexico /



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

January 16, 1981

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

Re: CASE NO. 7096
ORDER NO. R-6544

Applicant:

~~Read & Stevens, Inc.~~

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD _____
Artesia OCD _____
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. 7096
Order No. R-6544

APPLICATION OF READ & STEVENS, INC.
FOR APPROVAL OF THE NORTH BAUM UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 10, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 14th day of January, 1981, 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, Read & Stevens, Inc., seeks approval of the North Baum Unit Agreement covering 637.16 acres, more or less, of State lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM
Section 24: E/2

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM
Section 19: W/2

(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. 7096
Order No. R-6544

(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 North Baum 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; 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. 7096
Order No. R-6544

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/

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Read & Stevens, Inc.,
for a unit agreement, Lea County, New
Mexico.

CASE
7096

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 M. Richardson, Esq.
Roswell, New Mexico 88201

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I N D E X

DAVID S. HARLEY

Direct Examination by Mr. Richardson 3

E X H I B I T S

Applicant Exhibit One, Map	5
Applicant Exhibit Two, Plat	6
Applicant Exhibit Three, Report	6
Applicant Exhibit Four, Structure Map	6
Applicant Exhibit Five, Structure Map	6

1 MR. STAMETS: We'll call next Case 7096.

2 MR. PADILLA: Application of Read &
3 Stevens, Inc., for a unit agreement, Lea County, New Mexico.

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

6 I have one witness to be sworn.

7
8 (Witness sworn.)

9 DAVID S. HARLEY

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

12 DIRECT EXAMINATION

13 BY MR. RICHARDSON:

14 Q Mr. Harley, would you please state your
15 name and present occupation and would you please spell your
16 last name?

17 A David S. Harley, and I'm working as a
18 geologist for Read & Stevens, Incorporated, Roswell, New
19 Mexico.

20 Q And you are a graduate geologist?

21 A Yes, I am.

22 Q And have you testified before the Divi-

23

1
2 sion before?

3 A. Yes, I have.

4 Q. And that has been about how long?

5 A. August the 6th.

6 Q. August the 6th?

7 A. Of this year.

8 MR. RICHARDSON: Will his credentials be
9 acceptable or do you want to go further?

10 MR. STAMETS: They are acceptable.

11
12 Q. Are you familiar with the North Baum
13 Unit area?

14 A. Yes.

15 Q. And the matters contained in the appli-
16 cation that is made?

17 A. Yes, sir.

18 Q. Is the form of unit agreement prescribed
19 by Federal regulations, and as recently approved by the Com-
20 missioner of Public Lands?

21 A. Yes.

22
23 MR. RICHARDSON: That one, I might point
24 out, there's no Federal land in this unit. It's all 100
25 percent State Land, and so it has not even gone to the USGS.
26 And also, I'd like to request that when you issue an order
27 on the thing, that you not make it subject to like approval
28

1
2 of USGS.

3 Q Has a unit area been designated by the
4 USGS, Geological Survey, as an area logically suitable for
5 development under a unit plan of development?

6 A No.

7 Q Could you please tell the Division the
8 total number of acres within the unit area and the number
9 and percentages of acreage in Federal, State, and fee lands?

10 A It's 100 percent State; 637.16 acres.

11 Q Could you please tell the Division the
12 township and range in which the unit is located and approxi-
13 mate location with reference to the nearest town?

14 A It's in the west one-half of Section 24,
15 13 South, 32 East, and the east one-half of Section 19, 13
16 South, 33 East.

17 Q Could you now, Mr. Harley, please refer
18 to the geological report, which has been handed to the Exa-
19 miner, and marked as Exhibits One through Five? Was this
20 report prepared by you?

21 A Yes, it was.

22 Q Could you please briefly review the
23 report, referring to the exhibits by name, and indicating
24 the significance of such exhibits?

25 A Exhibit ONE is a regional map that shows
26
27
28

1
2
3 the unit outlined in red. It's 21 miles southwest of Tatum,
4 New Mexico.

5 Exhibit Two is a land plat which also
6 shows the general unit outlined in red.

7 Exhibit Three is a geological report.
8 In the report it describes a 10,000 foot test that is to
9 penetrate the Pennsylvanian limestones, both A, B, and C,
10 as objectives. The unit is located in the northwest shelf
11 of the greater Delaware Basin in New Mexico. The tops are
12 also listed.
13

14 Exhibit Four shows the structure on top
15 of the Bough B limestone and also the nearby producers that
16 are designated by hexagons.

17 The test will be either structurally
18 equivalent or higher than the established producers from
19 this zone.
20

21 Exhibit Five shows the Bough C structure
22 and surrounding producers from this zone, and the proposed
23 unit lies on a Bough C producing trend and has producers
24 located both north and south of the unit.

25 The location of the test will be 1980
26 from the south and 660 from the east of Section 24.

27 Q And the projected depth will be what?
28 A 10,000 foot.

Q 10,000 feet. Have the other working interest owners within the unit area been contacted?

A. Yes, they have.

Q In your opinion what percentage of the working interest will be committed to the unit?

A. It will be 100 percent.

Q And what percentage of the royalty?

A. There won't be any royalty other than the State.

Q Other than basic royalty?

A. Yes, basic.

Q In your opinion will the operation of this area under the proposed unit plan 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: We would now like to

1
2 enter the geologic report as evidence.

3 MR. STAMETS: The exhibit will be accepted.

4 MR. RICHARDSON: And I have nothing fur-
5 ther.

6 MR. STAMETS: Are there any questions of
7 the witness? He may be excused.

8 Anything further in this case?

9 The case will be taken under advisement.

10
11
12 (Hearing concluded.)
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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 Conserva-
tion 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. 7026,
heard by me on 12-10 1980.
Richard L. Stant, Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date DECEMBER 10, 1980 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
H. K. Kendrick	El Paso Natural Gas	El Paso
William L. Carr	Campbell and Black	Santa Fe
J. L. Conquest	Threshold Development Co.	Ft. Worth Texas
Conquest	Huddle Company	Midland, TX
Don L. Coyle	Delta Drilling Co.	Tyler, Tx.
Whit H. Cope	Delta Drilling Co.	Midland, TX
Lenora A. Hurst	DORchester Exp. Inc.	Midland TX
W. T. Kellum	Kellum Kellum	Santa Fe
Bob Strand	Harvey E. Yates Co.	Coswell
Randy Smith	Hugco	Midland
R. M. Richardson	{ Man Port	Roswell, NM
J. J. Harle	{ Road & Steam	
	Read & Stevens	Roswell, NM
Charles O. Preston	Mesa Petroleum Co.	Midland TX
Lynn Henderson	Consolidated Oil & Gas	Denver
John E. Wiley	Consolidated Oil & Gas	Denver, Co.
Bill J. Lightsey	Wiser Oil Co.	Hobbs
Rene Jones	State Highway Dept	S.F.

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date DECEMBER 10, 1980 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
HUGH INGRAM	CONOCO INC.	HOBBS
JERRY SEXTON	OCD	Holls
HENRY LUCCOCK	U. S. G. S	ALBU,
Herman Terry	Getty Oil	Hobbs
Michael Yuras	Betty	Midland
Peter J. Botes	Getty Oil	Hobbs
Lowell Deckert	Conoco, Inc.	Hobbs
H S McCasriel	Dorchester Explor., Inc.	Midland

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Read & Stevens, Inc.,
for a unit agreement, Lea County, New
Mexico.

CASE
7096

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 M. Richardson, Esq.
Roswell, New Mexico 88201

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I N D E X

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DAVID S. HARLEY

Direct Examination by Mr. Richardson

3

E X H I B I T S

Applicant Exhibit One, Map

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Applicant Exhibit Two, Plat

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Applicant Exhibit Three, Report

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Applicant Exhibit Four, Structure Map

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Applicant Exhibit Five, Structure Map

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1
2 MR. STAMETS: We'll call next Case 7096.

3 MR. PADILLA: Application of Read &
4 Stevens, Inc., for a unit agreement, Lea County, New Mexico.

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

7 I have one witness to be sworn.

8
9
10 (Witness sworn.)

11
12 DAVID S. HARLEY

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

15
16 DIRECT EXAMINATION

17
18 BY MR. RICHARDSON:

19 Q Mr. Harley, would you please state your
20 name and present occupation and would you please spell your
21 last name?

22 A David S. Harley, and I'm working as a
23 geologist for Read & Stevens, Incorporated, Roswell, New
24 Mexico.

25
26 Q And you are a graduate geologist?

27 A Yes, I am.

28 Q And have you testified before the Divi

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sion before?

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A. Yes, I have.

4

Q. And that has been about how long?

5

6

A. August the 6th.

7

Q. August the 6th?

8

A. Of this year.

9

MR. RICHARDSON: Will his credentials be acceptable or do you want to go further?

10

MR. STAMPTS: They are acceptable.

11

12

Q. Are you familiar with the North Baum Unit area?

13

14

A. Yes.

15

16

Q. And the matters contained in the application that is made?

17

18

A. Yes, sir.

19

20

Q. Is the form of unit agreement prescribed by Federal regulations, and as recently approved by the Commissioner of Public Lands?

21

22

A. Yes.

23

24

MR. RICHARDSON: That one, I might point out, there's no Federal land in this unit. It's all 100 percent State Land, and so it has not even gone to the USGS. And also, I'd like to request that when you issue an order on the thing, that you not make it subject to like approval

25

26

27

28

1
2 of USGS.

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

7 A No.

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

12 A It's 100 percent State; 637.16 acres.

13 Q Could you please tell the Division the
14 township and range in which the unit is located and approxi-
15 mate location with reference to the nearest town?

16 A It's in the west one-half of Section 24,
17 13 South, 32 East, and the east one-half of Section 19, 13
18 South, 33 East.

19 Q Could you now, Mr. Harley, please refer
20 to the geological report, which has been handed to the Exa-
21 miner, and marked as Exhibits One through Five? Was this
22 report prepared by you?
23

24 A Yes, it was.

25 Q Could you please briefly review the
26 report, referring to the exhibits by name, and indicating
27 the significance of such exhibits?

28 A Exhibit ONE is a regional map that shows

1
2 the unit outlined in red. It's 21 miles southwest of Tatum,
3 New Mexico.

4 Exhibit Two is a land plat which also
5 shows the general unit outlined in red.
6

7 Exhibit Three is a geological report.
8 In the report it describes a 10,000 foot test that is to
9 penetrate the Pennsylvanian limestones, both A, B, and C,
10 as objectives. The unit is located in the northwest shelf
11 of the greater Delaware Basin in New Mexico. The tops are
12 also listed.
13

14 Exhibit Four shows the structure on top
15 of the Bough B limestone and also the nearby producers that
16 are designated by hexagons.

17 The test will be either structurally
18 equivalent or higher than the established producers from
19 this zone.

20 Exhibit Five shows the Bough C structure
21 and surrounding producers from this zone, and the proposed
22 unit lies on a Bough C producing trend and has producers
23 located both north and south of the unit.
24

25 The location of the test will be 1980
26 from the south and 660 from the east of Section 24.

27 Q And the projected depth will be what?

28 A 10,000 foot.

1 Q 10,000 feet. Have the other working
2 interest owners within the unit area been contacted?

3 A Yes, they have.

4 Q In your opinion what percentage of the
5 working interest will be committed to the unit?

6 A It will be 100 percent.

7 Q And what percentage of the royalty?

8 A There won't be any royalty other than
9 the State.

10 Q Other than basic royalty?

11 A Yes, basic.

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

15 A Yes, it will.

16 Q Will the different institutions of the
17 State, if any, receive their fair share of production if es-
18 tablished?

19 A Yes.

20 Q In the event of production will the cor-
21 relative rights of all parties to the unit agreement be pro-
22 tected?

23 A Yes.

24 MR. RICHARDSON: We would now like to
25
26
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28

1
2 enter the geologic report as evidence.

3 MR. STAMETS: The exhibit will be accepted.

4 MR. RICHARDSON: And I have nothing fur-
5 ther.

6
7 MR. STAMETS: Are there any questions of
8 the witness? He may be excused.

9 Anything further in this case?

10 The case will be taken under advisement.

11
12 (Hearing concluded.)
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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 Conserva-
tion 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.

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

SALLY W. BOYD, C.S.R.

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

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PROPOSED NORTH BAUM UNIT

Lea County, New Mexico

READ & STEVENS, INC.

Roswell, New Mexico

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

EXHIBIT NO. 1-5

CASE NO. 7096

Submitted by Read & Stevens Inc.

Hearing Date 12-10-80

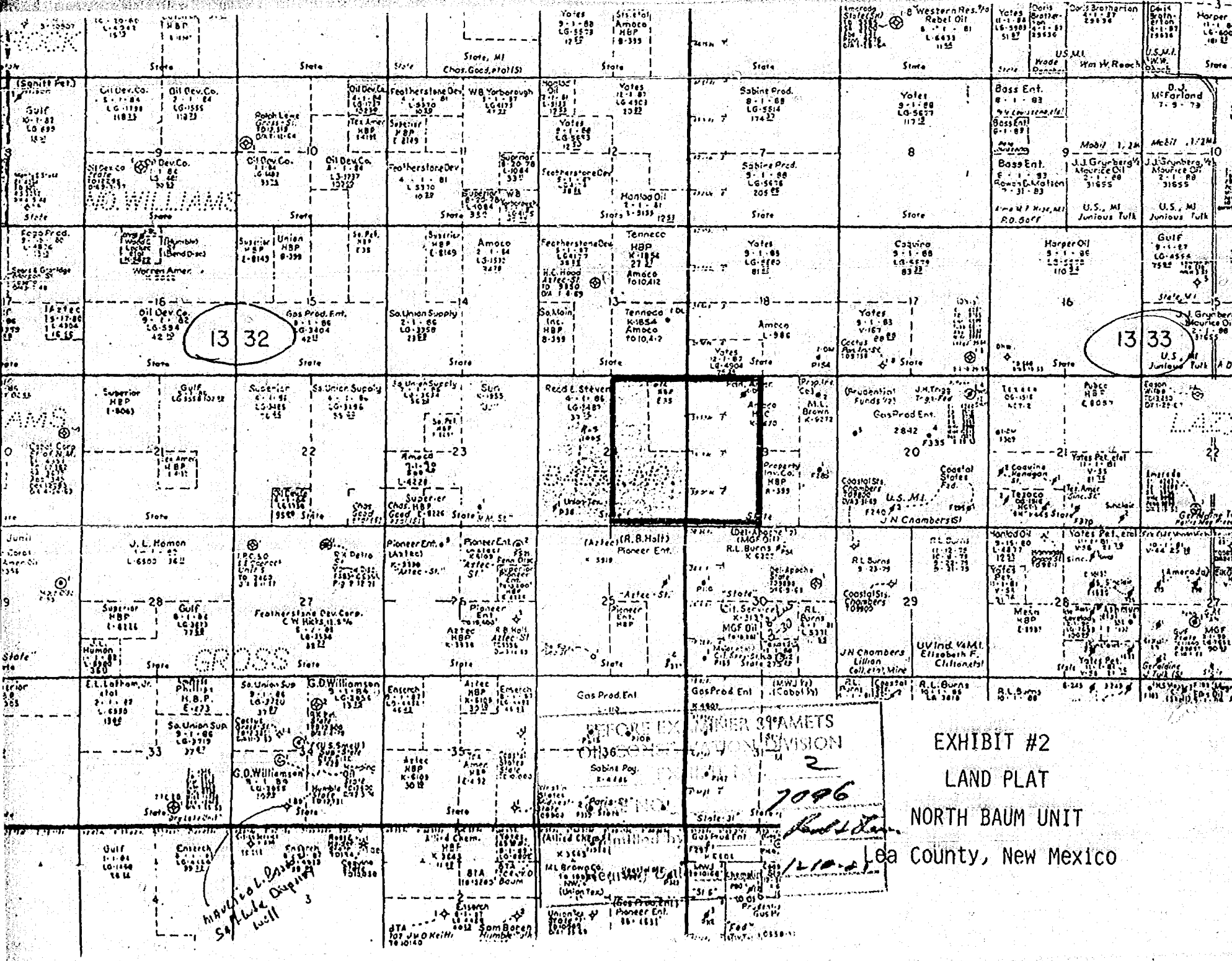


EXHIBIT #2
LAND PLAT
NORTH BAUM UNIT
Lea County, New Mexico

EXHIBIT #3
PROPOSED NORTH BAUM UNIT
Lea County, New Mexico

PURPOSE

The purpose of this report is to briefly summarize the geological reasons for forming a one section state unit. A 10,000 foot Bough C test will be drilled within this unit.

LOCATION AND LAND

The proposed North Baum Unit is located approximately 21 miles southwest of Tatum, New Mexico. The unit area contains 637.16 acres, all of which are state. The unit includes the east $\frac{1}{2}$ of section 24 of T13S-R32E and the west $\frac{1}{2}$ of section 19 of T13S-R33.

GENERAL GEOLOGICAL DISCUSSION

The North Baum Unit is located on the Northwest Shelf of the greater Delaware Basin in New Mexico. A 10,000 foot test should penetrate Pennsylvanian Bough A, B & C objectives. The expected tops are as follows:

Anhydrite	1610'
Yates	2500'
San Andres	3980'
Glorieta	5350'
Tubb	6780'
Abo	7532'
Wolfcamp	8825'
Bough A	9600'
Bough B	9650'
Bough C	9770'

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 3
CASE NO. 7096
Submitted by Reed & Stearns
Hearing Date 12-10-80

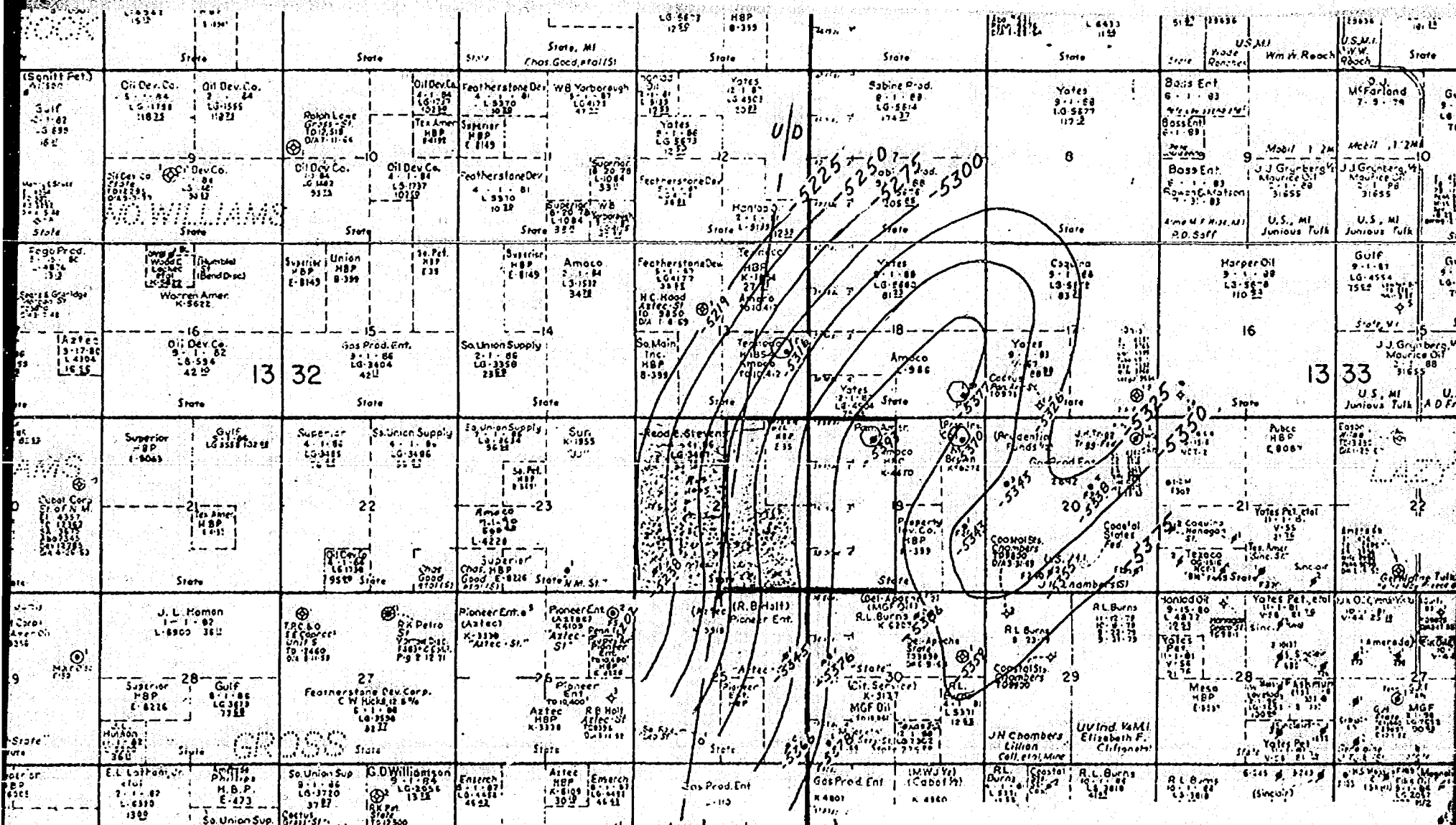
Exhibit #4 shows the structure on top of the Bough B limestone and the nearby producers from this zone. The

proposed unit is either structurally equivalent or higher than established producers from this zone.

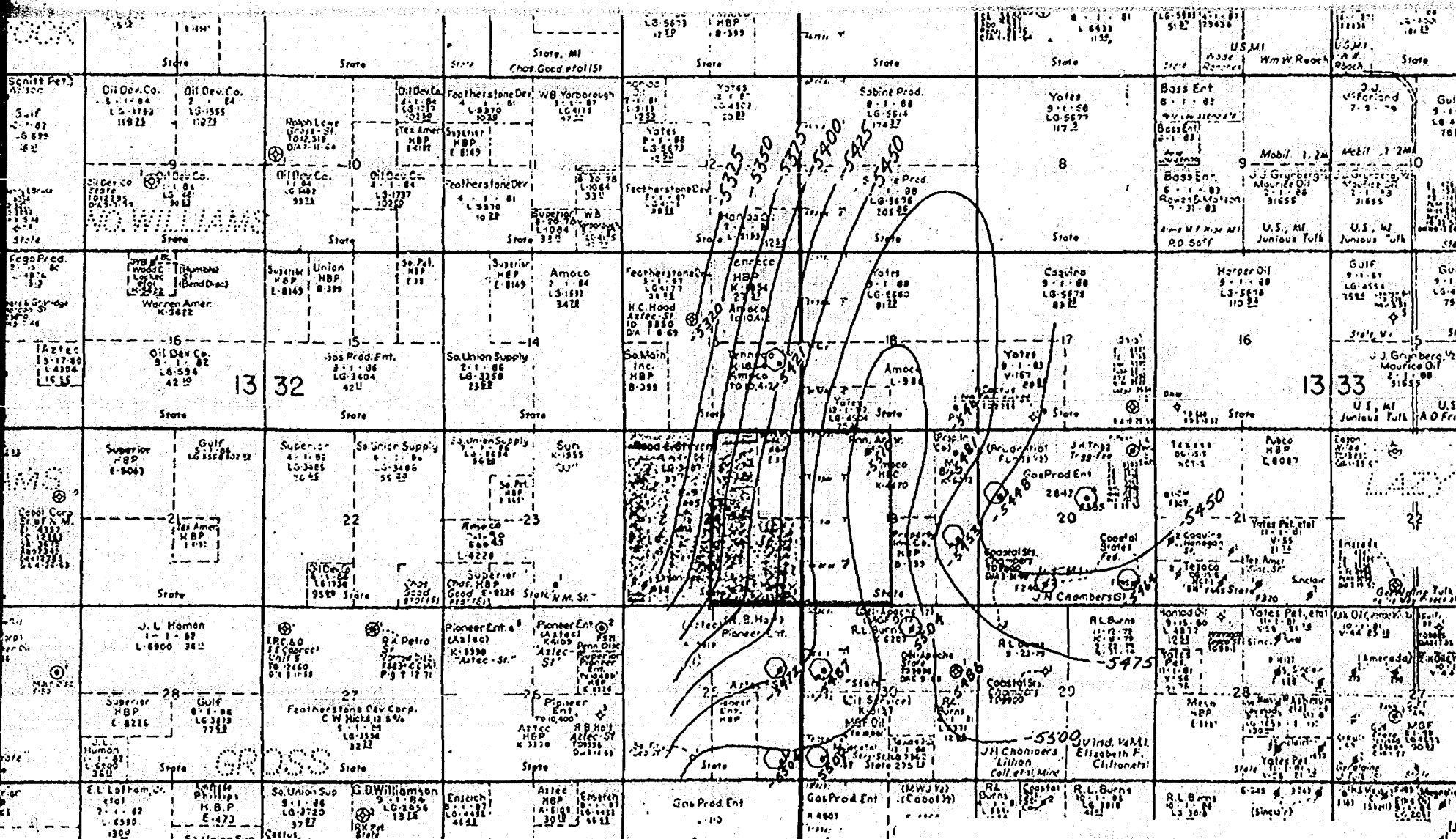
Exhibit #5 shows the Bough C structure and the surrounding producers from this zone. The proposed unit lies on a Bough C producing trend and has producers located north and south.

CONCLUSION

The North Baum Unit has geological merit that warrants a Bough A, B, & C test, and the unit boundaries are set by surrounding production.



BEFORE EXAMINER STAMETS
 OIL CONSERVATION DIVISION
 COUNTY NO. 4
 CASE NO. 7096
 Submitted by *Read & Turner*
 Hearing Date *12-10-80*



BEFORE EXAMINER STATES
OIL COMMISSION DIVISION
CASE NO. 1096
Submitted by *Real & Starnes*
Hearing Date *12-11-80*

EXHIBIT #5
BOUGH C STRUCTURE
Contour Interval = 25'
⊙ Bough C Producer
NORTH BAUM UNIT
Lea County, New Mexico

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

NORTH BAUM

UNIT AREA

LEA

COUNTY, NEW MEXICO

NO.

THIS AGREEMENT, entered into as of the 1st day of August
19 80 by and between the parties subscribing, ratifying or consenting hereto, and
herein referred to as the "parties hereto";

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is
authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended
by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N. M. Statutes
1978 Annot.), 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 and Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap.
19, Art. 10, Sec. 47, N. M. Statutes 1978 Annotated) to amend with the approval of
lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil
and gas lease embracing State Lands so that the length of the term of said lease may
coincide with the term of such agreements for the unit operation and development of
part or all of any oil or gas pool, field, or area; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Depart-
ment 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 North Baum
 Unit Area covering the land hereinafter described to give reasonably
effective control of operations therein; and

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

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

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

T-13-S, R-32-E, NMPM
Sec. 24; E $\frac{1}{2}$

T-13-S, R-33-E, NMPM
Sec. 19; W $\frac{1}{2}$

Containing 637.16 acres,
more or less.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit B attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all 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: Read & Stevens, Inc., whose address is P. O. Box 1518, Roswell, New Mexico 88201 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 the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

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

8. DRILLING TO DISCOVERY: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Bough "C" 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 10,000 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 unitized lands, but in such event, the basis of participation by the working interest 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 or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five 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 JOINER: Any oil or gas interest in lands within the unit area not committed hereto, prior to the submission of the agreement for final approval

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.

UNIT OPERATOR AND WORKING INTEREST OWNER

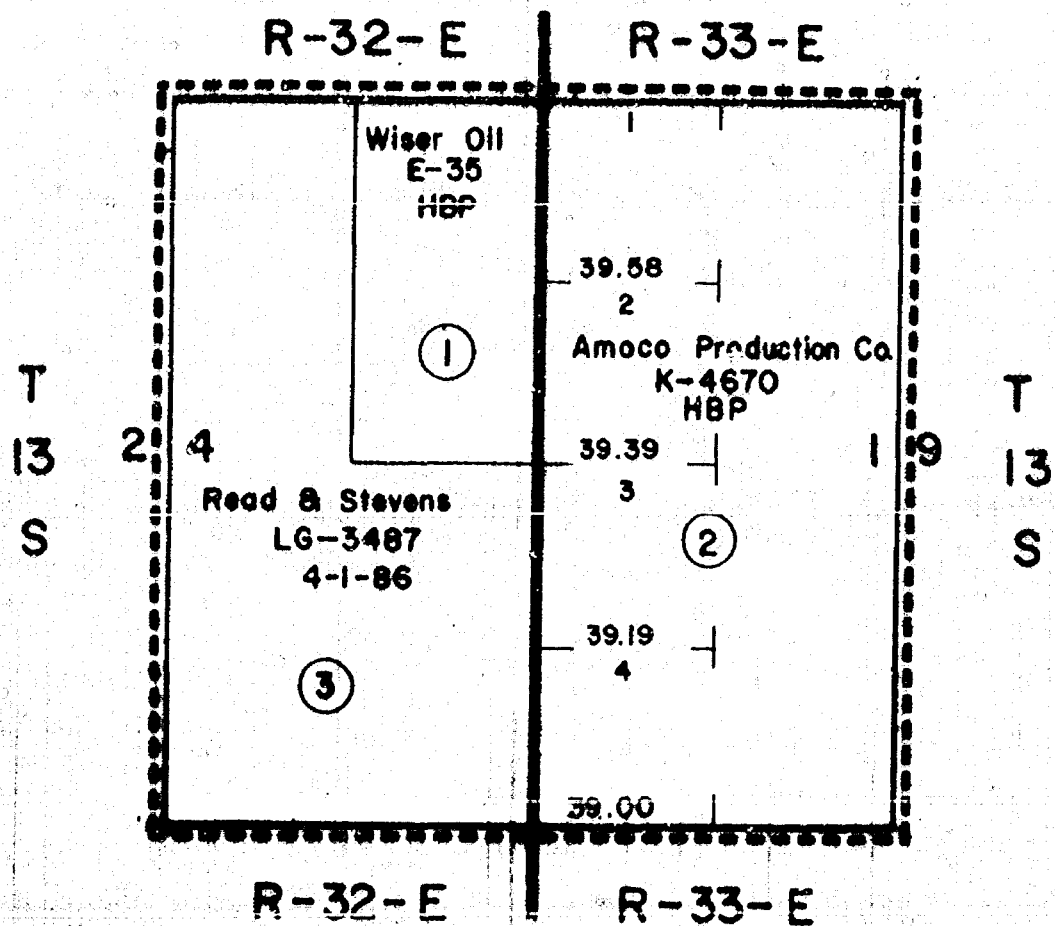
BY _____

By _____
President

Company

By: _____

- 11 -



---- Unit Area

○ Tract Number

□ State of New Mexico Lands
637.16 Acres - 100 % of
Unit Area

EXHIBIT "A"

NORTH BAUM UNIT AREA
Lea County, New Mexico

EXHIBIT "B"
Schedule Showing all Lands and Leases
Within the North Baum Unit Area
Lea County, New Mexico

TRACT NO.	DESCRIPTION OF LAND	ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORK AND
<u>ALL LANDS - State of New Mexico</u>							
1.	T-13-S, R-32-E, NMPM Sec. 24: E $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	E-35 HBP	State 12.5	Wiser Oil Co. All (Southern Pet. Expl.)	None	Wise
2.	T-13-S, R-33-E, NMPM Sec. 19: Lots 1,2,3,4 E $\frac{1}{2}$ W $\frac{1}{2}$	317.16	K-4670 HBP	State 12.5	Amoco Production Co. All	None	Amoc
3.	T-13-S, R-32-E, NMPM Sec. 24: W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$	240.00	LG-3487 4-1-86	State 12.5	Read & Stevens, Inc. All	None	Read
<u>Total</u>		<u>637.16 Acres, State of New Mexico Lands, 100% of Unit Area</u>					

EXHIBIT "B"
Schedule Showing all Lands and Leases
Within the North Baum Unit Area
Lea County, New Mexico

ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<u>ALL LANDS - State of New Mexico</u>					
80.00	E-35 HBP	State 12.5	Wiser Oil Co. All (Southern Pet. Expl.)	None	Wiser Oil Co. All
17.16	K-4670 HBP	State 12.5	Amoco Production Co. All	None	Amoco Prod. All
40.00	LG-3487 4-1-86	State 12.5	Read & Stevens, Inc. All	None	Read & Stevens, Inc. All
<u>7.16 Acres, State of New Mexico Lands, 100% of Unit Area</u>					

Docket No. 40-80

Dockets Nos. 42-80 and 43-80 are tentatively set for December 30, 1980 and January 14, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - DECEMBER 10, 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:

ALLOWABLE: (1) Consideration of the allowable production of gas for January, 1981, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for January, 1981, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7095: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Bill G. Isler, United States Fidelity and Guaranty Company, and all other interested parties to appear and show cause why the Spears State Well No. 2 in Unit B of Section 28, Township 11 South, Range 27 East, Chaves County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7096: Application of Read & Stevens, Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the North Baum Unit Area, comprising 637 acres, more or less, of State lands in Township 13 South, Ranges 32 and 33 East.

CASE 7097: Application of Mesa Petroleum Co. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Jackson Unit Area, comprising 2,560 acres, more or less, of State lands in Township 24 South, Range 33 East.

CASE 7098: Application of The Wiser Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its McQuatters Well No. 4 located in Unit G of Section 11, Township 21 South, Range 36 East, to produce oil from the Oil Center-Glorieta and Hardy-Drinkard Pools through parallel strings of tubing.

CASE 7077: (Continued from November 25, 1980, Examiner Hearing)
Application of Threshold Development Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Conoco "10" State Com Well No. 1 located in Unit I of Section 10, Township 19 South, Range 29 East, Turkey Track Field, to produce oil from the Wolfcamp formation and gas from the Atoka formation through parallel strings of tubing.

CASE 7089: (Continued from November 25, 1980, Examiner Hearing)
Application of Summit Energy, Inc. for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Bligebry formation through its Gulf Bunin Well No. 2 located in Unit C of Section 13, Township 21 South, Range 37 East.

CASE 7099: Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Duncan Unit Area, comprising 7,679 acres, more or less, of State, Federal, and fee lands in Townships 13 and 14 South, Range 35 East.

CASE 7100: Application of Harvey E. Yates Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Atoka and Morrow production in the wellbore of its Travis 24 State Com Well No. 1 in Unit H of Section 24, Township 18 South, Range 28 East.

CASE 7101: Application of Consolidated Oil & Gas, Inc. for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gallup and Basin-Dakota production in the wellbore of its Tribal "C" Well No. 4-E in Unit H of Section 6, Township 26 North, Range 3 West.

CASE 7102: Application of Consolidated Oil & Gas, Inc. for approval of infill drilling and an exception to Rule 9(E) of Order No. R-1670-T, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of its Jacquez Well No. 2 to be located in Unit K of Section 2, Township 31 North, Range 13 West, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the two existing wells on the unit. Applicant further seeks an exception to Rule 9(E) of Division Order No. R-1670-T to permit calculating the proration unit's allowable on the basis of three Mesaverde wells on the unit.

RANDOLPH M. RICHARDSON

OIL AND GAS LAND AND UNIT CONSULTANT

FEDERAL - STATE - FEE

P. O. BOX 819

ROSWELL, NEW MEXICO 88201

November 6, 1980

OFFICE 505 622-8801
HOME 505 622-7985

In Re: North Baum Unit Agreement
Lea County, New Mexico

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

Case 7096

Gentlemen,

I am enclosing three copies of Application for Approval and hearing and one copy of the proposed Unit Agreement in connection with the captioned Unit Agreement.

Exhibits "A" and "B" are initial rough drafts and will be re-worked and finished copies furnished to you.

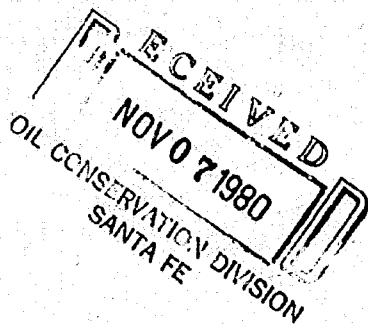
As you will note from the Application, I have requested that this Unit be placed upon the December 10th, 1980, Docket.

Please advise if all is not in order or if there is anything wrong with the requested December 10th date.

Yours very truly,

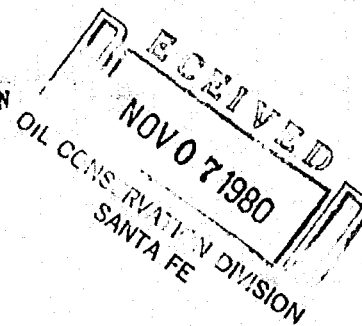
R. M. Richardson
R. M. Richardson

Xerox: Read & Stevens, Inc.



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

APPLICATION FOR APPROVAL
THE NORTH BAUM UNIT AGREEMENT
LEA COUNTY, NEW MEXICO



Case 7096

New Mexico Oil Conservation Division
Santa Fe, New Mexico 87501

Comes the undersigned, Read & Stevens, Inc., with offices in Roswell, New Mexico and files herewith one (1) copy of the proposed Unit Agreement for the development and operation of the North Baum Unit Area, Lea 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 637.16 acres of land, more or less, more particularly described as follows:

T-13-S, R-32-E, NMPM
Sec. 24; E $\frac{1}{2}$

T-13-S, R-33-E, NMPM
Sec. 19; W $\frac{1}{2}$

Lea County, New Mexico

2. That all lands, 100%, embraced within the Unit Area are State of New Mexico Lands.

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 production 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 Read & Stevens, Inc., is designated as the Unit Operator in said 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 the test well to a depth sufficient to test the Bough "C" formation, but applicant is not required to drill said well in any event to a depth in excess of 10,000.00 (ten thousand) 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 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 and 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 of the State of New Mexico.

7. That upon an Order being entered by the New Mexico Oil Conservation Division approving said Unit Agreement, an approved and executed copy will be filed with the Oil Conservation Division.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an 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 December 10, 1980, hearing.

DATED this 5th day of November, 1980.

READ & STEVENS, 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
THE NORTH BAUM UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

RECEIVED
NOV 07 1980
OIL CONSERVATION DIVISION
SANTA FE

New Mexico Oil Conservation Division
Santa Fe, New Mexico 87501

Case 7096

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Lea County, New Mexico

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READ & STEVENS, INC.

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

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

APPLICATION FOR APPROVAL
THE NORTH BAUM UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

NOV 7 1980
OIL CONSERVATION DIVISION
SANTA FE

New Mexico Oil Conservation Division
Santa Fe, New Mexico 87501

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Lea County, New Mexico

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DATED this 5th day of November, 1980.

READ & STEVENS, INC.

By

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

FOR THE DEVELOPMENT AND OPERATION

OF THE
NORTH BAUM UNIT AREA

LEA COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 1st day of August, 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 North Baum 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-13-S, R-32-E, NMPM
Sec. 24; E $\frac{1}{2}$

T-13-S, R-33-E, NMPM
Sec. 19; W $\frac{1}{2}$

Containing 637.16 acres,
more or less.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit B attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all 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: Read & Stevens, Inc. whose address Roswell, New Mexico 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 Bough "C" 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 10,000 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 JOINER: 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

READ & STEVENS, INC.

DATE: _____
ATTEST _____

BY _____

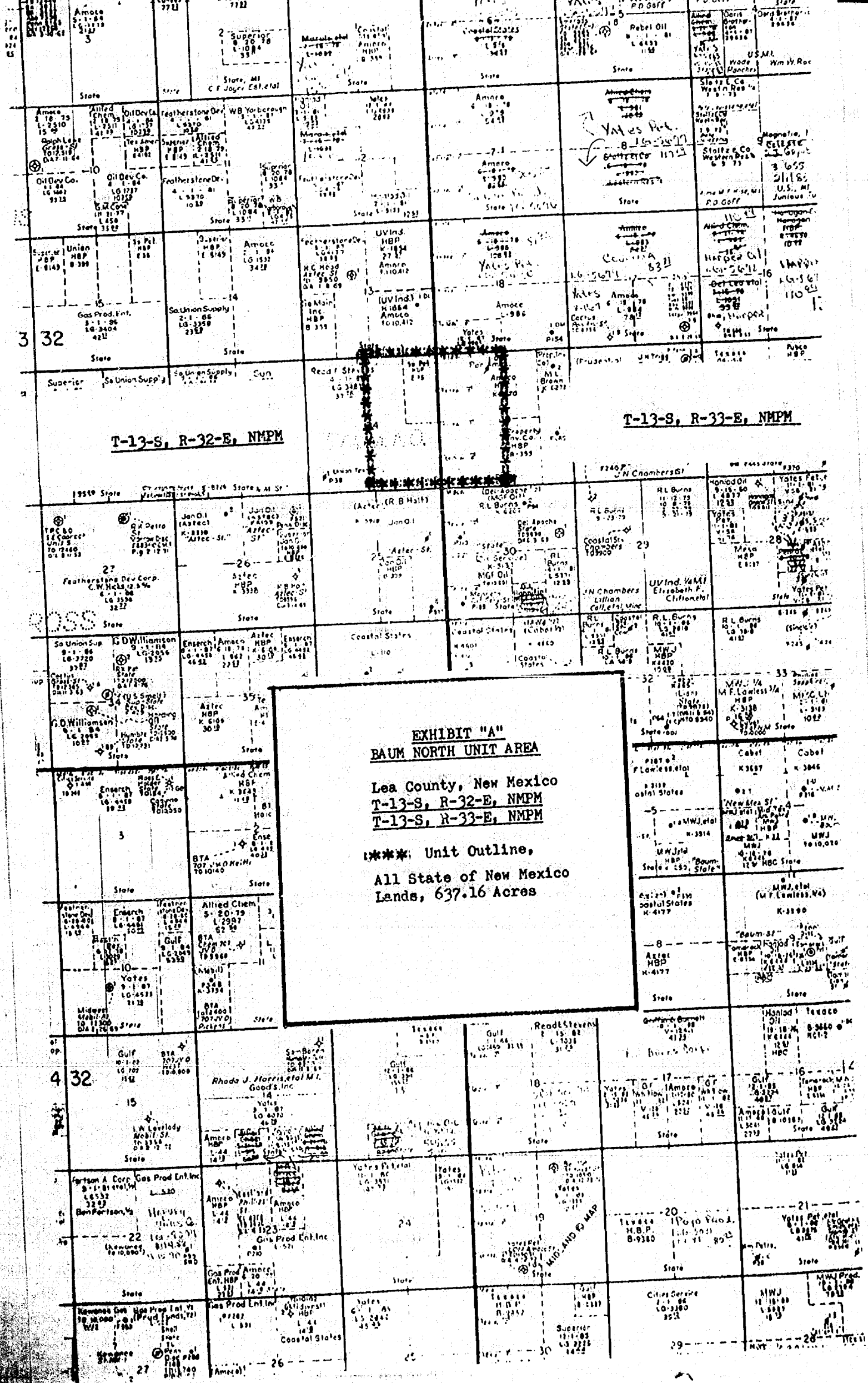
By _____

STATE OF _____)
COUNTY OF _____) SS.

The foregoing instrument was acknowledged before me this _____ day of, 19____
by _____, _____ President of
on behalf of said corporation. _____ corporation

My Commission Expires: _____

Notary Public



LEASES SUBJECT TO THIS AGREEMENT:

Lessor: State of New Mexico Serial No. LG-3487

Lessee: Read & Stevens, Inc.

Dated: April 1, 1976

Expiration Date: April 1, 1986

Landowner's Royalty: 12.5%

Description: Township 13 South, Range 32 East, N.M.P.M.

Section 24: W/2NE/4, SE/4

Acres: 240.00, more or less

Interest: 100%

Annual Rental: \$60.00

Recorded:

Lessor: State of New Mexico Serial No. E-35

Lessee: Southern Petroleum Exploration, Inc.

Dated: January 10, 1945

Expiration Date: HBP

Landowner's Royalty: 12.5%

Description: Township 13 South, Range 32 East, N.M.P.M.

Section 24: E/2NE/4

Acres: 80.00, more or less

Interest: 100%

Annual Rental: \$40.00

Recorded:

Lessor: State of New Mexico Serial No. K-4670

Lessee: Amoco Production Company

Dated: January 19, 1965

Expiration Date: HBP

Landowner's Royalty: 12.5%

Description: Township 13 South, Range 33 East, N.M.P.M.

Section 19: Lots 1,2,3,4 (W/2W/2), E/2W/2

Acres: 317.16, more or less

Interest: 100%

Annual Rental: \$79.29

Recorded:

EXHIBIT "B", Schedule of Leases

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. 7096

Order No. R-6544

APPLICATION OF READ & STEVENS, INC.
FOR APPROVAL OF THE NORTH BAUM
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 10
1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of December 10, 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, Read & Stevens, Inc.,
seeks approval of the North Baum Unit Agreement
covering 637.16 acres, more or less, of State, ~~Federal~~
and ~~fee~~ lands described as follows:

LEA COUNTY, NEW MEXICO
Township 13 South, Range 32 East, NMPM
Section 24: E/2
Township 13 South, Range 33 East, NMPM
Section 19: W/2

(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 North Baum 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 herein-
above designated.