

IN ACCOUNT WITH  
**AZTEC INDEPENDENT-REVIEW**  
San Juan County's Leading Newspaper, Established 1888  
AZTEC, NEW MEXICO

SOLD TO

**October 15, 1948**

**Oil Conservation Commission  
R. R. Spurrier, Secretary  
Santa Fe, New Mexico**

The San Juan Basin is the Richest Empire  
in the Great Southwest  
Agriculture—Fruit—Live-Stock—Oil—Gas—Mines  
Sixty years of Service have made us  
Leaders in this Rich Empire

QUANTITY	DESCRIPTION	AMOUNT
	Publication of Notice of Public Hearing in Cases No. 163 and No. 165, one time (47 lines at .10 per line)	4.70

AFFIDAVIT OF PUBLICATION  
STATE OF NEW MEXICO  
COUNTY OF SAN JUAN

NOTICE OF PUBLICATION

State of New Mexico,  
Oil Conservation Commission  
The State of New Mexico, by its  
Oil Conservation Commission,  
pursuant to the law, hereby gives  
notice of the following public hear-  
ing to be held on October 28, 1948,  
beginning at 10:00 o'clock a.m.,  
on that day, in the City of Santa Fe  
New Mexico,

STATE OF NEW MEXICO, TO  
ALL MAIN PARTIES IN THE  
FOLLOWING CASES AND NOTICE  
TO THE PUBLIC:

Case 163, in the Matter of the  
Petition of Stanolind Oil and Gas  
Co. for the adoption of regulations  
establishing 640 acre spacing in  
the Blanco field in San Juan County,  
New Mexico; establishing the  
location of the initial well on each  
640 acres; fixing regulations as to  
the setting of pipe; and for back-  
pressure tests of the various strata;

Case 165, in the Matter of Appli-  
cation of Jenkins and McQueen for  
Order granting permission to drill  
unorthodox location designated as  
Well No. 1 on the Cassidy Lease  
described as NW 1-4 NE 1-4  
SE 1-4 of (2970 feet south of the  
north line and 990 feet west of the  
east line) Sec. 19, Twp. 29N,  
Range 11 W. N. M. P. M., in the  
Kutz Canyon-Fulcher Basin Field  
of San Juan County, New Mexico.

Given under the seal of the Oil  
Conservation Commission of New  
Mexico at Santa Fe, New Mexico,  
on Oct. 13, 1948.

State of New Mexico  
Oil Conservation Commission  
by R. R. Spurrier, Secretary  
(SEAL)  
Published in Aztec Independent-  
Review Oct. 15, 1948.

George B. Bowra, being duly sworn,  
declares and says that he is the  
Editor of The Aztec Independent-  
Review, a weekly newspaper published  
and having general circulation in  
the City of Aztec, County of San  
Juan, and State of New Mexico; that  
the publication, a copy of which is  
hereto attached, was published in  
said paper in the regular and entire  
issue of every number of the paper  
during the period and time of publi-  
cation, and that the notice was pub-  
lished in the newspaper proper and

not  
the  
bein

one issues, the first publication being on  
er, 1948, and the last publication  
October, 1948. Publication fee \$4.70

Sworn  
of Sa

before me, a Notary Public, in and for the County  
New Mexico this 15 day of October, 1948

*George B. Bowra*  
\_\_\_\_\_

*Mary Taylor*  
Notary Public  
\_\_\_\_\_

My Cor

~~21xx1948~~ 31, 1951.



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY

P. O. Box 997  
Roswell, New Mexico  
September 17, 1948



Mr. R. R. Spurrier  
New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Subject: Spacing of Gas Wells, Blanco  
Field, San Juan County,  
New Mexico

Dear Mr. Spurrier:

On Friday, October 1, at 10:00 a.m., in the offices of the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, I will meet with operators and lessees of Federal lands in the general area of the Blanco field, San Juan County, New Mexico, to discuss the subject of establishing a uniform plan of spacing of wells on such lands for the development of gas

It is essential in the development of gas production from the Mesaverde and underlying formations that a well spacing pattern be established that will tend to secure the greatest ultimate recovery of gas, prevent waste and protect the correlative rights of all parties concerned. Consideration should be given to a wide spacing pattern initially so that the extent of the reservoirs may be more readily determined. At the same time provision could be made for a closer spacing pattern as may be needed after essential reservoir data is obtained.

Several operators have informally reviewed with me the possibility of formulating a unit plan of development and operation of the gas reserves of the deeper formations in the Blanco area. The matter will be further discussed at this meeting.

It is hoped that you or your company will have a representative at the meeting who may speak with authority as to company attitude both as to well spacing and unitisation.

Although this meeting primarily involves the subjects as they effect Federal leases, invitation to attend and to participate is extended to all operators and lessees interested and to State officials.

Very truly yours,

*Foster Morrell*  
Foster Morrell,  
Supervisor, Oil and Gas Operations

Tract No.	Description	No. of Acres	Serial No.	Land Owner and Percentage of Royalty	Record Owner Of Lease Or Application	Overriding Royalty Owner & Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment & Percentage Of Interest
63	The west 65.55 acres of the NE/4, NR/4 SW/4 except the west 100 ft. thereof and except 2 acres in the SW corner of NE/4 SW/4 and east 20 acres of the NW/4 SW/4 Sec. 13	120.15		Simon Velasquez, et ux	Stanford		
64	3.4 acres out of the W/2 NW/4 SE/4 and the west 100 ft. of the NE/4 SE/4 Sec. 13	6.8		Manuel S. Martinez, et al	Unleased		
65	2 acres in the SW corner of the NE/4 SE/4 Sec. 13	2		Tonita Martinez	Unleased		
66	The east 18.85 acres of the NE/4 Sec. 13	18.85		Ben Case	Stanford		
67	West 61.15 acres of the W/2 NE/4 and east 14.45 acres of the W/2 NE/4 Sec. 13	75.60		Edward U. Long	Unleased		
68	Township 30 North, Range 7 West South 20 acres of the North 40 acres of Tract No 40, being in sections 6 and 7 North 20 acres of the South 40 acres of Tract 40, being in Section 7	40		H. B. Salmon and C. G. Culpepper	Unleased		

STANOLIND OIL AND GAS COMPANY  
Tulsa, Oklahoma

*Case  
163*

August 3, 1949

File: 480-42,319

Re: A- 8765  
Proposed Unit  
Northeast Blanco Area  
San Juan & Rio Arriba Counties  
New Mexico

Supervisor of Oil and Gas Operations (3)  
United States Geological Survey  
Roswell, New Mexico

Commissioner of Public Lands  
State Land Office  
Santa Fe, New Mexico

Director, New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Gentlemen:

By our letter of July 6, 1949 concerning the proposed oil and gas unit in the Northeast Blanco Area, San Juan and Rio Arriba Counties, New Mexico, application was made for:

- (1) Designation of an area logically subject to unitization.
- (2) Approval of the drilling obligation of a test well to be drilled to a depth of 5500' in order to test all horizons down to and including the Mesa-Verde formation.
- (3) Approval as to form of an attached Unit Agreement.

It has been called to our attention by Mr. Foster Correll, Supervisor of Oil and Gas Operations, United States Geological Survey, in a letter dated July 19, 1949, that the form of unit agreement as submitted under our letter of July 6 is essentially identical to the one submitted by the Slick Oil Company for the Huerfano Area, San Juan County, New Mexico. Mr. Correll also points out that the Huerfano Unit Agreement was recently modified in the Washington office of the U.S.G.S. and suggests that the Northeast Blanco Unit Agreement be made to conform to the Huerfano Unit Agreement and resubmitted for further consideration. As to our application for (1) and (2) above we are advised that these matters have been



COPY

ILLEGIBLE

August 3, 1949

referred to Washington for action.

In accordance with Mr. Morrell's suggestion, the attached copy of Unit Agreement for the Northeast Blanco Area has been modified to conform with the revised form of Huerfano Unit Agreement. The only section in the attached agreement which contains different language is section 8 entitled "Drilling to Discovery". In view of your recent consideration of the form of Huerfano Agreement, we presume that processing of the attached agreement for approval as to form will be facilitated. Accordingly, your early response in this connection will be appreciated.

Yours very truly,

mdh:ke  
Attachment

ILLEGIBLE

UNIT AGREEMENT FOR THE DEVELOPMENT AND  
OPERATION OF THE NORTHEAST BLANCO UNIT AREA,  
COUNTIES OF SAN JUAN AND RIO ARriba  
STATE OF NEW MEXICO

1-Sec. No. \_\_\_\_\_

THIS AGREEMENT, entered into as of the \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_,  
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 term "working interest owner" as used herein and in other  
contracts between and among the parties relating to the subject lands shall mean  
and refer only to such an interest committed hereto as may be obligated to bear or  
share, either in cash or out of production (other than by permitting the use of  
unitized substances for development, production, repressuring or recycling purposes),  
a portion or all of the costs or expenses of development, equipping or operating any  
land within the Unit Area subject to this agreement. If the working interest in any  
tract is or shall hereafter be owned by more than one party, the term "working in-  
terest owner", when used with respect to such tract, shall refer to all such parties  
owning the working interest therein; and

WHEREAS, the act of February 25, 1920, 41 Stat. 437, 30 U.S.C. Sec. 181,  
et. seq., as amended by the act of August 8, 1946, 60 Stat. 950, authorizes Federal  
lessees and their representatives to unite with each other, or jointly or separately  
with others, in collectively adopting and operating under 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 (Chap. 88, Laws 1943) to consent to or  
approve this agreement on behalf of the State of New Mexico, insofar as it covers  
and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is  
authorized by an Act of the Legislature (Chap. 72, Laws 1935) to approve this agree-  
ment and the conservation provisions hereof;

WHEREAS, the parties hereto hold sufficient interests in the Northeast Blanco Unit Area 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 unit area and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS: The 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, and as to non-Federal land applicable State laws are accepted and made part of this agreement.

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

NEW MEXICO PRINCIPAL MERIDIAN

Township 31 North, Range 6 West

Sec. 6 - All	Sec. 18 - All	Sec. 20 - All
Sec. 7 - All	Sec. 19 - All	Sec. 30 - All

Township 31 North, Range 7 West

Sec. 1 - All	Sec. 19 - All	Sec. 28 - All
Sec. 9 - S $\frac{1}{2}$	Sec. 20 - All	Sec. 29 - All
Sec.10 - S $\frac{1}{2}$	Sec. 21 - All	Sec. 30 - All
Sec.11 - All	Sec. 22 - All	Sec. 31 - All
Sec.12 - All	Sec. 23 - All	Sec. 32 - All
Sec.13 - All	Sec. 24 - All	Sec. 33 - All
Sec.14 - All	Sec. 25 - All	Sec. 34 - All
Sec.15 - All	Sec. 26 - All	Sec. 35 - All
Sec.16 - All	Sec. 27 - All	Sec. 36 - All

Township 31 North, Range 8 West

Sec.25 - All  
Sec.36 - All

Township 30 North, Range 7 West

Sec. 2 - All	Sec. 7 - All	Sec. 17 - All
Sec. 3 - All	Sec. 8 - All	Sec. 18 - All
Sec. 4 - All	Sec. 9 - All	Sec. 19 - All
Sec. 5 - All	Sec.10 - All	Sec. 20 - All
Sec. 6 - All	Sec.16 - All	Sec. 21 - All
		Sec. 22 - W $\frac{1}{2}$ W $\frac{1}{2}$
		Sec. 29 - N $\frac{1}{2}$

Township 30 North, Range 8 West

Sec. 1 - All  
Sec. 12 - All

Sec. 13 - All  
Sec. 24 - All

Total Unit Area embraces 33,000 acres, more or less.

Exhibit "A" attached hereto is a map showing the unit area and the known ownership of all land and leases in said area. Exhibit "B" attached hereto is a schedule showing the percentage and kind of ownership of oil and gas interests in all land in the unit area. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area or other changes render such revision necessary, but no such revision shall be retroactive. Not less than six copies of the revised exhibits shall be filed with the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", and two copies with the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner".

The above-described unit area shall when practicable be expanded to include therein any additional tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be in the following manner: (a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", or on demand of the Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof;

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

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor and Commissioner evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator.

(d) After due consideration of all pertinent information, the Director and Commissioner shall approve in whole or in part or reject the proposed expansion or contraction. To the extent that it may be approved, such expansion or contraction shall become effective as of the date prescribed in the notice thereof.

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

3. 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".

4. UNIT OPERATOR: Stanolind Oil and Gas Company is hereby designated as Unit Operator and by signature hereto commits to this agreement all interests 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 owner of interests in unitized substances.

The Unit Operator may resign as Unit Operator whenever not in default under this agreement, but no Unit Operator shall be relieved from the duties and obligations of Unit Operator for a period of six months after it has served notice of intention to resign on all owners of working interests subject hereto and the Director and Commissioner unless a new Unit Operator shall have been selected and approved and shall have assumed the duties and obligations of Unit Operator prior to the expiration of said six-month period. Unless a successor operator is to be selected and approved, and is to assume the duties and obligations of operator prior to the effective date of the retiring operator's relinquishment of duties, the retiring operator must place all wells drilled hereunder in a satisfactory condition for suspension or abandonment as may be required by the Supervisor and the Commissioner under applicable Federal and State oil and gas operating regulations. Upon default or failure in the performance of its duties or obligations under this agreement, the Unit Operator may be removed by a majority vote of owners of working interests determined in like manner as herein provided for the selection of a successor Unit Operator. Prior to the effective date of relinquishment by, or within six months after removal of Unit Operator, the duly qualified successor Unit Operator shall have an option to purchase on reasonable terms all or any part of the equipment, material, and appurtenances in or upon the land subject to this agreement, owned by the retiring Unit Operator and used in its capacity as such Operator, or if no qualified successor operator has been designated, the working interest owners may purchase such equipment, material, and appurtenances. At any time within the next ensuing three months any equipment, material, and appurtenances not purchased and not necessary for the preservation of wells may be removed by the retiring Unit Operator, but if not removed shall become the joint property of the owners of unitized working interests in the participating area or, if no participating area has been established, in the entire unit area. The termination of the rights as Unit Operator under this agreement shall not terminate the right, title, or interest of such Unit Operator in its separate capacity as owner of interests in unitized substances.

5. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall relinquish the right as Unit Operator or shall be removed, the owners of the unitized working interests in the participating area on an acreage basis, or in the unit area on an

acreage basis until a participating area shall have been established, shall select a new Unit Operator. A majority vote of the working interests qualified to vote shall be required to select a new Unit Operator; provided, that if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of at least one additional working interest owner shall be required to select a new Unit 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 Director and Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Commissioner at their election may declare this unit agreement terminated.

6. UNIT ACCOUNTING AGREEMENT: If the Unit Operator is not the sole owner of working interests, all costs and expenses incurred in conducting unit operations hereunder and the working interest benefits accruing hereunder shall be apportioned among the owners of unitized working interests in accordance with a unit accounting agreement by and between the Unit Operator and the other 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 "Unit Accounting 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 inconsistency or conflict between this unit agreement and the unit accounting agreement, this unit agreement shall prevail. Three true copies of any unit accounting agreement executed pursuant to this section shall be filed with the Supervisor.

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, and storing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Each working interest owner shall take in kind, or market individually or through an agent, its respective portion of the unitized substances and acting individually or through an agent shall pay all royalty, overriding royalty or other payments to which the portion of such working interest owner is subject. The right is hereby secured to the United States and the State of New Mexico under existing or future laws and regulations to elect to take its respective royalty shares in kind or value. 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.

The Unit Operator shall pay all costs and expenses of operation with respect to the unitized land; and no charge therefor shall be made against the royalty owners. If and when the Unit Operator is not the sole owner of all working interests, such costs shall be charged to the account of the owners of working interests, and the Unit Operator shall be reimbursed therefor by such owners and shall account to the working interest owners for their respective shares of the production derived from operations hereunder, all in the manner and to the extent provided in the unit accounting agreement. If the Unit Operator is the sole working interest owner, he shall bear all such costs and expenses. The Unit Operator shall render each month to the owners of unitized interests entitled thereto an accounting of the operations on unitized land during the previous calendar month, and shall pay in value or deliver in kind to each party entitled thereto a proportionate and allocated share of the benefits accruing hereunder in conformity with operating agreements, leases, or other independent contracts between the Unit Operator and the parties hereto either collectively or individually.

The development and operation of land subject to this agreement under the terms hereof shall be deemed full performance by the Unit Operator of all obligations for such development and operation with respect to each and every part or separately owned tract of land subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement, or other contract by and between the parties hereto or any of them.

8. TEST WELLS. It is agreed that the first well drilled under this agreement shall be a Mesa Verde test well, drilling of which shall be commenced within one year after the effective date hereof at a location approved by the Supervisor if such location is upon lands of the United States, and if upon State lands or patented lands such location shall be approved by the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as "Commission". Thereafter drilling of said Mesa Verde test well shall be continued with diligence to a depth of 5500 feet, unless at a lesser depth unitized substances shall be encountered which can be produced in paying quantities or unless at a lesser depth the Mesa Verde formation has been adequately tested, or unless said formation is reasonably proved to be absent from the stratigraphic sequence, or unless the

Unit Operator shall at any time establish to the satisfaction of the Supervisor as to wells on Federal lands, or the Commission as to wells on State lands or patented lands, that further drilling of said well would not be warranted. If the first or any subsequent test well fails to result in the discovery of a deposit of unitized substances capable of being producing in paying quantities, this agreement shall terminate unless the 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 said Supervisor if on Federal land or the Commissioner if on State land or patented land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities, or unless the time for the commencement of any such additional well is extended by the Director and Commissioner. The Director and Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted. Upon failure to comply with the drilling provisions of this section, the Director and 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. The drilling of the said Mesa Verde test well to the depth and in the manner hereinabove specified by the Unit Operator shall satisfy the requirements set forth hereinabove for the drilling of such well notwithstanding that such well may have been commenced prior to the effective date of this agreement.

9. PLAN OF FURTHER DEVELOPMENT AND OPERATION: Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Commissioner, and the Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission, a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for exploration of the unitized area and for the determination of the commercially productive area thereof in each and every productive formation and shall be as complete and adequate as the Supervisor, the Commissioner, and the Commission may

determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall (a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the Commissioner, and the Commission. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Commissioner are authorized to grant a reasonable extension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well, capable of producing oil and gas in paying quantities no further wells except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and the Commissioner shall be drilled except in accordance with a plan of development approved as herein provided.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well pursuant to the provisions of Section 8 hereof capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director, the Commissioner, and the Commission a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all land in said schedule on approval of the Director, the Commissioner, and the Commission to constitute a participating area, effective as of the date of first production. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, and the percentage of allocation shall also be revised accordingly. The effective

date of any revision shall be the first of the month following the date of first authentic knowledge or information on which such revision is predicated, unless a more appropriate effective date is specified in the schedule. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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

In the absence of Agreement at any time between the Unit Operator and the Director, the Commissioner, and the Commission as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the State of New Mexico which shall be determined by the Supervisor and the Commissioner and the amount thereof deposited with the district land office of the Bureau of Land Management and the Commissioner of Public Lands respectively to be held as unearned money until the participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor as to wells on Federal land, the Commissioner as to wells on State land, and the Commission as to patented land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall be allocated to the land on which the well is located so long as that well is not within a participating area established for the pool or deposit from which such production is obtained.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each participating 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 unitized land of the participating area established for such production 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 said participating area. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area.

12. DEVELOPMENT OR OPERATION ON NON-PARTICIPATING LAND: Any party or parties hereto, other than the Unit Operator, owning or controlling a majority of the working interests in any unitized land not included in a participating area and having thereon a regular well location in accordance with a well-spacing pattern established under an approved plan of development and operation may drill a well at such location at his or their own expense, unless within 90 days of receipt of notice from said party or parties of intention to drill the well the Unit Operator elects and commences to drill such well in like manner as other wells are drilled by the Unit Operator under this agreement.

If such well, by whomsoever drilled, results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator pursuant to the terms of this agreement as other wells within participating areas, and there shall be a financial adjustment between the parties who financed the well and the working interest owners in the participating area concerning their respective drilling and other investment cost, all as provided in the unit accounting agreement.

If any well, by whomsoever drilled, as provided in this section, obtains production insufficient to justify inclusion of the land on which said well is situated in a participating area, such well may be operated and produced by the party drilling the well. If the drilling of such well was financed by parties other than the working interest owners on the well tract, details of financial arrangements and operations as between such parties shall be provided for in the unit accounting agreement.

Wells drilled or produced at the sole expense and for the sole benefit of an owner of working interest other than the Unit Operator shall be operated and produced pursuant to the conservation requirements of this agreement. Royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreement affected.

13. ROYALTIES AND RENTALS: Royalty on each unitized tract shall be paid or delivered by the parties obligated therefor as provided by existing leases.

contracts, laws, and regulations at the lease or contract rate upon the unitized substances allocated to the tract. Nothing herein contained shall operate to relieve the lessees of Federal or State lands from their obligations under the terms of their respective leases to pay rentals and royalties.

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

Unitized substances produced from any participating area and used therein in conformance with good operating practice for drilling, operating, camp, or other production or development purposes or under an approved plan of operation for repressuring or cycling said participating area, or for development outside of such participating area if for the purposes of drilling exploratory wells or for camps or other purposes benefiting the unit as a whole, shall be free from any royalty or other charge except as to any products extracted from unitized substances so used. If Unit Operator introduces gas for which royalties have been paid into any participating area hereunder from sources other than such participating area for use in repressuring, stimulation of production, or increasing ultimate production in conformity with a plan first approved by the Supervisor, a like amount of gas may be sold without payment of royalty as to dry gas but not as to the products extracted therefrom; provided, that gas so introduced shall bear a proportionate and equitable share of plant fuel consumption and shrinkage in the total volume of gas processed from such participating area; and provided further, that such withdrawal shall be at such time as may be provided in the plan of operation or as may otherwise be consented to by the Supervisor as conforming to good petroleum engineering practice; provided, however, that said right of withdrawal royalty free shall terminate upon termination of the unit agreement.

Each working interest owner and lessee presently responsible for the payment of rentals, or his successor in interest, shall be responsible for and shall pay all rentals of whatsoever kind on his respective lease. Rental or minimum royalty for land of the United States subject to this agreement shall be paid at the rate specified in the respective Federal leases or such rental or minimum

royalty may be waived, suspended, or reduced to the extent authorized by law and applicable regulations. Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases, or may be reduced and suspended upon the order of the Commissioner of Public Lands of the State of New Mexico pursuant to applicable laws and regulations.

14. CONSERVATION: Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances, to the end that the maximum efficient yield may be obtained without waste, as defined by or pursuant to State or Federal law or regulation; and production of unitized substances shall be limited to such production as can be put to beneficial use with adequate realization of fuel and other values.

15. DRAINAGE: The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal land or as approved by the Commissioner as to State land. Unit Operator shall be reimbursed for the cost thereof by the working interest owners in the manner provided in the unit accounting agreement.

16. LEASES AND CONTRACTS CONFORMED TO AGREEMENT: The parties hereto holding interests in leases embracing unitized land of the United States or of the State of New Mexico consent that the Secretary of the Interior, hereinafter referred to as "Secretary", and the Commissioner, respectively, may, and said Secretary and Commissioner by their approval of this agreement do, establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of such leases and the regulations in respect thereto, to conform said requirements to the provisions of this agreement, but otherwise the terms and conditions of said leases shall remain in full force and effect.

Said parties further consent and agree, and the Secretary, or his duly authorized representative and Commissioner by their respective approvals hereof determine, that during the effective life of this agreement, drilling and producing operations performed by the Unit Operator upon any unitized land will be accepted and deemed to be operations under and for the benefit of all unitized leases embracing land of the United States and of the State of New Mexico; that no such lease shall be deemed to expire by reason of failure to produce wells situated on land therein embraced; and that all leases or other contracts concerning such land, except as otherwise provided herein, shall be modified to conform to the provisions

of this agreement and shall be continued in force and effect beyond their respective terms during the life of this agreement. Any Federal lease for a term of 20 years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force until the termination hereof. Any other Federal lease committed hereto shall continue in force as to the committed land so long as the lease remains committed hereto, provided a valuable deposit of unitized substances is discovered prior to the expiration date of the primary term of such lease. Authorized suspension of all operations and production on the unitized land shall be deemed to constitute authorized suspension with respect to each unitized lease.

The parties hereto holding interests in privately owned land within the unit area consent and agree, to the extent of their respective interests, that each such lease may be continued in effect beyond the primary term of such lease and during the term of this agreement, provided however that until some portion of the land in a privately owned lease is included in a participating area said lease may be kept in force only by the payment of the delay rentals in the time, manner and amount provided by said lease. Except as in this section otherwise provided, all leases or other contracts concerning such land shall be modified to conform to the provisions of this agreement and shall be continued in force and effect during the life of this agreement; that drilling and producing operations conducted on any tract of land committed to this agreement will be accepted and deemed to be performed on and for the benefit of each and every tract of such privately owned land committed hereto; that no lease affecting said privately owned land shall be deemed to expire by reason of failure to drill or to produce wells situated on such lands; and that authorized suspension of all operations and production on unitized land shall be deemed to constitute authorized suspension with respect to all unitized leases affecting privately owned lands.

17. 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 by the grantee, transferee, or other successor in interest, and as to State land shall be subject to approval by the Commissioner. No assignment or transfer of any working, royalty, or other interest shall be binding on the Unit Operator until the first day of the next calendar month after the Unit Operator is

furnished with the original or photostatic or certified copy of the instrument or transfer.

18. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Secretary and the Commissioner and shall have a term of 5 years commencing as of said effective date, unless (a) the date of expiration is extended by the Director and the Commissioner, or (b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and the Commissioner, or (c) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which case the agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities; or (d) it is terminated as provided in Section 5 or Section 8 hereof. This agreement may be terminated at any time by not less than 75 percentum, on an acreage basis, of the owners of working interest signatory hereto with the approval of the Director and the Commissioner.

19. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION: All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided further that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately-owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

20. CONFLICT OF SUPERVISION: Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination, or expiration of any rights hereunder or under any leases or contracts subject

hereto, or to any penalty or liability for delay or failure in whole or in part to comply therewith to the extent that the said Unit Operator, working interest owners or any of them are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain with the exercise of due diligence the concurrence of the representative of the United States and the representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority vested in the Commission in and by any provisions of this contract are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject to any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

23. COUNTERPARTS AND SUBSEQUENT JOINDER: This agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document, or this agreement may be ratified with like force and

effect by a separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who execute 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 affected hereby. Any owner of oil or gas interests in lands located within the unit area not subject hereto, may, with the consent of the Director, hereafter become a party hereto by subscribing to this agreement or ratifying or approving the same and, if such party is also a working interest owner, such party may be admitted and become a party to this agreement and his acreage become subject hereto by establishing his title to the operating rights to such land to the satisfaction of Unit Operator and by reaching an equitable agreement with the Unit Operator and the majority of the then working interest owners on the lands then subject to this agreement with respect to classification and participating interest of such new acreage and the sharing of the development and operating costs hereunder and by subscribing to this agreement or ratifying or approving the same and subscribing to or ratifying the unit accounting agreement and securing the execution of such consents as shall be necessary to make this agreement effective as to all parties owning any interest in said lands or in the production therefrom, it being understood that all rights of new parties or new acreage which may become subject hereto shall attach only from the date of their admission hereto and shall in no manner be retroactive. Any separate counterpart, consent, or ratification duly executed after approval hereof by the Secretary and the Commission shall be effective on the first day of the month next following the filing thereof with the Supervisor and the Commissioner, unless objection thereto is made by the Director or the Commissioner and notice of such objection is served upon the appropriate parties within 60 days after such filing.

24. FAIR EMPLOYMENT: The Unit Operator shall not discriminate against any employee or applicant for employment because of race, creed, color, or national origin, and an identical provision shall be incorporated in all subcontracts.

25. 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 this unit agreement, so that such tract is not committed to this unit agreement, there shall be such readjustment of participation as may be required on account of such failure of title. In the event of a dispute as to title or as to any interest in unitized land, the Unit Operator may withhold payment or delivery

on account thereof without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico shall be withheld, but such funds shall be deposited with the district land office of the Bureau of Land Management and the Commissioner of Public Lands of the State of New Mexico, respectively, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

26. NO PARTNERSHIP: It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

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

UNIT OPERATOR AND WORKING INTEREST OWNER  
STANOLIND OIL AND GAS COMPANY

ATTEST: \_\_\_\_\_ DATE: \_\_\_\_\_  
Assistant Secretary

By \_\_\_\_\_  
Vice-President

Address: \_\_\_\_\_

WORKING INTEREST OWNERS

ATTEST: \_\_\_\_\_ DATE: \_\_\_\_\_  
Assistant Secretary

By \_\_\_\_\_  
Vice-President

Address: \_\_\_\_\_

ATTEST: \_\_\_\_\_ DATE: \_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

Address: \_\_\_\_\_

ATTEST: \_\_\_\_\_ DATE: \_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

Address: \_\_\_\_\_

ATTEST: \_\_\_\_\_ DATE: \_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

Address: \_\_\_\_\_

ATTEST: \_\_\_\_\_ DATE: \_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

Address: \_\_\_\_\_

CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the act approved February 25, 1920, 41 Stat. 437, 30 U.S.C. Secs. 181, et seq., as amended by the act of August 8, 1946, 60 Stat. 950, and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C.F.R. sec. 4.611, 12 F.R. 6784, I do hereby:

A. Approve the attached Unit Agreement for the Development and Operations of the Northeast Blanco Unit Area, Counties of San Juan and Rio Arriba, State of New Mexico.

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

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

Dated: \_\_\_\_\_

\_\_\_\_\_  
Director, United States Geological Survey

CERTIFICATE OF APPROVAL

STATE OF NEW MEXICO

The undersigned, Commissioner of Public Lands of the State of New Mexico, having this day examined an agreement for the cooperative or unit operation and development of a prospective oil or gas field or area, which agreement is entitled "Unit Agreement for the Development and Operation of the Northeast Blanco Unit Area, Counties of San Juan and Rio Arriba, New Mexico", entered into between Stanolind Oil and Gas Company, Unit Operator, and likewise subscribed by numerous Working Interest Owners and Royalty Owners, to which agreement this certificate is attached; and

WHEREAS, upon examination thereof, 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 field;
- b. That under the operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its lands in the area affected;
- c. That the agreement is in other respects for the best interest of the state;
- d. That the agreement provides for the unit operation of the field, for the allocation of production, and the sharing of proceeds from a part of the area covered by the agreement on an acreage basis as specified in the agreement.

NOW, THEREFORE, by virtue of the authority conferred upon me by Chapter 88 of the Laws of the State of New Mexico, 1943, approved April 14, 1943, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, as to the lands of the State of New Mexico included in said Unit Agreement, and subject to all the provisions of the aforesaid Chapter 88 of the Laws of the State of New Mexico, 1943.

Executed this \_\_\_\_ day of \_\_\_\_\_, A.D. 1949.

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Commissioner of Public Lands of  
the State of New Mexico

OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

13 October 1948

The Astec Independent Review  
Aztec, New Mexico

RE: Cases 163 & 165 - Notice  
of Publication

Gentlemen:

Please publish the enclosed notice once, immediately. Please proof-read the notice carefully and send a copy of the paper carrying such notice.

UPON COMPLETION OF THE PUBLICATION, PLEASE SEND PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, accompanied by voucher executed in duplicate. The necessary blanks are enclosed.

Very truly yours,

---

RRS:bsp

cc: Al Greer

C

O

P

Y

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE PETITION OF  
STANOLIND OIL AND GAS COMPANY FOR  
THE ADOPTION OF REGULATIONS ESTAB-  
LISHING 640-ACRE SPACING IN THE  
BLANCO FIELD IN SAN JUAN COUNTY,  
NEW MEXICO:  
ESTABLISHING OF THE LOCATION OF THE  
INITIAL WELL ON EACH 640 ACRES;  
FIXING REGULATIONS AS TO THE SETTING  
OF PIPE; AND FOR BACK PRESSURE TESTS  
OF THE VARIOUS STRATA.

CASE NO. 163

AFFIDAVIT

In connection with the above styled and numbered case which is now pending before this Honorable Commission, we the undersigned, representing a majority in interest of the working interests in oil and gas leases covering what is now known as the Blanco Gas Field in San Juan County, New Mexico, and which is before this Honorable Commission for consideration in the subject case, do hereby respectfully request that this Commission adopt regulations governing the development of what is known as Mesaverde Gas Pay in the said field, as follows:

1. That a 320 acre spacing program be adopted until such time as reservoir characteristics are determined, the initial well to be located at the center of the NE $\frac{1}{4}$  and SW $\frac{1}{4}$  of each section, such location to be subject to a 330 foot tolerance, in the Commission's discretion in instances where necessary to reduce drilling costs because of rugged terrain.
2. That surface pipe be set through at least 50 feet of the first hard rock formation, circulated to the top with cement, and installed in such a manner as to insure adequate protection against blow outs and cratering.
3. That the production string be set on top of the Cliff House pay, with a minimum of 100 sacks of cement, and that tests be made under the existing regulations of the Commission.
4. That all wells drilled through the Point Lookout pay be required to take separate back pressure tests of (a) the Cliff House pay, (b) the Point Lookout pay, and (c) both pays commingled, with a minimum of three points to each back pressure test. That wells in the Cliff House pay be required to take back pressure test, obtaining a minimum of three points, and that all tests be taken either in the process of completion, or by means of packer separation between the Point Lookout and Cliff House pays after completion, and that all tests be certified and filed with this Commission.

*and a greater tolerance*  
*[Signature]*





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY

P. O. Box 997  
Roswell, New Mexico  
September 17, 1948

Morrell's Exhibit A

Case 163

Subject: Spacing of Gas Wells, Blanco  
Field, San Juan County,  
New Mexico

Gentlemen:

On Friday, October 1, at 10:00 a.m., in the offices of the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, I will meet with operators and lessees of Federal lands in the general area of the Blanco Field, San Juan County, New Mexico, to discuss the subject of establishing a uniform plan of spacing of wells on such lands for the development of gas

It is essential in the development of gas production from the Mesaverde and underlying formations that a well spacing pattern be established that will tend to secure the greatest ultimate recovery of gas, prevent waste and protect the correlative rights of all parties concerned. Consideration should be given to a wide spacing pattern initially so that the extent of the reservoirs may be more readily determined. At the same time provision could be made for a closer spacing pattern as may be needed after essential reservoir data is obtained.

Several operators have informally reviewed with me the possibility of formulating a unit plan of development and operation of the gas reserves of the deeper formations in the Blanco area. The matter will be further discussed at this meeting.

It is hoped that you or your company will have a representative at the meeting who may speak with authority as to company attitude both as to well spacing and unitisation.

Although this meeting primarily involves the subjects as they effect Federal leases, invitation to attend and to participate is extended to all operators and lessees interested and to State officials.

Very truly yours,

*Foster Morrell*  
Foster Morrell,

Supervisor, Oil and Gas Operations

*Morrell's G1A*

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SYMBOLS	
DL	Day Letter
NL	Night Letter
LC	Deferred Cable
NLT	Cable Night Letter
	Cable Radiogram

JOSEPH L. EGAN  
 PRESIDENT

910 FEB 20 1949

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NEW MEXICO OIL CONSERVATION COMM CAPITOL BLDG SANTA FE

NMEX=

NEW MEXICO OIL CONSERVATION COMMISSION  
 FEB 24 1949

REFERENCE YOUR PROPOSED ISSUANCE OF ORDER NO. 799 CASE NO. 163, BLANCO FIELD, SAN JUAN COUNTY, NEW MEXICO. STANOLIND STILL BELIEVES IT WOULD BE DESIRABLE TO INITIALLY SET UP 640 ACRE SPACING PRORATION UNITS, HOWEVER, WE WILL NOT ACTIVELY OPPOSE FURTHER YOUR ORDER OF 320 ACRE SPACING PRORATION UNITS. WE RESPECTFULLY RECOMMEND THAT THE FIRST SENTENCE OF SECTION 1 (C) SHOULD READ "SUCH WELL SHALL BE LOCATED 330 FEET FROM THE CENTER OF EITHER THE NORTHEAST OR SOUTHWEST QUARTER OF THE GOVERNMENTAL SECTION IN WHICH IT IS LOCATED SUBJECT TO VARIATION OF 200 FEET FOR TOPOGRAPHIC CONDITIONS. FURTHER TOLERANCE SHALL BE ALLOWED BY THE COMMISSION ONLY IN CASES OF EXTREMELY ROUGH TERRAIN WHERE COMPLIANCE WOULD NECESSARILY INCREASE DRILLING COSTS." IN SECTION 3 A. ADD THE WORDS "OF 320 ACRES" TO THE LAST SENTENCE. THE FIRST FIVE SENTENCES OF SECTION 4 A BEGINNING WITH "THE SURFACE PIPE" AND ENDING WITH "TO STAND THIRTY MINUTES" BE REVISED TO READ "THE SURFACE PIPE SHALL BE SET THROUGH THE SHALLOW POTABLE WATER BEARING BEDS TO A MINIMUM DEPTH OF 250 FEET AND A SUFFICIENT AMOUNT OF CEMENT SHALL BE USED TO CIRCULATE THE CEMENT BEHIND THE PIPE TO THE BOTTOM OF THE CELLAR. THIS SURFACE CASING SHALL STAND CEMENTED FOR AT LEAST 24 HOURS BEFORE DRILLING PLUG OR INITIATING TESTS. THE SURFACE CASING SHALL BE

END 1=ERNING ITS SERVICE

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JOSEPH L. EGAN  
PRESIDENT

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R R SPURRIER=

NEW MEXICO OIL CONSERVATION COMM CAPITOL BLDDG SANTAFE

NMEX=

TESTED AFTER DRILLING PLUG BY BAILING THE HOLE DRY. THE HOLE SHALL REMAIN DRY FOR ONE HOUR TO CONSTITUTE SATISFACTORY PROOF OF A WATER SHUT-OFF. IN LIEU OF THE FOREGOING TEST THE CEMENT JOB SHALL BE TESTED BY BUILDING UP PRESSURE OF 1,000 PSI, CLOSING THE VALVES, AND ALLOWING TO STAND THIRTY MINUTES.

SECTION 9-A, CORING SHOULD NOT BE REQUIRED IN THE RULES, BUT SHOULD BE LEFT UP TO THE DISCRETION OF EACH OPERATOR. TESTIMONY INDICATED THAT EACH OPERATOR HAD THE INTENTION OF PERFORMING THIS CORING. HOWEVER, WE DO NOT FEEL THAT IT WOULD BE WISE TO SET UP A PRECEDENT OF REQUIRING CORES, ESPECIALLY IN THIS FIELD AND AT THIS TIME. SECTION 9-E, WE BELIEVE IT WOULD BE MORE DESIRABLE FOR THE OPERATORS TO MEET VOLUNTARILY SEMI-ANNUALLY RATHER THAN TO REQUIRE THESE MEETINGS. IT IS OUR THOUGHT THAT FROM THESE VOLUNTARY MEETINGS ADEQUATE INFORMATION DISSEMINATION CAN BE ACHIEVED AND POSSIBLY LEAD EVENTUALLY TO AN ORGANIZATION OF THE SAN JUAN BASIN OPERATORS SIMILAR TO THAT IN LEA COUNTY. IN VIEW OF THE RECENT COMPLETION OF THE DELHI RIDDLE NO. 1 AND TO CORRECT THE OMISSION OF SECTION 33 IN THE FINAL CLOSING "ORDER" PARAGRAPH WHICH DELINEATES THE FIELD, WE FURTHER SUGGEST THE DESIRABLE ADDITIONS OF SECTIONS 16, 22, 27, 33 AND 34 OF T-30-N,

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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JOSEPH L. EGAN  
PRESIDENT

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R-9-W. THE FOREGOING RECOMMENDATIONS ARE RESPECTFULLY  
SUBMITTED FOR YOUR EARNEST CONSIDERATION IN THE FINAL  
PREPARATION OF ORDER NO. 799=

C F BEDFORD STANOLIND OIL AND GAS CO=

1,000 PSI 9-A 9-E 1 33 16 22 27 33 34 T-30-N R-9W=

STANOLIND OIL AND GAS COMPANY

January 11, 1949

File: LF-7003-175

Re: Status of Unitization,  
Blanco Field, San Juan County,  
New Mexico

Mr. Foster Morrell  
Supervisor of Oil and Gas Operations  
U. S. Geological Survey  
Roswell, New Mexico

Dear Mr. Morrell:

Your letter of December 27, 1948, made inquiry as to the status of unitization proceedings for the Blanco area, San Juan County, New Mexico. In this connection, you furnished a copy of your letter of December 24 to Mr. Frank A. Schultz, Delhi Oil Corporation.

You will recall that the subject of unitization was briefly touched upon at the meeting of interested parties which you called on October 1, 1948, at Santa Fe. At this meeting, you suggested that the Operators consider the possibilities of unitization and that a reasonable plan would be likely to receive U.S.G.S. concurrence. No discussion took place as to who should take the lead in a unitization program and we recognize, of course, that this is something to be worked out between the Operators themselves. You will recall that Stanolind is not the largest owner of interests in this field. However, other units in which we are a party have proved so satisfactory in general that we believe there are sufficient advantages to all parties of interest, both working interest owners and royalty owners, in joining in unitization of this field that we are willing to commence unitization efforts commensurate with our interests in this field.

We accordingly have given some thought to the plan of unitization which would be most suitable to all concerned. The particular features applying to this field which will have to be worked out involve the matter of participation in the four existing wells which are non-uniform in spacing and the fact that it will be difficult to establish a participating area of lands determined productive on the basis of geological information. In an effort to work out these basic points with other concerned parties, it is our thought that perhaps the first step should be to agree upon a set of principles of unitization. We contemplate having a set of proposed principles ready for examination at an early date and will plan to distribute copies of these principles to other Operators about mid-January. We will invite the other Operators to comment upon these principles and we hope that the responses received will indicate sufficient interest to warrant immediate concerted effort toward early formation of a fieldwide unit.

COPY

Mr. Foster Merrell

- 2 -

January 11, 1949

In view of the recent inquiry of Mr. Schultz, we are furnishing him a carbon copy of this letter. A copy is likewise being forwarded to Mr. R. R. Spurrier of the New Mexico Oil Conservation Commission.

Yours very truly,

STAMOLIND OIL AND GAS COMPANY

~~C. F. BEDFORD~~  
C. F. BEDFORD

JBJ/np

cc: Mr. C. B. Caruthers

Mr. Frank A. Schultz  
Delhi Oil Corporation  
1315 Pacific Avenue  
Dallas 1, Texas

Mr. R. R. Spurrier ✓  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

STANOLIND OIL AND GAS COMPANY  
TULSA, OKLAHOMA

January 20, 1949

File: CBC-41.278

Re: Unitization of Blanco Field  
San Juan County, New Mexico



TO ALL OPERATORS  
IN THE BLANCO FIELD, SAN JUAN COUNTY, NEW MEXICO

Gentlemen:

Those in attendance at a meeting of parties interested in the Blanco Field, held in Santa Fe on October 1, 1948, will recall that the prospects of fieldwide unitization came up for brief discussion. Mr. Foster Morrell, Supervisor of Oil and Gas Operations, pointed out to the group that a reasonable plan of unitization could expect to be favorably received by the U.S.G.S. No particular plans toward unitization were developed at that time and no discussion took place as to who should take the lead in a unitization program. You will recall that Stanolind is not the largest owner of interests in this field. However, other units in which we are a party have proved so satisfactory in general that we believe there are sufficient advantages to all parties of interest, both working interest owners and royalty owners, in joining in unitization of this field that we are willing to commence unitization efforts commensurate with our interests in this field.

We accordingly have given some thought to the plan of unitization which would be most suitable to all concerned. The particular features applying to unitization of this field which will have to be worked out involve the matter of participation in the four existing wells which are non-uniform in spacing and the manner in which wells drilled in the future will be handled. In an effort to work out these basic points with other concerned parties, it is our thought that perhaps the first step would be to develop a set of principles of unitization.

We have accordingly prepared a set of possible principles of which a copy is attached for your examination. Since these principles will provide the basis for preparing the Unit Agreement and Accounting (or Operating) Agreement, we would appreciate receiving your remarks and suggestions. We particularly would appreciate reply from each of you as to whether or not you are interested in working with the other Operators toward a fieldwide unit. Should sufficient interest be indicated, it is likely that it will be in order to hold another meeting of Operators for the purpose of developing a program leading toward early formation of a fieldwide unit. Your early response will be appreciated.

Yours very truly,

A handwritten signature in cursive script, appearing to read "C. B. Caruthers".

C. B. Caruthers  
Unitization Superintendent

Attachment

MAILING LIST

Letter dated January 20, 1949 to all Operators  
in the Blanco Field, San Juan County, New Mexico

Mr. M. J. Florance  
Florance Drilling Company  
Aztec, New Mexico

Mr. Caswell Silver  
Florance Drilling Company  
Aztec, New Mexico

Mr. Fred C. Koch  
Wood River Oil and Refining Co., Inc.  
335 West Lewis Street  
Wichita, Kansas

Mr. H. B. Alspaugh  
Wood River Oil and Refining Co., Inc.  
335 West Lewis Street  
Wichita, Kansas

Mr. L. C. Morgan  
Wood River Oil and Refining Co., Inc.  
335 West Lewis Street  
Wichita, Kansas

Mr. Frank A. Schultz  
Delhi Oil Corporation  
1315 Pacific Avenue  
Dallas 1, Texas

Mr. J. R. Cole  
Southern Union Gas Company  
Burt Building  
Dallas, Texas

Mr. Van Thompson  
Southern Union Gas Company  
Burt Building  
Dallas, Texas

Byrd-Frost, Inc.  
1110 Tower Petroleum Building  
Dallas 1, Texas

Mr. H. P. Slegel  
Byrd-Frost, Inc.  
Durango, Colorado

Mr. P. B. English  
Farmington, New Mexico

Mr. Scott R. Brown  
Western Natural Gas Company  
Midland, Texas

Mr. Thomas B. Scott, Jr.  
Brookhaven Oil Company  
Albuquerque, New Mexico

POSSIBLE PRINCIPLES OF UNITIZATION  
BLANCO FIELD, SAN JUAN COUNTY, NEW MEXICO

- I. Unit Area - To be defined on a map and by a schedule of all lands within the Unit Area. The Unit Area is intended to include all lands deemed to be in the Blanco Field.
- II. Unitized Substances - All oil, gas and associated hydrocarbons in any and all formations in the Unit Area.
- III. Working Interest Owner - A party who owns a right to search for and produce unitized substances within the Unit Area.
- IV. Royalty Owner - Any owner who, subject to the right of a Working Interest Owner to search for and produce Unitized Substances, owns mineral rights, royalties, overriding royalties, reversionary interests or other rights in and to the Unitized Substances produced from the Unit Area.
- V. Unit Operator - Party designated to develop and operate the Unit Area for the production of Unitized Substances. As to operations in a Participating Area, the Unit Operator shall be subject to the control and policies established by the Working Interest Owners through the Operating Committee for that Participating Area.
- VI. Operators' Committee - The Operating Committee for a Participating Area shall be composed of a representative designated by each of the Owners of Working Interests in that Participating Area. Each such representative shall have a voting power in proportion to the participating interest of his principal. An affirmative vote of not less than 75% shall be required for approval of any matter coming before the Committee for a vote. Powers and duties of the Operating Committee shall be as follows:
  1. Provide for proper auditing of accounts of Unit Operator.
  2. Provide for the enlargement of the Unit Area.
  3. Instruct Unit Operator as to the payment of taxes.
  4. Determine and approve percentage participation and adjustment of investment cost in accordance with the provisions of the agreement.
  5. Appoint and grant authority to such sub-committees as are desired.
  6. To have the powers and duties reasonably necessary to control operations which come under the terms of the agreement so as to carry out the purposes and provisions of the agreement.
  7. Approve:
    - a. Location, drilling, completion program and equipping of wells.
    - b. Well workovers, recompletions, abandonments, or the change of status of any wells.
    - c. Single expenditures other than normal operating expenses in excess of \$5,000.00.
    - d. Location of tank batteries or other jointly owned facilities.
    - e. Sale of major items of surplus equipment and material.
    - f. Major changes in operating methods.
- VII. Basis of Participation in Production and Costs - Each separately owned tract or portion of tract within a participating area shall have allocated to it such percentage of production from that participating area as its surface acreage area bears to the surface acreage of the Participating Area in which said tract is located. Costs and expenses applying to a Participating Area shall be apportioned in the same manner.

- VIII. Enlargement of Unit Area - Subject to concurrence of Operating Committees, the Unit Area may be enlarged upon approval of the Commissioner of Public Lands of the State of New Mexico and the Director of the U.S.G.S.
- IX. Participating Area - The land in the Participating Areas shall consist of the acreage proved by successfully completed wells and the establishment of such Participating Areas and the enlargement thereof shall be in the manner hereinafter set forth and shall be subject to the approval of the Director of the U.S.G.S.
- X. Initial Mesa Verde Participating Areas - The following four existing wells are deemed as having proved up lands in the Mesa Verde Formation: Florance-Wood River Pierce #1, Florance-Wood River Jane Mansfield #1, Florance-Wood River Bill Mansfield #2, and Stanolind Elliott B#1. The four above wells are deemed to occasion the two following initial Mesa Verde Participating Areas:
1. A Participating Area of 640 acres around Stanolind Elliott B#1, consisting of SE/4 Section 10, SW/4 Section 11, NW/4 Section 14, NE/4 Section 16, Township 29 North, Range 9 West.
  2. As to the three Florance-Wood River wells, one overall contiguous Participating Area of 2240 acres more or less is established for these three wells consisting of the W/2 Section 17, E/2 Section 18, E/2 Section 19, W/2 and SE/4 Section 20, SW/4 Section 21, NW/4 Section 28, N/2 Section 29, and NE/4 Section 30, Township 30 North, Range 9 West.
- XI. Enlargement of Mesa Verde Participating Areas - A Mesa Verde Participating Area may be enlarged to include additional lands on the basis of completion of outside wells which are capable of production from the Mesa Verde formation in paying quantities (the term "paying quantity" as used here is defined as the quantity sufficient to pay the cost of drilling and equipping and the estimated cost of operating the well). In order to cause an enlargement of an established Mesa Verde Participating Area, the outside well must be successfully completed in a quarter section subdivision of the public land survey of which the center of such quarter section is not beyond 3960' (3/4 of a mile) of the nearest point of the boundary of the nearest established Mesa Verde Participating Area. To determine what lands shall be added to the Participating Area by a successfully completed outside well in the Mesa Verde Formation, two straight lines shall be drawn from the center of the quarter section subdivision, in which the outside well is located, to the most distant points of contact with the boundary of the nearest established Mesa Verde Participating Area in such a manner that these straight lines enclose an area contiguous to the Participating Area. The lands to be added to the Participating Area shall consist of the following quarter section subdivisions of the public land survey:
1. (a) The quarter section under the completed well.  
(b) Those quarter sections of which each is 1/2 or more within the contiguous area referred to above provided that the lands qualifying for addition herein are contiguous to the land admitted by subsection 1 above and provided further that the total of such quarter sections does not exceed 6 in number.  
(c) Those quarter sections which are bounded on 2 or more sides by lands either in the then established Participating Area or admitted thereto pursuant to subsections (a) and (b) above to the end that the total number of contiguous quarter sections qualifying for addition herein and in subsections (a) and (b) above does not exceed 6.
  2. Those quarter sections bounded on three sides by lands either in the then established Participating Area or qualifying for addition pursuant to subsection 1 above, or qualifying for addition as provided herein.

In event an outside Mesa Verde well is successfully completed which is located at a distance from an established Participating Area which does not cause enlargement of the Participating Area to include the well as outlined above, a separate Participating Area of not to exceed 4 quarter sections in the form of a square may be established for that well. The party or parties financing such well may select the 4 quarter sections to be established as the Participating Area for such well provided that the quarter sections selected are not less than the linear distance of 5280' (1 mile) from the nearest established Participating Area.

When a linear distance of 2640' (1/2 mile) or less separates two or more Mesa Verde Participating Areas, such Participating Areas may be combined into one and in that event there shall be only one Operating Committee for the areas so combined.

There shall be no retroactive adjustment as to production obtained or as to operating expenses prior to the effective date of revision of a Participating Area. Upon enlargement of any Participating Area, there shall be an adjustment as to investment to the end that each Working Interest Owner will own an undivided interest in the equipment and property on the same basis of participation upon which each owner shares in production and expenses. The cost per well shall be based on the average cost of drilling wells of like character and depth in the Blanco Field in a good and workmanlike manner at the time of the drilling of the well. Appraised values shall apply for lease equipment and improvements erected or constructed thereon.

No Participating Area shall be contracted because of depletion of Unitized Substances or any other cause except loss of title.

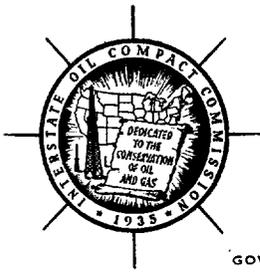
XII. Drilling of Outside Wells - Any Working Interest Owner owning or controlling a majority of the working interests in any unitized land not included in a Participating Area and having thereon a regular well location in accordance with an established well-spacing pattern, may drill a well at such location at his own expense, unless within 90 days of receipt of notice from said party of his intention to drill the well the Operating Committee for the adjacent Participating Area elects and commences to drill such well.

XIII. Disposition of Unitized Substances - All produced Unitized Substances shall be apportioned among the tracts constituting the Participating Area in proportion to the per cent participation of each tract. The Unitized Substances thus allocated to each tract shall be distributed among the owners of the leasehold and royalty interests in each tract in accordance with the provisions of the lease agreement to the same extent as if the Unitized Substances allocated to each such tract had been produced from such tract.

Each Operator shall take in kind his share of the produced Unitized Substances and shall market individually or through an agent and shall pay individually or through an agent all royalties due on such produced Unitized Substances in accordance with the existing lease terms.

No retroactive adjustment of ownership of Unitized Substances shall be made as to any Operator or Royalty Owner produced prior to the date such Operator or Royalty Owner entered into the agreement or as to tracts added to the Participating Area prior to the date such tracts become a part of the Participating Area.

Note: The above principles are to be incorporated in the Unit Agreement and the Accounting (or Operating) Agreement. The Working Interest Owners will be parties to both Agreements but Royalty Owners will be parties to only the Unit Agreement.



# INTERSTATE OIL COMPACT COMMISSION

*Dedicated to the Conservation of Oil and Gas*

GOVERNOR FRANK CARLSON, CHAIRMAN

DON T. ANDRUS, FIRST VICE CHMN.

JAMES McCLURE, JR., SECOND VICE CHMN.

Headquarters Office: Telephone 5-3556 P. O. Box 3127 State Capitol

Oklahoma City 5, Oklahoma

January 27, 1949

EARL FOSTER, EXECUTIVE SECRETARY

ALBERT E. SWEENEY, JR., DIRECTOR  
SECONDARY RECOVERY DIVISION



File: Research and Coordinating Committee  
Unitization and Cooperative Projects  
Survey

Mr. R. R. Spurrier  
Oil Conservation Commission  
Box 871  
Santa Fe, New Mexico

Dear Dick:

We have been anxiously awaiting your reply to our letter of October 19, 1948, in which we requested you to send us a short resume on the unitized and cooperative projects in New Mexico. To date we have received no reply to this request.

We need a statement which covers generally all of the unitized and cooperatively operated fields in your state in order to complete our publication on unitization. Would it be possible for you to send us such a statement before February 15? Please let us know whether or not you can supply this information.

Sincerely yours,

Ty

E. G. Dahlgren

EGD:jb

DOMESTIC SERVICE	
Check the class of service desired; otherwise this message will be sent as a full rate telegram	
FULL RATE TELEGRAM	SERIAL
DAY LETTER	NIGHT LETTER

# WESTERN UNION

1206

INTERNATIONAL SERVICE	
Check the class of service desired; otherwise this message will be sent at the full rate	
FULL RATE	DEFERRED
CODE	NIGHT LETTER

JOSEPH L. EGAN, PRESIDENT

NO. WDS.-CL. OF SVC.	PD. OR COLL.	CASH NO.	CHARGE TO THE ACCOUNT OF	TIME FILED
			OIL CONSERVATION COMMISSION	

Send the following message, subject to the terms on back hereof, which are hereby agreed to

SANTA FE, N. M.      MARCH 1, 1949

FRANK SHULTZ, VICE PRESIDENT  
 DELHI OIL CORPORATION  
 BURT BUILDING  
 DALLAS, TEXAS

ORDER NO. 799, CASE 163, SIGNED EFFECTIVE 25 FEBRUARY 1949.

F. E. SPURRIER, OIL CONSERVATION COM.

MR. FOSTER MORRELL  
 U. S. GEOLOGICAL SURVEY  
 ROSWELL, NEW MEXICO

March 2, 1949

Mr. Al Greer  
P. O. Box 337  
Aztec, New Mexico

Dear Al:

Please find enclosed, copy of Order No. 799, Case 163, dated  
February 25, 1949, for your records.

Very truly yours,

R. R. Spurrier  
Secretary and Director

RRS:bw  
encl.

March 2, 1949

Oil Conservation Commission  
205 Booker Building  
Artesia, New Mexico

Gentlemen:

Please find enclosed, copy of Order No. 799, Case No. 163, dated  
February 25, 1949, for your records.

Very truly yours,

R. R. Spurrier  
Secretary and Director

RRS:bw  
encl.

March 1, 1949

Mr. Foster Morrell  
United States Geological Survey  
P. O. Box 997  
Roswell, New Mexico

Dear Mr. Morrell:

Enclosed please find signed copy of the Commission's Order No. 799,  
Case No. 163, dated February 25, 1949, for your records.

Very truly yours,

R. R. Spurrier  
Secretary and Director

RPS:hw  
encl.

March 1, 1949

Mr. Glenn Staley  
Lea County Operators Committee  
Drawer I  
Hobbs, New Mexico

Dear Mr. Staley:

Enclosed please find signed copy of Order No. 799, Case 163, dated February 25, 1949, for your records.

We would appreciate receiving 100 mimeographed copies of this order.

Very truly yours,

R. R. Spurrier  
Secretary and Director

RRS:bw  
encl.

March 1, 1949

Mr. J. O. Seth  
111 E. San Francisco Street  
Santa Fe, New Mexico

Dear Judge Seth:

Enclosed please find a signed copy of Order No. 799, Case No. 163,  
entered and adopted by the Commission on February 25, 1949.

Very truly yours,

R. R. Spurrier  
Secretary and Director

RRS:bw  
encl.

February 14, 1949

Mr. J. O. Seth  
111 E. San Francisco Street  
Santa Fe, New Mexico

Dear Judge Seth:

Enclosed please find an unsigned copy of proposed Order No. 799, in Case 163, in accordance with your request.

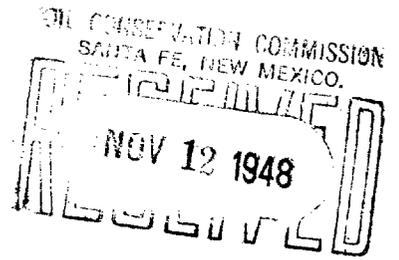
It is expected to promulgate this order in the near future, therefore if you will kindly indicate your ideas of its applicability as soon as possible, I am sure Mr. Spurrier will appreciate same.

Very truly yours,

George A. Graham

GAG:bsw  
encl.

**Wm. Mansfield**  
OIL OPERATOR  
**AZTEC, NEW MEXICO**  
Farmington, New Mexico  
November 10, 1948



Case 163

Oil Conservation Commission  
Santa Fe, New Mexico

Attn: Mr. R. R. Spurrier  
State Geologist

Gentlemen:

It was not possible for me to attend the recent hearings with respect to well spacing for the Blanco Gas Field, San Juan County, New Mexico.

As a very small lease owner in this area, I desire to go on record as opposing 640 acre spacing at this stage of development of the field.

Very truly yours,

*William Mansfield*  
William Mansfield

O'H

January 11, 1949

Mr. Albert H. Greer  
Anderson-Prichard Oil Corporation  
Oklahoma City, Oklahoma

Dear Al:

This will acknowledge your comments addressed to the Commission,  
dated January 3, 1949.

We are very happy to have your comments and appreciate very much  
the analysis you have made of gas well spacing in the Blanco pool, San  
Juan County.

Sincerely,

---

R. R. Spurrier  
Secretary and Director

RRS:bw

SETH AND MONTGOMERY  
ATTORNEYS AND COUNSELORS AT LAW  
III SAN FRANCISCO ST.  
SANTA FE, NEW MEXICO

J. O. SETH  
A. K. MONTGOMERY  
OLIVER SETH

November 30, 1948.



Oil Conservation Commission  
Santa Fe, New Mexico

Gentlemen:

I have received from Mr. Card, of the Stanolind Oil and Gas Company, the enclosed copies of proposed field rules for the Blanco gas field, following the testimony introduced at the hearing beginning on October 28th last, also a plat setting forth the proposed drilling program.

This is submitted, of course, merely as a suggestion from the Stanolind Oil and Gas Company, and it is submitted pursuant to the suggestion made by Mr. Spurrier at the time of the hearing.

The order includes all provisions believed desirable to control development, production and drilling.

Very truly yours,

A handwritten signature in cursive script, appearing to read "J. O. SETH".

JOS:CB  
Encls.

ALBERT R. GREER  
REGISTERED PETROLEUM ENGINEER  
STATE OF NEW MEXICO

3 January, 1949

The New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Re: Case 163 *file* October 28-29, 1948; relative  
to gas well spacing in the Blanco Field,  
San Juan County.

Gentlemen:

I have studied the testimony presented at this hearing and would like to summarize some of the evidence as I have interpreted it, for the benefit of the commissioners. I am interested in this area in a small personal way, however I feel competent to analyze the engineering information presented.

Two things were apparently agreed upon in principle by all concerned:

- 1) Development of the field is necessary, desirable and should be encouraged.
- 2) Economics is the most important limiting factor relative to well spacing.

There was a difference of opinion, however, as to whether close or wide spacing would encourage development, and just how much gas was necessary to provide a satisfactory payout. Considerable testimony was presented in favor of both close and wide spacing, which I will not repeat here.

One salient fact relative to both development and economics was not pointed out, however, and I would like to bring it to the minds of the commissioners. This is simply that a field will be more easily and rapidly developed when all of the reserves proven by each additional well are economically valuable. Practically all companies, large and small, make loans from time to time for development purposes, buy and sell producing properties, etc. In order for the reserves underlying any well to be considered of value they must be produced within a reasonable length of time. The present value of gas to be produced 50 years hence is negligible. Some reputable engineering firms do not assign any value to production that must be delayed as much as thirty years.

In this connection it was shown that the producing formation is tight, that anticipated delivery rates are low. The wells that were tested showed abilities to deliver only 1,000 MCF ~~per~~ day per well against a normal line pressure. It was not pointed out, however, that as the reservoir pressure declines the producing ability will decline at an accelerated rate, and individual well production may easily be limited by the formations ability to produce, rather than to a limited market. From the evidence presented at the hearing, I think a reasonable overall production rate for the life of a well would be 500 MCF per day. For the reserves

**ALBERT R. GREER**  
**REGISTERED PETROLEUM ENGINEER**  
**STATE OF NEW MEXICO**

indicated at the hearing (20,000 MCF per acre), it would take 70 years for one well to deplete a 640-acre tract.

Hence, for 640 acre spacing, a large part of the reserves underlying each well would be of noneconomic value, either for initial financing or later trading; and it seems to me that field development must be slower as a result. By the same token, this long delayed production can be of small economic value relative to initial payout of investment.

Yours very truly,

*Albert R. Greer*

Albert R. Greer

**BROOKHAVEN OIL COMPANY**

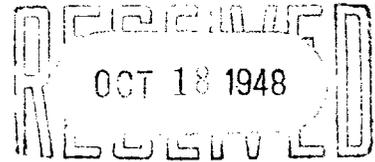
316 ROSENWALD BUILDING

(MAIL) P. O. BOX 644

PHONE 7830

Albuquerque, New Mexico

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO.



October 16, 1948.

Mr. Foster Morrell  
U. S. Geological Survey  
Federal Building  
Roswell, New Mexico

163  
—————  
—————

✓ Mr. R. R. Spurrier, State Geologist  
Oil Conservation Commission  
408 Galisteo  
Santa Fe, New Mexico

Gentlemen:

With reference to the informal discussion on the proposition of unitizing (communitizing) the Blanco area, San Juan County, New Mexico, held October 1st, 1948, at Santa Fe in the State Oil Conservation Offices, I and my associates are owners of oil and gas leases on State and patented land and likewise owners of minerals (royalty) on patented land within and adjacent to the proposed unitized area.

Before making any recommendations, I would like to strongly emphasize how vitally necessary it is to unitize (communitize) the operating interests on State and patented lands with the operating interests on Federal lands, and to unitize (communitize) the mineral (royalty) interests on patented lands within reasonable drilling plats. If these matters are not attended to promptly, the small and numerous patented lease and royalty owners and the State of New Mexico, as a mineral (royalty) owner, will suffer irreparable damage due to lack of development and drainage. The owners of leases on State land are scattered all over the country in as small a lease ownership as forty (40) acres. It is my guess that many of these lease owners are not familiar with the oil business and have merely purchased these leases as a gamble and as a result of high pressuring. For instance, I and my associates own an eighty (80) acre State lease in Section 2, Township 29 North, Range 9 West, and as far as I can tell, this is the largest lease in this section, the other owners being scattered from New Mexico to St. Albany, Oregon, Merion, Pennsylvania, and Silvis, Illinois. Unless the area is communitized, and development takes place on this section, both myself as an operator and the State of New Mexico as a royalty owner will probably find ourselves in the dilemma of either being unable to develop due to wide spacing or if we are allowed to drill a well, being cut down in our production due to ratable taking. The single operator can not buy out these small interests or carry them out of production. On the other hand, a large community interest can do this. As to the small lease owners on patented lands, similar circumstances prevail. It is for these reasons and for the purposes of conservation and orderly development that I, from the practical standpoint, propose and recommend the following:

- 1 - To promptly unitize (communitize) the "operating" interest within an area that is thought likely to produce from the Mesa Verde formation (Cliff House and Point Lookout).

It is suggested that this area initially be smaller than that already proposed. If, as and when it appears quite certain that the productive area might expand beyond the initially formed unitized area, additional operating and mineral interests can be added to the unitized area. When such unit is formed, each operating interest within it would have the same interest in each well drilled within the unit. His operating interest would be proportionate as his total lease acreage is to the total of all acreage in the unit.

As to the wells already drilled and capable of producing (Florence-Wood River and Stanolind), reasonable charges should be made against the other operators for their share of the costs of these wells.

Southern Union-Delhi, as an incentive to provide an outlet, would have a proportional share in production with or without drilling additional wells.

- 2 - To promptly unitize (communitize) the "mineral" (royalty) interests on patented lands within the unitized operating area into drilling plats as large as practical (maximum 640 acres - minimum 160 acres). The royalty need not be unitized under Federal or State lands except in isolated border cases. It is foolish to suppose that a ten acre royalty owner on patented land will permit his small interest to be unitized (communitized) with all the other 31,000 royalty acres, mostly Federal and State. By communitizing royalty interests on patented lands into practical drilling plats, the drilling pattern on patented lands would be about the same as on Federal and State lands. If these proposals are accepted, some patented land may have a greater density of wells than the Federal or State land. This would make no difference to the operating owners who have the same proportional share in all wells. Production allowables per well (ratable take) would compensate the Federal and State royalty holdings.
- 3 - The unitized area would be operated by a unit operator chosen by a majority vote of the operating interests under a unit operating agreement comparable to that form adopted by the Midcontinent Oil & Gas Association, copy of which is enclosed.

To summarize the above,

- (a) unless the operating interests on State and patented lands are unitized (communitized) with the operating interests on Federal lands, these State and patented lands will be the last to be drilled and thus receive irreparable damage from drainage.

Messrs. Morrell and Spurrier  
October 16, 1948  
Page 3.

- (b) unless the mineral (royalty) interests on patented lands are unitized (communitized) on a size plat practical to unitize and drill, patented lands will be the last to be drilled and thus receive irreparable damage from drainage.

Very truly yours,



Thomas B. Scott, Jr.

TBS:ms

Enc - Unit Operating Agreement (Model Form)

CC: Stanolind Oil & Gas Company  
P. O. Box 335  
Albuquerque, New Mexico

Florence Drilling Company  
Aztec, New Mexico

Wood River Oil & Refining Co.  
Wichita, Kansas

Mr. Frank A. Schultz  
Delhi Oil Corporation  
Southern Union Gas Company  
Burt Building  
Dallas, Texas

Mr. P. B. English, Byrd Frost, Inc.  
Farmington, New Mexico

# UNIT OPERATING AGREEMENT

**This Agreement,** Made and entered into this.....day of....., 19....., between the parties signatory hereto:

WITNESSETH: THAT,

WHEREAS, each of the parties hereto represents that he or it is the owner of valid, subsisting and merchantable oil and gas leases upon and covering certain lands situated in.....County (Parish), State of....., as set forth opposite the names of each of said parties on the schedule of leases attached hereto, marked "Exhibit A" and made a part hereof, said leases covering an aggregate of.....acres, more or less; and

WHEREAS, with the view of more economically operating said leases for the extraction of oil and gas, the parties desire to unitize said leases into a common ownership to the end that each of said parties will own an undivided interest in the whole thereof proportionate to the ratio which each party's present ownership bears to the entire unitized area, and to develop and operate said leases as a unit but in harmony with the terms, conditions and provisions of said oil and gas leases:

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, said parties have contracted and agreed, as follows:

## I. UNITIZATION OF LEASES

To execute and deliver assignments in the manner hereinafter provided to the end that each of the parties shall be vested with title to an undivided interest in the oil and gas leases described in the schedule attached hereto, marked "Exhibit A", in the proportion that each party's present interest in the acreage within the unitized area bears to the entire unitized area.

The unitization of said leases shall be accomplished in the following manner, to-wit:

Each of the parties, other than the examining party as hereinafter referred to, shall, within..... days from the date hereof, submit abstracts and all title papers on his or its respective interest in leases to be included within the unitized area to .....

..... hereby designated and appointed as the Examining Party, for the purpose of causing such abstracts and title papers to be examined by his or its attorneys on behalf of all the parties hereto. Abstracts and title papers on the respective interest in leases to be included within the unitized area by said examining party shall be submitted to..... for examination by his or its attorneys. All of such examinations shall be made without charge to the other parties. Such examinations shall include an examination of the form of said leases and the opinion of said attorneys as to the condition of said titles shall be binding and conclusive on the parties.

If such examining attorneys shall find that any lease or leases covered by this agreement have less than..... months within which to complete a well on the leased premises, to prevent the termination or expiration of such lease, said attorneys shall make a requirement that the owner or owners of any such lease or leases shall, within thirty (30) days after notice of such requirement, at his or its sole cost and expense, secure a renewal or extension of said lease or leases for a period of not less than..... Should any owner or holder of any such lease or leases fail or elect not to secure such renewal or extension then, at the election of the other parties hereto, such title may be rejected, and thereupon any of the parties hereto may withdraw from this agreement by giving ten (10) days' written notice to the other parties of his or its election to so withdraw.

Said attorneys shall report requirements, delinquencies and defects in titles to the respective parties, who shall exercise due diligence to remedy the same. The disapproval or rejection of title to any lease of any party hereto shall operate to reduce the proportionate interest of such party in the unitized area and the proportionate interest of the other parties shall be increased accordingly, and the disapproval or rejection of all the titles of any one party shall relieve such party from further liability and from further participation in the benefits hereunder. Should the titles of any of the parties hereto be finally rejected, in whole or in part, notice thereof shall be given to the remaining parties and thereupon any of the parties may withdraw from this agreement by giving written notice, within ten (10) days, to the other parties of his or its election so to do. Thereupon the parties hereto, or such remaining parties as may elect to proceed hereunder, shall be vested with title to an undivided interest in the unitized area in the proportion that each party's interest in the acreage bears to the whole thereof. Thereafter, each of the parties shall bear his or its proportionate part of the loss of any or all titles that may for any reason fail.

Upon the completion of the well hereinafter provided for, each of the parties hereto, or such remaining parties as shall have elected to proceed hereunder, shall execute, acknowledge and deliver to one another assignments of undivided interests in the leases covering the entire unitized area, to the end that each of the parties shall be vested with record title to his or its undivided interest in the unitized area, as herein provided for. Such assignments shall be made subject to and shall incorporate this agreement by specific reference thereto. Upon acceptance and approval of titles, as aforesaid, the following provisions of this agreement shall become operative.

## II. EFFECTIVE PERIOD

This agreement is to remain in force for the full term of any and all of the leases in the unitized area and of any renewals or extensions thereof, whether by production or otherwise, and may be terminated only by the consent of the parties hereto owning proportionate interests aggregating not less than ..... per cent of the unit; provided, that if any party so desires, he or it may be released from all obligations and liability not previously incurred under this agreement by assigning, conveying and transferring to the other parties hereto all of his or its right, title and interest in the leases covered hereby, said assigned interest to be held by the assignees in proportion to their then respective interests in the unitized acreage. Thereupon, the right of such party to any benefits thereafter

accruing hereunder shall cease; provided, however, such assignment shall not relieve said assigning party from any liabilities incurred prior to the execution and delivery of any such assignment.

**III. JOINT OPERATIONS**

The leasehold estates embraced in said unitized area shall be owned, developed and operated under the terms of this agreement for the joint benefit of the parties hereto, and all cost and expense in connection therewith shall be borne in the proportion in which said unitized leases are owned by the parties. The parties shall severally own their respective proportions of the working interest in the oil and gas that may be produced therefrom. Income and liabilities accrued or incurred shall be shared and borne in said proportion, each party being entitled to receive his or its proportion of income and shall be liable for his or its proportionate part of all cost and expense.

**IV. OPERATOR**

The term "Operator", as herein used, shall be construed to mean the party designated as such by the Advisory Committee, as hereinafter created.

**V. RENTALS**

Each party shall, before the due date, pay all delay rentals which may become due lessors, or their successors in interest, under the lease or leases which he or it has contributed to the unitized area as described in "Exhibit A", and each party so paying said rentals shall within ten (10) days after said rentals have been paid notify Operator hereinafter designated of such payment or payments and submit evidence thereof. The party paying such rentals shall charge the other parties with their respective proportion or proportions of such rental.

If any party fails to use reasonable diligence to timely pay such delay rental and any lease or leases are forfeited by reason thereof, said party, at his or its sole cost and expense, shall obtain a new lease on the land covered by said forfeited lease and contribute the same to the unit, and failing so to do shall be liable to the remaining parties for the reasonable market value of their interest in such forfeited lease.

Each of the parties hereto, as soon as practicable after the execution of this agreement, shall furnish Operator, hereinafter designated, a statement of his or its leases to be included within the unitized area containing a description of the land covered thereby and the due date for any delay rentals under the terms of any and all such leases. Operator shall, at least sixty (60) days before the due date for any such delay rental or rentals, notify the party charged with the payment of such delay rental or rentals of the due date for the payment thereof, but Operator shall not be liable for failure to so notify any party so charged with the payment of said delay rental or rentals nor for the failure or neglect of such party to pay said rental or rentals as hereinabove provided.

**VI. ADVISORY COMMITTEE**

An Advisory Committee is hereby created, hereinafter designated as the "Committee", consisting of a representative of each of the parties hereto. Each party shall immediately designate its committee member and shall give notice, in writing, thereof to Operator. Each party shall have the right at any time to substitute another person as his or its committee member by notifying Operator in writing. The member of the Committee designated by Operator shall be the Chairman of the Committee.

It shall be the duty of the Committee to advise and confer with Operator to the extent herein provided.

Each member of the Committee shall have a vote in the proportion which the interest of his or its principal bears to the entire unitized area. A vote of the majority interests shall be binding upon all the parties; provided, however, that should the interest of any one of the parties hereto be a majority interest, the vote of at least.....other members of the Committee shall be required in addition to the vote of the representative of such majority interest to bind all the parties.

**VII. FUNCTIONS OF COMMITTEE**

The Committee shall have the power and it shall be its duty:

(a) From time to time, when it deems it necessary or expedient to designate one of the parties hereto as Operator to carry on operations of the leased premises for oil and gas under the terms hereof; and when deemed necessary or expedient, to substitute and replace Operator with another of the parties hereto; provided, such substitution shall not be effective until.....days after written notice thereof to the then existing Operator, unless such Operator sooner consents thereto.

(b) To determine the extent of drilling operations to be carried on by Operator and to approve or disapprove the contemplated drilling of any well or wells, and the location thereof; provided the consent and approval of the drilling of any well shall be construed to mean the approval of all necessary expenditures in drilling, completing and equipping such well, including the necessary lease tankage.

(c) To approve or disapprove the abandonment of any well or wells.

(d) To direct Operator to carry or not to carry public liability or other forms of insurance, except as hereafter prescribed by Paragraph XIII. If insurance is to be carried, the Committee shall determine and prescribe the various types and amounts of coverage and may designate the carrier thereof.

(e) To pass upon and approve or disapprove Operator's advance estimates of costs and expenditures.

(f) To approve or disapprove any proposed expenditures of Operator in any sum in excess of.....Dollars (\$.....), except as provided in subdivision "(b)" hereof.

(g) To approve or disapprove the proposed sale and disposition of surplus materials and equipment by Operator.

(h) To compromise or effect settlements of material overages and shortages determined at time of inventories which cannot be settled, compromised or agreed upon by the auditors, for the purpose of effecting prompt reconciliation of the inventories to the records of the parties hereto.

(i) To meet regularly at the call of the Chairman for the purpose of considering any business affecting the unitized area; provided, however, that a period of not more than three (3) months shall elapse between any two meetings, and provided further that any party hereto shall be entitled to call a meeting of the Committee upon the failure of the Chairman so to do.

(j) The Committee may, at its option, employ an auditor or inspector to represent all of the parties hereto in auditing, inspecting and checking Operator's books and records relating to said unitized properties, the expense of such work to be charged to the joint account.

**VIII. EMPLOYEES**

The number of employees, the selection of such employees, the hours of labor and the compensation for services to be paid any and all such employees, shall be determined by Operator. Such employees shall be the employees of Operator.

**IX. DESIGNATION OF OPERATOR AND TEST WELL**

Effective with the approval of titles, and until the Committee may otherwise direct, the parties hereto designate....., one of the parties hereto, as Operator, who shall within..... days thereafter, or within such time as may be fixed by the Committee, commence the drilling of a well for oil and gas upon the following location:.....

..... and prosecute the drilling of said well with diligence and dispatch to a depth sufficient to test the.....formation, usually encountered at an approximate depth of.....feet, unless otherwise directed by the Committee.

**X. AUTHORITY FOR INCURRING OF EXPENDITURES**

Operator before incurring any item of expenditure in excess of.....Dollars (\$.....), except expenditures for the drilling and equipment of wells specifically authorized by the Committee, shall secure the express consent and approval of the Committee thereto. Operator shall, upon request, furnish copies of its authority for expenditures for any project costing in excess of.....Dollars (\$.....).

**XI. DRILLING OPERATIONS**

All wells drilled on the unitized area shall be drilled on a competitive contract basis at the usual rates prevailing in the field in which said leases are located. Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but in such event the charge therefor shall not exceed the prevailing

## MARGIN

rate in the field; and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature. All drilling contracts shall contain appropriate provisions that any wells drilled on the unitized area, when completed, shall not deviate in excess of five degrees (5°) from perpendicular.

### XII. CONTROL AND COSTS OF OPERATION

Operator shall have full control and, subject to the terms of this agreement, shall conduct and manage the development and operation of the unitized area for the production of oil and gas for the joint account of the parties hereto. It shall pay and discharge all cost and expense incurred and shall charge the other parties hereto with their respective proportionate share upon the cost and expense basis provided for in the "Accounting Procedure", attached hereto as "Exhibit B", and which is by reference made a part of this agreement as though set forth at length herein.

Operator shall at all times keep the joint interest of the parties hereto, in and to the leases and equipment thereon, free and clear of all labor and mechanics' liens and encumbrances.

### XIII. INSURANCE

Operator shall carry workmen's compensation and employer's liability insurance as required by the laws of the State of \_\_\_\_\_; provided, however, that Operator may, with the consent of the Committee, be a self-insurer as to either or both of such risks. Operator shall carry such other forms of insurance for the joint benefit of the parties hereto in such amount or amounts as shall be directed by the Committee and it shall be the duty of the Operator to keep all such insurance in force and effect at all times while operations are conducted on the unitized area.

### XIV. APPORTIONMENT OF COST AND EXPENSE

Each of the parties shall promptly pay and discharge its proportionate part of all cost and expense upon the basis as set forth in the "Accounting Procedure", attached hereto as "Exhibit B".

### XV. ADVANCES

Operator, at its election, may require the parties hereto to advance their respective proportion of development and operating cost according to the following conditions: On or before the first day of each calendar month, Operator shall submit an itemized estimate of such cost for the succeeding calendar month to the Committee for its approval. Upon approval of such estimate by the Committee, Operator shall submit a copy thereof to each of the parties with a request for the payment of his or its proportionate part thereof. Within ten (10) days thereafter, each of the parties shall pay, or secure the payment in a manner satisfactory to Operator, his or its proportionate share of such estimate.

Should any party fail and neglect to pay, or secure the payment, of his or its proportionate part of such estimate, the same shall bear interest at the rate of six per cent (6%) per annum until paid. Adjustments between estimates and actual costs shall be made by Operator at the close of each calendar month, and the accounts of the parties adjusted accordingly.

### XVI. LIABILITY

The liability of the parties hereunder shall be several, and not joint or collective. Each party shall be responsible only for his or its obligations, as herein set out, and shall be liable only for his or its proportionate share of the cost of developing and operating said leasehold estates.

### XVII. OPERATOR'S LIEN

Operator shall have a lien on the interest of each of the parties in said leases, the oil and gas produced therefrom, the proceeds thereof, and the material and equipment thereon, to secure the payment of his or its proportionate part of the cost and expense of developing and operating the unitized premises, and to secure the payment by any such party of his or its proportionate part of any advance estimate of such cost and expense.

### XVIII. CONTRIBUTION

In the event of the neglect or failure of any non-operator to promptly pay his or its proportionate part of the cost and expense of development and operation when due, as hereinabove provided, the other non-operators and Operator shall, within thirty (30) days after the rendition of statements therefor by Operator, contribute to the payment of the delinquent indebtedness of any such non-operator in the proportion that the interest of each bears to the total of all such interest. Upon the payment by such delinquent or defaulting non-operator to Operator of any amount or amounts on such delinquent indebtedness, the amount or amounts so paid shall be distributed and paid by Operator to the other non-operators and Operator to the extent of the contribution so made to the payment of such delinquent indebtedness.

### XIX. DISPOSITION OF PRODUCTION

Each of the parties hereto shall have the right and privilege, upon reasonable notice to Operator, and upon the payment of, or securing the payment of the royalty interest thereon, of receiving in kind or of separately disposing of his or its proportionate share of the oil and gas produced and saved from the unitized premises; provided, however, that in the event of the failure or neglect of any party to exercise the right and privilege of receiving in kind or separately disposing of his or its proportionate share of such production, Operator shall have the right to purchase any such oil and gas for its own account, or to sell the same to any of the parties hereto, or to others, at not less than the prevailing market price.

Any extra expenditure incurred by reason of the delivery of its proportionate part of the production to any one party shall be borne by such party.

### XX. DISTRIBUTION OF INCOME

All income received by Operator, derived from the jointly owned leasehold estates, shall be distributed to the parties hereto in the proportion in which said leases are owned, such distribution to be made when such income is received.

### XXI. SURPLUS MATERIAL AND EQUIPMENT

Surplus material and equipment from the unitized area, when, in the judgment of Operator, the same are not necessary for the development and operation of the leased premises, may, with the approval of the Committee, be divided in kind or sold to any of the parties hereto, or to others, for the benefit of the joint account. Proper charges and credits shall be made by Operator as provided in the "Accounting Procedure", attached hereto as "Exhibit B".

### XXII. RIGHT OF PARTIES TO INSPECT PROPERTY AND RECORDS

The following specific rights, privileges and obligations of the parties hereto are hereby expressly provided, but not by way of limitation or exclusion of any other rights, privileges and obligations of the respective parties:

(a) Any party hereto shall have access to the entire unitized area, at all reasonable times, to inspect and observe operations of every kind and character upon the property.

(b) Any party hereto shall have access, at all reasonable times, to any and all information pertaining to wells drilled, production secured, oil marketed, and to the books, records and vouchers relating to the operation of the unitized area.

(c) Operator shall, upon request, furnish the other parties hereto with daily drilling reports, true and complete copies of well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall also, upon request, make available samples and cuttings from any and all wells drilled on the unitized area.

### XXIII. TRANSFERS OF INTEREST

No assignment, mortgage or other transfer affecting the leases covered hereby, the production therefrom, or equipment thereon, shall be made unless the same shall cover the entire undivided interest of assignor, mortgagor or seller in all said leases; it being the intent of this provision to maintain the unit ownership, development and operation of the unitized area; provided that the sale of a lesser interest than the seller's entire undivided interest may be made upon securing the unanimous approval of the Committee thereto in writing.

In the event any party desires to sell all or any part of his or its interest in the unitized area, the other parties hereto shall have a preferential right to purchase the same. In such event, the selling party shall promptly communicate to the other parties hereto the offer received by him or it from a prospective purchaser ready, willing and able to purchase the same, together with the name and address of such prospective purchaser, and said parties shall thereupon have an option for a period of ten (10) days after the receipt of said notice to purchase such undivided interest for the benefit of the remaining parties hereto as may agree to purchase the same; provided that any interest so acquired shall be shared by the parties purchasing the same upon the basis of their then existing interest in the unitized area; provided, further, the limitations of this paragraph shall not apply where any party hereto desires to dispose of its interest by merger, reorganization, consolidation or sale of all its assets, or a sale of its interest hereunder to a subsidiary or to any company in which any one party hereto owns a majority of the stock.

### XXIV. SURRENDER OF LEASES

No lease embraced within the unitized area shall be surrendered unless a majority of the Committee consents thereto; provided that if the Committee, by a majority vote, authorizes the surrender of any lease in the unitized area, and any of the parties not consenting thereto so desire, such lease shall be assigned to the party or parties desiring the same and shall thereupon be held and owned by such party or parties in severalty.

### XXV. REGULATIONS

All of the terms and provisions of this agreement are hereby expressly made subject to all valid rules and regulations of any duly constituted authority having jurisdiction in the premises.

Operator shall prepare and furnish to any such duly constituted authority, through its proper agency or department, any and all reports, statements and information as may be requested when such reports are required to be furnished by Operator.

### XXVI. MISCELLANEOUS PROVISIONS

The term "oil and gas" wherever used in this agreement shall be construed to include casinghead gas and any other mineral deposit covered by any oil and gas lease in the unitized area.

Operator shall not be liable for any loss of property or of time caused by strikes or riots, or by fires, tornadoes, floods or from any other cause beyond the

control of Operator through the exercise of reasonable diligence.

This agreement and "Exhibit A" and "Exhibit B", attached hereto, contain all the terms and provisions as agreed to by the parties hereto.

This agreement shall extend to and bind the respective heirs, executors, administrators, successors and assigns of the parties hereto, and it is hereby agreed that the terms and provisions hereof shall constitute a covenant running with the lands and leasehold estates covered hereby.

IN WITNESS WHEREOF, the parties hereto have signed this agreement the day and year first hereinbefore written.

ATTEST:

..... Secretary. First Party President.

ATTEST:

..... Secretary. Second Party President.

ATTEST:

..... Secretary. Third Party President.

ATTEST:

..... Secretary. Fourth Party President.

ATTEST:

..... Secretary. Fifth Party President.

ATTEST:

..... Secretary. Sixth Party President.

ATTEST:

..... Secretary. Seventh Party President.

ATTEST:

..... Secretary. Eighth Party President.

ATTEST:

..... Secretary. Ninth Party President.

ATTEST:

..... Secretary. Tenth Party President.

..... Secretary. Eleventh Party

..... Secretary. Twelfth Party

(If this agreement is to be recorded, the acknowledgment of the parties thereto should be in conformity with the provisions of the recording laws of the state in which the subject matter is located.)

Mid-Continent Committee Form No. 2-A  
In stock and for sale by  
The OLDS PRESS, Tulsa, Okla.

**“EXHIBIT A”**  
**(Descriptions)**

Model Form—Adopted by  
Mid-Continent Oil & Gas Association  
(1938)

Attached to and made a part of.....  
.....  
.....

## ACCOUNTING PROCEDURE (UNIT AND JOINT LEASE SCHEDULE)

The term "joint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is attached.

The term "Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the leased premises for the joint account.

The term "Non-operator" as herein used shall be construed to mean any one or more of the non-operating parties.

Operator shall bill Non-operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding calendar month. Itemized statements shall accompany such bills. Each party shall pay its proportion of all such bills within fifteen (15) days after the receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid. Payment of any such bill shall not prejudice the right of any party to protest or question the correctness thereof; provided that Operator shall not be required to adjust any item unless a claim therefor has been presented within a period of two (2) years from the date of the rendition of any itemized statement.

### I. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

- (1) Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when not paid direct to royalty owners by the purchaser of the oil, gas, casinghead gas or other products.
- (2) Labor, teaming and other services necessary for the development, maintenance and operation of the joint property.
- (3) Materials, equipment and supplies purchased and/or furnished by Operator from its warehouse stocks or from its other leases for use on the joint property. In so far as is practical and consistent with efficient and economical operation, only such materials shall be purchased for or transferred to the joint property as are required for immediate use, and the accumulation of warehouse and/or lease stock on the joint property shall be avoided.
- (4) Moving materials to the joint property from vendor's or from Operator's warehouse in the district or from other properties of Operator, but in either of the last events no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point.
- (5) Moving surplus materials from the joint property to outside vendees, if sold f. o. b. destination, or minor returns to Operator's warehouse or other storage point. No charge shall be made to the joint account for moving major surplus materials to Operator's warehouse or other storage point for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by special agreement with Non-operator; and no charge shall be made to the joint account for moving materials to other properties belonging to Operator, except by special agreement with Non-operator.
- (6) Use of and service by Operator's exclusively owned equipment and utilities as provided in Paragraph (6) of Section II: "Basis of Charges to Joint Account."
- (7) Damages or losses incurred by fire, flood, storm or from any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-operator written notice of damages or losses incurred by fire, storm, flood or other natural or accidental causes as soon as practicable after report of the same has been received by Operator.
- (8) Expenses of litigation, liens, judgments and liquidated claims involving the joint property or incident to its development and operation. Actual expenses incurred by Operator or Non-operator in securing evidence pertaining to the joint property shall be a proper charge against the joint account.
  - (a) When any case, by prior agreement, is handled by Operator's and/or Non-operator's legal staff, thereby eliminating the retaining of outside counsel, a charge commensurate with the cost of services rendered may be made to the joint account. Charges of this nature shall not be rendered until the respective legal departments have agreed upon the proper amount.
  - (b) Fees and expenses of outside attorneys shall not be charged to the joint account except where the employment of such outside attorneys is authorized by a vote of the majority interests.
- (9) All taxes paid for the benefit of the parties hereto including ad valorem, property, gross production, occupation and any other taxes assessed against the jointly-owned properties, the production therefrom or the operations thereon.
- (10) Insurance:
  - (a) Premiums paid for insurance carried for the benefit of the joint account together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments and other expenses, including legal services, not recovered from insurance carrier.
  - (b) If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments and any other expenses, including legal services, shall be charged to the joint account.
- (11) District and Camp Expense:
  - (a) District Expense: A proportionate share of the salaries and expenses of Operator's district superintendent and other general district employes serving the joint property whose time is not allocated directly to the joint property, and a proportionate share of the expense of maintaining and operating a district office in conducting the management of operations on the joint property and other properties in the same locality owned and operated by Operator, such charges to be apportioned to such properties served on the following basis: .....
  - (b) Camp Expense: The expense of providing and maintaining on or in the vicinity of the joint property all necessary camps, housing facilities for employes and boarding employes, if necessary. When properties other than the joint property are served by these facilities, then an equitable distribution of expense, including depreciation, or a fair monthly rental in lieu of the investment, maintenance and operating cost of buildings and other camp facilities, shall be prorated against all properties so served on the following basis: .....
- (12) Overhead charges, which shall be in lieu of any charges for any part of the compensation or salaries paid to managing officers and employes of Operator, including the division superintendent, the entire staff and expenses of the division office located at.....  
..... any portion of the office expense of the principal business office located at ....., but not in lieu of field office expenses incurred in operating any such properties, and such overhead charges do not include any other expenses of Operator incurred in the development and operation of said properties, and Operator shall have the right to assess against the joint property covered hereby the following overhead charges:
  - (a) \$.....per month for each drilling well, beginning on the date the well is spudded and terminating when it is on production or is plugged, as the case may be, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
  - (b) \$.....per well per month for the first five (5) producing wells.
  - (c) \$.....per well per month for the second five (5) producing wells.
  - (d) \$.....per well per month for all producing wells over ten (10).In connection with overhead charges, the status of wells shall be as follows:
  - (1) In-pit or key wells shall be included in overhead schedule the same as producing oil wells.
  - (2) Producing gas wells shall be included in overhead schedule the same as producing oil wells.
  - (3) Wells permanently shut down but on which plugging operations are deferred, shall be dropped from overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.
  - (4) Wells being plugged back or drilled deeper shall be included in overhead schedule the same as drilling wells.
  - (5) Wells which are shut down temporarily and later replaced on production. If and when a well is shut down (other than for production) and not produced or worked upon for a period of a full calendar month, it shall not be included on the overhead schedule for such month.
  - (6) Salt water disposal wells shall not be included in overhead schedule.

The above specific overhead rates may be amended from time to time by agreement between Operator and Non-operator if, in practice, they are found to be insufficient or excessive.

(13) Warehouse Handling Charges: .....

- (14) Any other expenditure incurred by Operator for the necessary and proper development, maintenance and operation of the joint property, except that Operator shall not charge the joint account with any expenditure or contribution made by Operator towards employees' stock purchase plan, group life insurance, pension, retirement, or bonus, other than such expenditures or contributions imposed or assessed by governmental authority.

**II. BASIS OF CHARGES TO JOINT ACCOUNT**

- (1) Outside Purchases: All materials and equipment purchased and all service procured from outside sources shall be charged at their actual cost to Operator, after deducting any and all trade and/or cash discounts actually allowed off invoices, or received by Operator.
- (2) New materials furnished by Operator (Condition "A"):  
New materials transferred to the joint property from Operator's warehouse or other properties shall be priced f. o. b. the nearest supply store or railway receiving point at replacement cost of the same kind of materials. This will include large equipment such as tanks, rigs, pumps, boilers and engines. All tubular goods (2" and over) shall be charged on the basis of mill shipment or carload price. Other materials, where the replacement cost cannot be readily ascertained, may, for the purposes of consistency and convenience, be charged on the basis of a reputable supply company's preferential list price f. o. b. nearest supply store or railway receiving point to the joint property prevailing on the date of transfer of the materials to the joint property.  
In determining the value of any transferred materials, all special and preferential discounts shall be allowed but the regular cash discount shall not be considered.
- (3) Secondhand materials furnished by Operator (Conditions "B" and "C"):
  - (a) Tubular goods (2" and over), fittings, machinery and other equipment which is in sound and serviceable condition at date of transfer, will be classed as condition "B" and charged at 75% of the price of new materials, in accordance with the provisions of Paragraph (2) above.
  - (b) Tanks, derricks, and buildings or other equipment involving erection costs shall be charged on a basis not to exceed 75% of knocked-down new price for similar materials.
  - (c) Other secondhand materials, such as units of machinery or other equipment that is serviceable, but substantially not good enough to be considered first-class secondhand material when transferred to the joint property, shall be classed as condition "C" and charged at 50% of the new price.
  - (d) There may also be cases where some items of equipment, due to their unusual condition, should be fairly and equitably priced by Operator.
- (4) Warranty of Materials Furnished by Operator: Operator does not warrant the materials furnished from its warehouse or other properties beyond or back of the dealer's or manufacturer's guaranty, and in case of defective materials, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.
- (5) If materials required are not available in Operator's surplus stocks, Operator shall, whenever in its judgment it is practical to do so, give Non-operator opportunity of furnishing the materials required in proportion to his or its interest, provided that the same can be furnished at the time such materials are required, and further provided that any such materials so furnished shall be in condition acceptable to Operator and shall be charged to the joint account on the same terms and conditions as are provided herein to cover the furnishing of materials by Operator.
- (6) Operator's Exclusively-owned Facilities: The following rates shall apply to service rendered to the joint property by facilities owned exclusively by Operator:
  - (a) Water service, gas, teaming, power, and compressor service: All at rates currently prevailing in the field where the joint property is located.
  - (b) Automotive Equipment: Rates commensurate with cost of ownership and operation and in line with schedule of rates adopted by the Petroleum Motor Transport Association as recommended uniform standardized charges against the joint account. Automotive charges will be based on use in actual service on or in connection with the joint property. Truck, tractor and pulling unit rates shall include wages and expenses of driver.
  - (c) A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully-owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation and the service furnished the joint property. Provided, however, that such charges shall not exceed those currently prevailing in the field where the joint property is located.
  - (d) Whenever requested, Operator shall inform Non-operator in advance of the rates it proposes to charge.
  - (e) Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

**III. DISPOSAL OF LEASE EQUIPMENT AND MATERIALS**

- (1) Materials purchased by Operator shall be credited to the joint account and included in the monthly statement of operations for the month in which the materials are removed from the joint property.
- (2) Materials purchased by Non-operator shall be invoiced by Operator and paid for by Non-operator to Operator immediately following receipt of invoice and delivery of materials. Operator shall thereupon immediately pass credit to the joint account and include the same in the monthly statement of operations for the month in which the materials were paid for by Non-operator.
- (3) Division of materials, in kind, if made between Operator and Non-operator, shall be in proportion to their respective interests in the joint property. Each party will thereupon be charged individually with the value of the materials received or receivable and corresponding credits will be made to the joint account by Operator, and both credits shall appear in the same monthly operating statement.
- (4) Sales to outsiders of major materials shall be made only with the consent of Non-operator as to both terms and price and where made the proceeds shall be credited by Operator to the joint account at the full amount collected from vendee. Any claims by vendee for defective materials or otherwise shall be charged back to the joint account, if and when paid by Operator.

**IV. BASIS OF PRICING MATERIALS TRANSFERRED FROM JOINT ACCOUNT**

Materials and equipment purchased by either Operator or Non-operator, or divided in kind between them, unless otherwise agreed, shall be valued on the following basis of condition and price: (New price as used in the following paragraphs shall have the same meaning and application as that used above in Section II: "Basis of Charges to Joint Account.")

- (1) New Materials: (Condition "A") being new equipment or supplies purchased or procured for the joint property but never used thereon: at 100% of current new prices.
- (2) Good Secondhand Materials: (Condition "B") being good serviceable materials which are further usable without repair, at:
  - (a) 75% of current new prices, if materials were new when originally charged to the joint property.
  - (b) 75% of current new prices less depreciation consistent with their usage on and service to the joint property, if materials were originally charged to the joint property as secondhand at 75% of new prices.
- (3) Other Used Materials: (Condition "C") being materials further usable for their original function only after repair and reconditioning; at 50% of current new prices.
- (4) Bad Order Materials: (Condition "D") being materials not further usable for their original function but for possible other service; at 25% of current new prices.
- (5) Junk: (Condition "E") being obsolete and unserviceable materials; at prevailing junk prices in the district. Where practicable, junk should be disposed of at the joint property.
- (6) Temporarily Used Materials: When the use of certain items of equipment on the joint property has been only temporary, and the time of actual use thereon does not justify the deduction of depreciation as listed in (a) and (b) of Paragraph (2) hereof, such materials will be priced on a basis that will leave a net charge against the joint account consistent with the service rendered and adequate for the time the materials were in use.

**V. INVENTORIES**

- (1) Periodic inventories shall be taken by Operator of the materials and equipment on the joint property, which shall include such materials and equipment as are ordinarily considered controllable by operators of oil and gas properties.
- (2) Notice of intention to take inventory shall be given by Operator to Non-operator a week before any inventory is to begin, so that Non-operator may be represented when any inventory is being taken.
- (3) Special inventories shall be taken whenever there is any sale or change of interest in the joint property, and it shall be the duty of the party selling to notify the other party as quickly as possible after the transfer of interest takes place. In such cases both the seller and the purchaser shall be represented and shall be governed by the joint inventory.
- (4) If the initial test on the joint property is a dry hole and no further tests thereon are immediately contemplated, Non-operator may require that an inventory be taken of all materials as soon as the casing has been recovered from the well and that the materials be classified before any materials are removed from the joint property by Operator or otherwise disposed of.
- (5) Failure of Non-operator to be represented at the physical inventory shall bind it to accept the inventory taken by Operator who shall in that event furnish Non-operator with a copy thereof.
- (6) Reconciliation of inventory with charges to the joint account shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Non-operator.
- (7) Inventory adjustments shall be made by Operator on the joint account for overages and shortages, but Operator shall only be held accountable to Non-operator for shortages due to lack of reasonable diligence.

TURNER, HOWARD AND FRANCIS

ATTORNEYS AND COUNSELORS AT LAW

SUITE 1711 MERCANTILE BANK BUILDING

DALLAS 1, TEXAS

J. GLENN TURNER  
GILBERT P. HOWARD  
EDWARD L. FRANCIS

November 22, 1948

Mr. R. R. Spurrier  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Re: Case No. 163, Petition of Stanolind Oil  
and Gas Company for well spacing in Blanco  
Field.

Dear Mr. Spurrier:

Pursuant to your request, we have finally prepared a proposed form of order of the commission in the subject case, which was heard by the Commission on October 28, and October 29, 1948, in Santa Fe, and are enclosing two copies of the same herewith.

We realize that we have been very dilatory in preparing and forwarding this instrument to you. However, in view of the fact that the evidence introduced was so lengthy, perhaps no harm has been done.

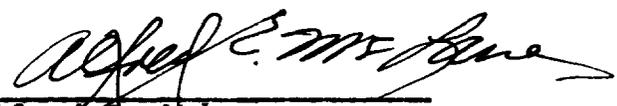
In our opinion, the Commission gave both sides a full and fair hearing, and I know the order of the Commission will be in accordance with the evidence presented. Naturally, we feel that this would mean entering an order in accordance with the form enclosed.

Thanking you again for your consideration, we are

Yours very truly,

TURNER, HOWARD AND FRANCIS

By

  
Alfred E. McLane  
Attorneys for Delhi Oil  
Corporation.

AEM/pas  
Enc.

*I have two copies*

*File*