

RECEIVED  
MAR 24 1953

*Case 305*

March 24, 1953

Mr. J. C. Stewart, Manager  
Title Record Department

Sun Oil Company  
Rio Grande National Building  
Dallas 2, Texas

Re: Finon Unit Agreement  
Chaves County, New Mexico

Dear Sir:

We have your letter dated March 18, 1953 advising us that you have received a signed termination agreement covering the Finon Unit in Chaves County, New Mexico.

Please send us a completed copy of the termination so that we may post our records accordingly.

Very truly yours,

E. S. WALKER  
Commissioner of Public Lands

cc: U. S. Geological Survey  
Roswell, New Mexico (3)  
Oil Conservation Commission  
Santa Fe, New Mexico (1)

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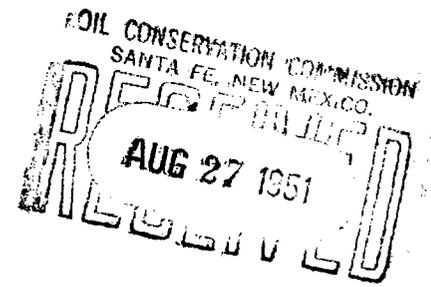
J. M. HERVEY  
HIRAM M. DOW  
CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
GEORGE H. HUNKER, JR.

ROSS MADOLE  
WILLIAM C. SCHAUER

*Get signed*  
*4 copies*  
LAW OFFICES  
HERVEY, DOW & HINKLE  
ROSWELL, NEW MEXICO

*Case 305*

August 23, 1951



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

Dear Dick:

We enclose original and three copies of Order of the Commission approving the Pinon Unit Agreement, which was heard on August 21. This order follows substantially the form heretofore used by the Commission in approving unit agreements.

We would appreciate your furnishing us with two or three signed copies as quickly as possible.

Yours very truly,

HERVEY, DOW & HINKLE

By *Clarence E. Hinkle*

CEH:vb

Enc.

LAW OFFICES  
HERVEY, DOW & HINKLE  
ROSWELL, NEW MEXICO

J. M. HERVEY  
HIRAM M. DOW  
CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
GEORGE H. HUNKER, JR.

August 16, 1951

ROSS MADOLE  
WILLIAM C. SCHAUER

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

Attention: Mr. Spurrier

Re: Pinon Unit Agreement

Gentlemen:

Enclosed herewith are three copies of the Pinon Unit Agreement with all Exhibits attached.

We have just received the Exhibits and for that reason the mailing of these to you have been delayed.

We appreciate your courtesy in this matter.

Yours very truly,

HERVEY, DOW & HINKLE

BY Ross Madole

RM:jg

Enclosure

AIR MAIL

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO.  
AUG 17 1951

LAW OFFICES

HERVEY, DOW & HINKLE  
ROSWELL, NEW MEXICO

December 3, 1951

J. M. HERVEY  
HIRAM M. DOW  
CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
GEORGE H. HUNKER, JR.

ROSS MADOLE  
WILLIAM C. SCHAUER

RS  
bw

Case 305

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

Re: Pinion Unit Agreement

Dear Dick:

We hand you herewith an approved copy of the Unit Agreement for the Pinion Unit Area, Chaves County, New Mexico, which you will note was approved by the Director of the United States Geological Survey on November 27, 1951.

This copy is filed in accordance with the order of the Commission approving the Agreement.

Yours very truly,

HERVEY, DOW & HINKLE

By Clarence E. Hinkle  
CH

CEH:MH

Enc.

cc: Sun Oil Company  
Southwest Division  
P. O. Box 512  
Roswell, New Mexico

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO.  
RECORDED  
DEC 11 1951

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE PINON UNIT AREA  
CHAVES COUNTY, STATE OF NEW MEXICO

I-Sec. No. 898

THIS AGREEMENT, entered into as of the 27th day of August  
1951, by and between the parties subscribing, ratifying, or consenting  
hereto, and herein referred to as the "parties hereto",

W I T N E S S E I H:

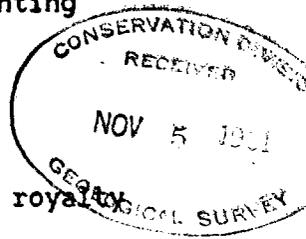
WHEREAS, the parties hereto are the owners of working, royalty,  
or other oil or gas interests in the unit area subject to this agreement;  
and

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended  
by the Act of August 8, 1946, 60 Stat. 950, 30 U.S.C. Secs. 181 et seq.,  
authorizes Federal lessees and their representatives to unite with each  
other, or jointly or separately with others, in collectively adopting  
and operating under a cooperative or unit plan of development or opera-  
tion 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. 168, Laws 1949)  
to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the  
Pinon Unit Area covering the land hereinafter described to give reason-  
ably effective control of operations therein; and



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

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

1. 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 as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and, as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

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

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

Twp. 19 S., Rge. 16 E.

Sec. 13: SE $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$ , Lots 1,2,3,4  
Sec. 14: SE $\frac{1}{4}$   
Sec. 23: E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$   
Sec. 24: All  
Sec. 25: N $\frac{1}{2}$

Twp. 19 S., Rge. 17 E.

Sec. 7: S $\frac{1}{2}$ S $\frac{1}{2}$   
Sec. 8: S $\frac{1}{2}$ SW $\frac{1}{4}$   
Sec. 16: SW $\frac{1}{4}$   
Sec. 17: All  
Sec. 18: All  
Sec. 19: All  
Sec. 20: All  
Sec. 21: W $\frac{1}{2}$ , W $\frac{1}{2}$ E $\frac{1}{2}$   
Sec. 28: W $\frac{1}{2}$   
Sec. 29: All  
Sec. 30: All

containing 7033.91 acres, more or less

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or the Commissioner of Public Lands, hereinafter referred to as "Commissioner", and not less than five copies of the revised exhibits shall be filed with the Supervisor, and at least one copy shall be filed with the Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

The above described unit area shall when practicable be expanded to include therein any additional tract or 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 effected 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 expansion or contraction shall, upon approval by the Director, and Commissioner, become effective as of the date prescribed in the notice thereof.

(e) Notwithstanding any other provisions of this agreement, each quarter quarter section or numbered lot of land subject hereto, which, five years from the effective date hereof or two years after the date of first sale of unitized substances discovered hereunder, whichever period is longer, is situated one mile or more from the boundary of any participating area then established hereunder, shall be automatically eliminated from and no longer subject to this agreement, unless on the expiration date of such period drilling operations by the unit operator are in progress at a location one mile or more from the boundary of any such participating area, in which event such non-participating land shall remain subject hereto for so long as drilling operations at locations situated one mile or more from the boundary of any such participating area are continued diligently without a lapse of time of more than one year between the completion of one such well and the beginning of the next such well. Inasmuch as any contraction under this section is automatic, the unit operator shall, within a reasonable time after any such contraction hereunder, define the area so eliminated, with the approval of the Director of the Geological Survey, and thereafter promptly notify all parties affected thereby.

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 and gas in any and all formations of the unitized land are unitized under the terms of this agreement, and herein are called "unitized substances."

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

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners, the Director, and Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and the Commission as to State and privately-owned lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period. Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time a participating area established hereunder is in existence, but until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties

of Unit Operator, and shall not later than 30 days before such resignation becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

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

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

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, that, if a majority but less

than 75 percent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the 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.

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

shall prevail. Three true copies of any unit operating agreement executed pursuant to this section shall be filed with the Supervisor, and one true copy with the Commissioner.

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

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if such location is upon lands of the United States, and if upon State lands or privately-owned lands, such location shall be approved by the Commission, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Permian, Pennsylvanian, Mississippian, Devonian, Silurian and Ordovician formations have been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor as to wells on Federal lands or the Commissioner as to

wells on State lands, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 6000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if on Federal land, or the Commissioner if on State, or the Commission if on privately-owned land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and the 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 the Commissioner may, after reasonable notice to the Unit Operator, and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the 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 the exploration of the unitized area and for the determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the 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 this approved plan of development. The Supervisor and Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and Commission shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director, the Commissioner and the Commission a schedule, based on sub-divisions 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, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director, the Commissioner and the Commission. 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 (or to exclude land then regarded as reasonably proved not to be productive) and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, 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 adjustment 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, respectively, and the amount thereof deposited, as directed by the Supervisor and Commissioner, respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty 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, and Commissioner as to wells on State land, and the Commission as to wells on privately-owned 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, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any

part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, Commissioner and the Commission, 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 accruing under this agreement each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of each such tract included in said participating area bears to the total acres of unitized land in 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. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the respective approval of the Supervisor, Commissioner or the Commission, at such party's sole risk, cost and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

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

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor, the Commissioner

and the Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area, and with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the plan of operations or as may otherwise be consented to by the Supervisor, the Commissioner, and the Commission as conforming to good petroleum engineering practice, and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

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

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

by law or by approval of the Secretary.

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

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

17. DRAINAGE. The Unit Operator shall take 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, or as determined by agreement between the unit operator and the royalty owner as to fee land.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development or operation for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Secretary and the Commissioner, respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives do hereby establish, alter, change or revoke the

drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract 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 their respective predecessors in interest, or any of them.

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

(c) Suspension of drilling or producing operations on all unitized lands of the United States pursuant to direction or consent of the Secretary or his duly authorized representative, and on all unitized lands of the State of New Mexico pursuant to direction or consent of the Commissioner or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized lands.

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

of this agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the committed land so long as such land remains committed hereto, provided unitized substances are discovered in paying quantities within the unit area prior to the expiration date of the primary term of such lease.

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

(g) Any lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event any such lease provides for a lump-sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

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

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary or his duly authorized representative and shall terminate in five (5) years after such date unless (a) such date of expiration is extended by the Director and Commissioner, or (b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formation tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and 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 event the agreement shall remain in effect for such term and so long as unitized substances can be produced in paying quantities, i.e., in this particular instance in quantities sufficient to pay for the cost of producing the same, from wells on unitized land within any participating area established hereunder, and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or (d) it is terminated as provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and the Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

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

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to

be held not less than 15 days from notice.

22. 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 representatives 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.

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

24. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures

hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

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

26. 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, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

27. 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 sub-contracts.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other

interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds shall be deposited as directed by the Supervisor, and with the Commissioner of Public Lands of the State of New Mexico, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, Commissioner and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and if the interest is a working interest, by the owner of such interest also subscribing to the Unit Operating Agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the Unit Operating Agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Prior to final approval hereof, joinder by any owner of a non-working

interest must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. Except as may otherwise herein be provided, subsequent joinders to this Agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director or Commissioner.

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

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

If as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party shall forfeit such rights and no further benefits from operations hereunder as to said land shall accrue to such party, unless within ninety (90) days thereafter said party shall execute this agreement and the unit operating agreement as to the working interest acquired through such surrender, effective as though such land had remained continuously subject to this agreement and the unit operating agreement. And

in the event such agreements are not so executed, the party next in the chain of title shall be and become the owner of such working interest at the end of such ninety (90) day period, with the same force and effect as though such working interest had been surrendered to such party.

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

(1) Execute this agreement and the unit operating agreement as a working interest owner, effective as though such land had remained continuously subject to this agreement and the unit operating agreement.

(2) Again lease such lands but only under the condition that the holder of such lease shall within thirty (30) days after such lands are so leased execute this agreement and the unit operating agreement as to each participating area theretofore established hereunder, effective as though such land had remained continuously subject to this agreement and the unit operating agreement.

(3) Operate or provide for the operation of such land independently of this agreement as to any part thereof or any oil or gas deposits therein not then included within a participating area.

If the fee owner of the unitized substances does not execute this agreement and the unit operating agreement as a working interest owner or again lease such lands as above provided with respect to each existing participating area, within six (6) months after any such surrender or forfeiture, such fee owner shall be deemed to have waived the right to execute the unit operating agreement or lease such lands as to each such participating area, and to have agreed, in consideration for the compensation hereinafter provided, that operations hereunder as to any such participating area or areas shall not be affected by such surrender.

For any period the working interests in any lands are not expressly committed to the unit operating agreement as the result of any such surrender or forfeiture, the benefits and obligations of operations accruing to such

lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective participating working interest ownerships in any such participating area or areas, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized, as to such participating area or areas.

Upon commitment of a working interest to this agreement and the unit operating agreement as provided in this section, an appropriate accounting and settlement shall be made, to reflect the retroactive effect of the commitment, for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered working interest during the period between the date of surrender and the date of recommitment, and payment of any moneys found to be owing by such an accounting shall be made as between the parties then signatory to the unit operating agreement and this agreement within thirty (30) days after the recommitment. The right to become a party to this agreement and the unit operating agreement as a working interest owner by reason of a surrender or forfeiture as provided in this section shall not be defeated by the non-existence of a unit operating agreement and in the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

Nothing in this section shall be deemed to limit the right of joinder or subsequent joinder to this agreement as provided elsewhere in this agreement. The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

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

SUN OIL COMPANY

ATTEST:

*[Handwritten Signature]*  
Secretary

By *[Handwritten Signature]* *EMC*  
~~President~~ Agent and Attorney in Fact

Address *P.O. Box 2880*

Dallas, Texas

Date *August 27, 1951*

UNIT OPERATOR AND  
WORKING INTEREST OWNER

OTHER WORKING INTEREST OWNERS

\_\_\_\_\_  
June B. Stromberg

\_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Date \_\_\_\_\_

LION OIL COMPANY

By *W. B. Barton*  
Vice President

ATTEST: *J. H. Harris*  
Secretary

Address Lion Oil Building  
El Dorado, Arkansas

Date September 11, 1951

THE TEXAS COMPANY

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

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

Address \_\_\_\_\_  
\_\_\_\_\_

Date \_\_\_\_\_

ROYALTY OWNERS

*Ira Tidwell*  
Ira Tidwell

*Nora C. Tidwell*

Address Artesia, New Mexico  
\_\_\_\_\_

Date October 6, 1951

\_\_\_\_\_  
J. W. Stevenson

\_\_\_\_\_  
Address \_\_\_\_\_

Date \_\_\_\_\_

STATE OF TEXAS )  
COUNTY OF Dallas ) SS

On this 27 day of August, 1951, before me personally appeared T. F. HILL to me personally known who being by me duly sworn, did say that he is the President of ~~Agent and Attorney in Fact~~ of Sun Oil Company and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said T. F. HILL acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this the day and year last above written.

My Commission Expires: June 1, 1953 Jack M. Winn JACK M. WINN  
Notary Public

STATE OF ARKANSAS )  
COUNTY OF UNION ) SS

On this 11th day of September, 1951, before me personally appeared C. N. Barton to me personally known who being by me duly sworn did say that he is the Vice President of Lion Oil Company and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said C. N. Barton acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this the day and year last above written.

My Commission Expires: October 2, 1954 Ralph P. Latimer  
Notary Public Ralph P. Latimer

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

On this \_\_\_ day of \_\_\_\_\_, 195\_\_\_, before me personally appeared \_\_\_\_\_ to me personally known who being by me duly sworn did say that he is the \_\_\_\_\_ President of \_\_\_\_\_ and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this the day and year last above written.

My Commission Expires: \_\_\_\_\_  
Notary Public

STATE OF New Mexico  
COUNTY OF Eddy ) SS

On this 6th day of October, 1951, before me personally appeared Jan Schwab and Vera C. Schwab to me personally known to be the person s described in and who executed the foregoing instrument, and acknowledged that They executed the same as THEIR free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate above written.

My Commission Expires: Feb 11, 1955

J. H. Ansley  
Notary Public

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

On this \_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared \_\_\_\_\_ to me personally known to be the person \_\_\_ described in and who executed the foregoing instrument, and acknowledged that \_\_\_he\_\_\_ executed the same as \_\_\_\_\_ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

My Commission Expires: \_\_\_\_\_

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

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

On this \_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared \_\_\_\_\_ to me personally known to be the person \_\_\_ described in and who executed the foregoing instrument and acknowledged that \_\_\_he\_\_\_ executed the same as \_\_\_\_\_ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate last above written.

My Commission Expires: \_\_\_\_\_

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

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

On this \_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared \_\_\_\_\_ to me personally known to be the person \_\_\_ described in and who executed the foregoing instrument and acknowledged that \_\_\_he\_\_\_ executed the same as \_\_\_\_\_ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate last above written.

My Commission Expires: \_\_\_\_\_

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

LARGE FORMAT  
EXHIBIT HAS  
BEEN REMOVED  
AND IS LOCATED  
IN THE NEXT FILE

EXHIBIT "B"

PINON UNIT AREA  
 CHAVES COUNTY, NEW MEXICO  
 Twp. 19 S., Rge. 16 & 17 E., N.M.P.M.

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS  
 IN ALL LANDS IN THE UNIT AREA

Tract No.	Description of Land	Number of Acres	Application or Serial No. and effective date of lease	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
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FEDERAL LAND

1.	T. 19 S., R. 17 E. Sec. 7: Lot 4, S <sup>1</sup> / <sub>2</sub> S <sup>1</sup> / <sub>2</sub> E <sup>1</sup> / <sub>2</sub> , S <sup>1</sup> / <sub>2</sub> S <sup>1</sup> / <sub>2</sub> W <sup>1</sup> / <sub>2</sub>	2061.19	NM-0815 4/1/50	USA	Sun Oil Company	None	Sun Oil Company
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2	T. 19 S., R. 16 E. Sec. 14: S <sup>1</sup> / <sub>2</sub> E <sup>1</sup> / <sub>2</sub> Sec. 23: E <sup>1</sup> / <sub>2</sub> W <sup>1</sup> / <sub>2</sub> , NW <sup>1</sup> / <sub>2</sub> S <sup>1</sup> / <sub>2</sub> E <sup>1</sup> / <sub>2</sub> , NE <sup>1</sup> / <sub>2</sub>	520.00	NM-0816 4/1/50	USA	Sun Oil Company	None	Sun Oil Company
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2A	T. 19 S., R. 16 E. Sec. 25: Lots 3,4,5,6	133.77	NM-0816 4/1/50	USA	Sun Oil Company	None	Sun Oil Company
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3	T. 19 S., R. 17 E. Sec. 20: S <sup>1</sup> / <sub>2</sub> E <sup>1</sup> / <sub>2</sub> Sec. 21: W <sup>1</sup> / <sub>2</sub> , W <sup>1</sup> / <sub>2</sub> E <sup>1</sup> / <sub>2</sub> Sec. 29: N <sup>1</sup> / <sub>2</sub>	1120.00	NM-0819 4/1/50	USA	Sun Oil Company	None	Sun Oil Company
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4	T. 19 S., R. 16 E. Sec. 13: SE <sup>1</sup> / <sub>2</sub> NE <sup>1</sup> / <sub>2</sub> , SE <sup>1</sup> / <sub>2</sub> , E <sup>1</sup> / <sub>2</sub> S <sup>1</sup> / <sub>2</sub> W <sup>1</sup> / <sub>2</sub> S <sup>1</sup> / <sub>2</sub> S <sup>1</sup> / <sub>2</sub> W <sup>1</sup> / <sub>2</sub> , Lots 1,2,3,4 Sec. 24: E <sup>1</sup> / <sub>2</sub> , E <sup>1</sup> / <sub>2</sub> W <sup>1</sup> / <sub>2</sub> , NW <sup>1</sup> / <sub>2</sub> NW <sup>1</sup> / <sub>2</sub> , Lots 1,2	1349.69	NM-01036 3/1/50	USA	Sun Oil Company	None	Sun Oil Company
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Tract No.	Description of Lands	Number of Acres	Application or Serial No. and effective date of lease or expiration	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
<u>4-Cont. Sec. 19: SE<math>\frac{1}{4}</math>, E<math>\frac{1}{2}</math>SW<math>\frac{1}{4}</math>, Lots 3,4</u>							
4A	T. 19S., R. 17E. Sec. 20: SE $\frac{1}{4}$ N $\frac{1}{2}$ E $\frac{1}{2}$	40.00	NM-01036 3/1/50	USA ALL	Sun Oil Company	None	Sun Oil Company ALL
5.	T. 19 S., R. 16 E. Sec. 25: Lots 1,2,7,8 T. 19 S., R. 17 E. Sec. 28: SW $\frac{1}{4}$ Sec. 30: A11 Sec. 29: S $\frac{1}{2}$	1249.26	NM-01412 4/1/50	USA ALL	Sun Oil Company	None	Sun Oil Company ALL
6	T. 19 S., R. 17 E. Sec. 8: S $\frac{1}{2}$ SW $\frac{1}{4}$	80.00	LC-069329	USA ALL	June B. Stromberg	None	June B. Stromberg ALL
<u>8 Federal Tracts containing 6,553.91 acres or 93.18% of unit area</u>							
STATE LAND							
7.	T. 19 S., R. 17 E. Sec. 16: SW $\frac{1}{4}$	160.00		State of New Mexico ALL	Lion Oil Company	None	Lion Oil Company ALL
<u>1 State Tract containing 160 acres or 2.27% of unit area</u>							
FEE OR PRIVATELY OWNED LANDS							
8	T. 19 S., R. 17 E. Sec. 28: NW $\frac{1}{4}$	160.00	1/16/61		Ira Tidwell ALL	None	Sun Oil Company ALL
9	T. 19 S., R. 16 E. Sec. 23: NE $\frac{1}{4}$ SE $\frac{1}{4}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 24: NW $\frac{1}{4}$ SW $\frac{1}{4}$	160.00	4/11/58	J.W. Stevenson ALL	The Texas Company	None	The Texas Company ALL
<u>2 Patented Tracts containing 320.00 acres, or 4.55% of unit area</u>							
<u>TOTAL 11 TRACTS - 7,033.91 ACRES IN ENTIRE UNIT AREA</u>							

**BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO**

**IN THE MATTER OF THE APPLICATION  
OF THE SUN OIL COMPANY, A CORPORATION,  
FOR AN ORDER APPROVING THE PROPOSED PINON  
UNIT AGREEMENT EMBRACING 7033.91 ACRES IN  
CHAVES COUNTY, NEW MEXICO, WITHIN TOWNSHIP  
19 S, RANGES 16 and 17 E, NMPM.**

**CASE NO. 305  
ORDER NO. R-91**

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:**

This cause came on for hearing at 10:00 A. M. on the 21st day of August, 1951, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission", upon the application of the Sun Oil Company for approval of the Pinon Unit Agreement embracing lands situated in Chaves County, New Mexico, and the Commission having considered said application and the evidence introduced in support thereof, and being fully advised of the premises, finds:

That the proposed unit plan will in principle tend to promote the conservation of oil and gas and the prevention of waste.

**IT IS THEREFORE ORDERED BY THE COMMISSION AS FOLLOWS:**

**SECTION 1. That this order shall be known as the**

**PINON UNIT AGREEMENT ORDER.**

**SECTION 2. (a) That the project herein referred to shall be known as the Pinon Unit Agreement, and shall hereafter be referred to as the "Project".**

**(b) That the plan by which the Project shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Pinon Unit Area referred to in the Petitioner's petition and filed with said petition, and such plan shall be known as the Pinon Unit Agreement Plan.**

**SECTION 3. That the Pinon Unit Agreement Plan shall be, and hereby is, approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement this approval shall not be considered as waiving or relinquishing in any manner any rights, duties or obligations which are now, or may hereafter, be vested in the New Mexico Oil Conservation Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said Pinon Unit Agreement, or relative to the production of oil or gas therefrom.**

**SECTION 4. (a) That the Unit Area shall be:**

**NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO**

Twp. 19 S, Rgs. 16 E  
Sec. 13: SE/4NE/4, SE/4, E/2 SW/4, SW/4 SW/4,  
Lots 1, 2, 3, 4,  
Sec. 14: SE/4  
Sec. 23: E/2 W/2, E/2  
Sec. 24: All  
Sec. 25: N/2

Twp. 19 S, Rgs. 17 E  
Sec. 7: S/2 E/2  
Sec. 8: S/2 SW/4  
Sec. 16: SW/4  
Sec. 17: All  
Sec. 18: All  
Sec. 19: All  
Sec. 20: All  
Sec. 21: W/2, W/2 E/2  
Sec. 28: W/2  
Sec. 29: All  
Sec. 30: All

containing 7033.91 acres, more or less.

(b) The unit area may be enlarged or contracted as provided in said Plan,

SECTION 5. That the unit operator shall file with the Commission an executed original or executed counterpart of the Pinon Unit Agreement within 30 days after the effective date thereof.

SECTION 6. That any party owning rights in the unitized substances who does not commit such rights to said unit agreement before the effective date thereof may thereafter become a party thereto by subscribing to such agreement or counterpart thereof. The unit operator shall file with the Commission within 30 days an original of any such counterpart.

SECTION 7. This Order shall become effective upon approval of said unit agreement by the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, and shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall immediately notify the Commission in writing of such termination.

DONE at Santa Fe, New Mexico, on September 20, 1954 above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Edwin L. Mechem*  
EDWIN L. MECHEM, Chairman

*Guy Shepard*  
GUY SHEPARD, Member

*R. R. Spurrer*  
R. R. SPURRIER, Secretary

SEAL

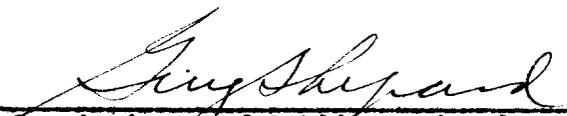
CERTIFICATE OF APPROVAL  
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO, OF UNIT  
AGREEMENT FOR DEVELOPMENT AND OPERATION OF PINON UNIT AREA  
CHAVES COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the Pinon Unit Area, Chaves County, New Mexico, dated 27th day of August, 1951, in which the Sun Oil Company is designated as Operator, and which has been executed by various parties owning and holding oil and gas leases embracing lands within the Unit Area and upon examination of said Agreement, the Commissioner finds:

- (a) That such Agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said field;
- (b) That under the operation proposed, the State will receive its fair share of the recoverable oil or gas in place under its land 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 Pinon Unit Agreement, and subject to all of the provisions of the aforesaid Chapter 88 of the Laws of the State of New Mexico, 1943.

EXECUTED this 8th day of October 1951.

  
\_\_\_\_\_  
Commissioner of Public Lands of  
the State of New Mexico

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 2365 of October 8, 1947, 43 C.F.R. Sec. 4.611, 12 F.R. 6784, I do hereby:

A. Approve the attached agreement for the development and operation of the Pinon Unit Area, State of New Mexico.

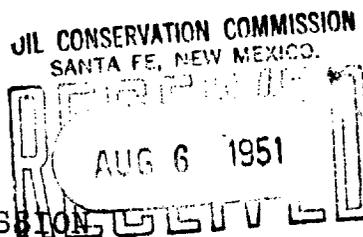
B. Certify and determine that the unit plan of development and operation set forth in the attached agreement is necessary and advisable in the public interest and is for the purpose of more properly conserving the natural resources.

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 NOV 27 1951

Acting

W. Bradley  
Director, United States  
Geological Survey



NEW MEXICO OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

APPLICATION FOR APPROVAL OF PINON UNIT AGREEMENT  
CHAVES COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Comes the undersigned, the Sun Oil Company, a corporation with offices at Dallas, Texas, and files herewith three copies of a proposed unit agreement for the development and operation of the Pinon Unit Area, embracing lands in Chaves County, New Mexico, and hereby makes application for the approval of said unit agreement by the New Mexico Oil Conservation Commission as provided by law, and in support thereof shows:

1. That the unit area designated in said agreement comprises 7033.91 acres, more or less, situated in Chaves County, New Mexico, more particularly described as follows:

Twp. 19 S., Rge. 16 E., N.M.P.M.

Sec. 13:  $SE\frac{1}{4}NE\frac{1}{4}$ ,  $SE\frac{1}{4}$ ,  $E\frac{1}{2}SW\frac{1}{4}$ ,  $SW\frac{1}{4}SW\frac{1}{4}$ , Lots 1, 2, 3, 4  
Sec. 14:  $SE\frac{1}{4}$   
Sec. 23:  $E\frac{1}{2}W\frac{1}{2}$ ,  $E\frac{1}{2}$   
Sec. 24: All  
Sec. 25:  $N\frac{1}{2}$

Twp. 19 S., Rge. 17 E., N.M.P.M.

Sec. 7:  $S\frac{1}{2}S\frac{1}{2}$   
Sec. 8:  $S\frac{1}{2}SW\frac{1}{4}$   
Sec. 16:  $SW\frac{1}{4}$   
Sec. 17: All  
Sec. 18: All  
Sec. 19: All  
Sec. 20: All  
Sec. 21:  $W\frac{1}{2}$ ,  $W\frac{1}{2}E\frac{1}{2}$   
Sec. 28:  $W\frac{1}{2}$   
Sec. 29: All  
Sec. 30: All.

That of the above described lands 6,553.91 acres are Federal lands, 160 acres State lands, and 320 acres Fee or Privately Owned Lands.

2. That there is attached hereto, made a part hereof, and for purposes of identification marked Exhibit "A" a copy of a geological report and plat showing the geologic feature involved which

accompanied the request made to the Director of the United States Geological Survey for designation of said area as one suitable and proper for unitization, and that the Director has heretofore designated said area as an area suitable and proper for unitization, and it is believed that the proposed unit area covers substantially all of the geologic feature involved, and in the event of the discovery of oil or gas thereon, that said unit agreement will afford effective control of the entire structure.

3. That the Sun Oil Company is designated as unit operator in said unit agreement, and, as such, is given authority under the terms thereof to carry on all operations which are necessary for the development and operation of the unit area for oil and gas, subject to all applicable laws and regulations. That said Unit Agreement provides for the commencement of a test well for oil and gas upon some part of the lands of the unit area within six months after the effective date thereof, and for the drilling of said well to a depth of 6,000 feet, unless unitized substances shall be discovered at a lesser depth.

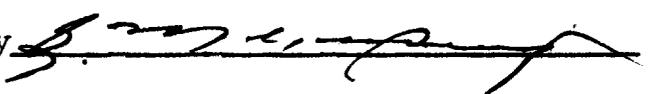
4. That said Unit Agreement is in substantially the same form as Unit Agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico, and by the New Mexico Oil Conservation Commission, and it is believed that operations to be carried on under the terms thereof will promote the economical and efficient recovery of oil and gas to the end that the maximum yield may be obtained from the field or area if oil or gas should be produced in paying quantities, and the production is to be limited to such production as may be put to beneficial use with adequate realization of fuel and other values, and it is further believed that the Agreement will be in the interest of the conservation of oil and gas and the prevention of waste as contemplated by the Oil Conservation Statutes of the State of New Mexico.

5. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement and after approval thereof by the Commissioner of Public Lands of the State of New Mexico, a fully executed and approved copy of said Agreement will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a public hearing be held on the matter of the approval of said Unit Agreement as provided by the Statutes of the State of New Mexico and the regulations of the New Mexico Oil Conservation Commission, and that upon said hearing said Unit Agreement be approved by the New Mexico Oil Conservation Commission.

Respectfully submitted,

SUN OIL COMPANY

By  EMB

Agent and Attorney in Fact.

EXHIBIT "A" of application to New Mexico Conservation Commission, consisting of map and geological summary which were originally filed with the U. S. G.S. Upon approving this unit area the U. S. G. S. changed the name from Blue Water to Pinon Unit Area.

January 26, 1951

EXHIBIT "B"

GEOLOGICAL SUMMARY

Blue Water Area  
Chaves County, New Mexico

Exhibit "B" is a detailed surface structure map of the Blue Water area, located in Ranges 16 and 17 East - Township 19 South, Chaves County, New Mexico.

On this surface structure map presented as Exhibit "B", we have shown our plane table stations, dips, symbols, our structural interpretation, and a columnar section showing the datum used for this work. The map depicts an elongated dome with approximately 500' of structural closure. We feel that this is a very conservative estimate as the faults located on the southeastern part of our block show a maximum structural relief of 1,000'.

We believe that the best location for testing this structure is the NW-1/4 of the SE-1/4 of Section 19, Range 17 East, Township 19 South.

We proposed to drill this well deep enough to test all the sedimentary section present which we anticipate will be the Basal Permian, Pennsylvanian, Mississippi, Devonian, Silurian, and Ordovician. We believe that we will encounter basement, either igneous or altered sediments, by 4200'; however, we have recommended a depth of 6,000' or basement at a lesser depth.

(signed) Wallace Ralston  
Wallace Ralston