

# STANOLIND OIL AND GAS COMPANY

OIL AND GAS BUILDING

FORT WORTH, TEXAS

C. F. BEDFORD  
DIVISION PRODUCTION SUPERINTENDENT

August 6, 1952

File: JTM-8332-216.78

Subject: Angel's Peak Unit  
San Juan County, New Mexico

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

Gentlemen:

Attached are two copies of a letter to the Supervisor of the United States Geological Survey at Roswell, New Mexico, wherein Stanolind Oil and Gas Company is making application for a six months deferment on the commencement date of the obligatory Dakota well in the Angel's Peak Unit. We believe this letter is self-explanatory. Copies of the letter are also being sent to the Commissioner of Public Lands of the State of New Mexico for approval.

We would appreciate being advised of your reaction towards this deferment at your earliest convenience.

Yours very truly,



JTM/mc

Attach.

*UKRS  
8/12  
cc VSB-S  
S.H.O.*

*[Faint stamp and handwritten notes]*

STANOLIND OIL AND GAS COMPANY  
FORT WORTH, TEXAS

August 5, 1952

File: JN-2113-216.78

Subject: Angel's Peak Unit  
San Juan County,  
New Mexico

Mr. John Anderson, Supervisor  
United States Geological Survey  
Roswell, New Mexico

Dear Sir:

Reference is made to your conversation with Mr. Alex Clarke of this office in Santa Fe on July 16 regarding the deferment of the commencement date on the obligatory Dakota well to be drilled in the Angel's Peak Unit, the present commencement date being September 1, 1952.

Section 9 of the Unit Operating Agreement provides that the Director and Commissioner may modify a drilling requirement by granting reasonable extensions of time when, in his opinion, such action is warranted. Stanolind Oil and Gas Company, as unit operator, is hereby making application for a six months deferment on the commencement date of the obligatory Dakota well in the Angel's Peak Unit.

Prior to final approval of the Unit Agreement and Unit Operating Agreement we agreed to drill an additional Dakota test within six months after completion of Angel's Peak No. 1, which was in the process of completion on the effective date of the Unit Agreement. Therefore, we feel that we are morally, as well as legally, obligated to drill a second Dakota test well in the Angel's Peak Unit. Our only reason for asking deferment on drilling a well at this time is due to the current critical shortage of steel. We believe such action to be in the public interest and not merely to the advantage of the Unit Operator, as we sincerely intend to drill this well as soon as an adequate supply of steel is available. We would appreciate being advised of your decision on this matter at the earliest possible date.

Copies of this letter are being filed simultaneously with the Oil Conservation Commission and the Commissioner of Public Lands of the State of New Mexico.

Yours very truly,

*C. J. Sedgwick* #2

JTS:ms

ILLEGIBLE

COPY

**OIL CONSERVATION COMMISSION**

P. O. BOX 871

**SANTA FE, NEW MEXICO**

*Case 320*

**August 12, 1952**

**File: JTM-8332-216.78**

**Subject: Angel's Peak Unit  
San Juan County, New Mexico**

C

O

P

Y

**Mr. C. F. Bedford  
Stanolind Oil and Gas Company  
Fort Worth, Texas**

**Dear Sir:**

**This is to advise that the New Mexico Oil  
Conservation Commission is agreeable to a six-months  
deferment on the commencement date of the second  
Dakota well in the Angel's Peak Unit.**

**This Commission is advising the U. S. Geological  
Survey and Commissioner of Public Lands of its attitude.**

**Very truly yours,**

W

**Secretary and Director**

**cc: John Anderson, Supervisor  
USGS, Roswell**

**Guy Shepard  
Commissioner of Public Lands**

August 10, 1952



C  
O  
P  
Y

**Stanolind Oil and Gas Company  
Oil and Gas Building  
Fort Worth, Texas**

**Attention: C. F. Bedford, Division Production Superintendent**

**Dear Sirs:**

In compliance with your extension request of August 6, 1952, I am pleased to say that I, as Commissioner of Public Lands, approve the requested six months deferment of commencement of the Dakota well on Angel's Peak Unit, subject, however, to like approval of extension being had and obtained from the U. S. Geological Survey, and this office being furnished with a copy of Federal approval.

Very truly yours,

*Guy Shepard*

**GUY SHEPARD**

**Commissioner of Public Lands**

vmc

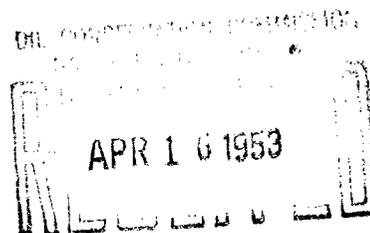
KS

# STANOLIND OIL AND GAS COMPANY

OIL AND GAS BUILDING

FORT WORTH, TEXAS

C. F. BEDFORD  
DIVISION PRODUCTION SUPERINTENDENT



April 14, 1953

File: JTM-7112-216.78

Subject: Plan of Development for  
Calendar Year 1953,  
Dakota Zone,  
Angels Peak Unit,  
San Juan County, New Mexico

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

Gentlemen:

Pursuant to Section 10 of the Angels Peak Unit Agreement we are transmitting two (2) copies of a Plan of Development for the Calendar Year 1953 for the Dakota Zone in the Angels Peak Unit, San Juan County, New Mexico.

It is requested that your office review these instruments and if they meet with your approval, return one (1) approved copy to this office at your convenience.

Copies of this instrument are being filed simultaneously with the Oil and Gas Supervisor of the U.S.G.S. and the State Land Commission of New Mexico.

Yours very truly,

A handwritten signature in dark ink, appearing to be "C. F. Bedford".

JTM/mc  
Attach.

PLAN OF DEVELOPMENT FOR THE CALENDAR YEAR 1953  
DAKOTA ZONE, ANGELS PEAK UNIT, SAN JUAN COUNTY, NEW MEXICO

TO: THE OIL AND GAS SUPERVISOR  
U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

COMMISSIONER OF PUBLIC LANDS  
STATE OF NEW MEXICO  
SANTA FE, NEW MEXICO

OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO  
SANTA FE, NEW MEXICO

In compliance with Section 10 of the Angels Peak Unit Agreement, approved by the Director of the United States Geological Survey on June 22, 1952, by the Commissioner of Public Lands of the State of New Mexico on October 23, 1951, and by the Oil Conservation Commission of the State of New Mexico on October 23, 1951, Stanolind Oil and Gas Company, as unit operator, on behalf of itself and other owners of oil and gas leases or of operating rights under oil and gas leases covering lands committed to the Angels Peak Unit, hereby submits a Plan of Development for the Dakota Zone of said Angels Peak Unit as follows:

1. Description of Participating Area in Dakota Zone:

A Dakota participating area was established effective as of the first of the month following the effective date of the Angels Peak Unit Agreement for all subsidies produced from the Dakota formation through a well completed prior to the formation of the Angels Peak Unit and located in the NE/4 of the NW/4 Section 4, T-27-N, R-10-W, San Juan County, New Mexico. The following land is included in this initial Dakota participating area:

T-27-N, R-10-W

W/2 of the NE/4 and NW/4 Section 4

T-28-N, R-10-W

S/2 of the SW/4 Section 33

SW/4 of the SE/4 Section 33

This participating area contains 361.54 acres, more or less.

2. Past Development History in the Dakota Zone:

Three wells have been drilled to the Dakota Zone in the Angels Peak Unit. All of these wells are productive of gas and a participating area has been established for the one well in Section 4 described above; however, the other two wells are considered non-commercial and no participating area is contemplated for these wells.

Byrd-Frost English Hargraves "A" No. 1, located in the NW/4 Section 4, T-27-N, R-10-W, was completed on December 19, 1949, for an initial open flow potential of 1,471 MCFPD. A participating area, described in Section 11 of the Unit Agreement, was established on the basis of completion of this well.

Angels Peak Unit No. 1 located in the NE/4 Section 15, T-27-N, R-10-W was completed on March 3, 1952 for an initial open flow potential of 145 MCFPD. This well is considered non-commercial and is being produced on the basis prescribed by the last paragraph of Section 11 of the Unit Agreement.

Angels Peak Unit No. 2 located in the SE/4 of Section 22, T-27-N, R-10-W was completed on December 7, 1952 for an initial open flow potential of 635 MCFPD. Subsequent tests of this well indicate its productive capacity is approximately 200 MCFPD; therefore, the well is considered non-commercial and it is being produced on the basis prescribed by the last paragraph of Section 11 of the Unit Agreement.

3. Proposed Additional Wells:

Due to the fact that the above-mentioned wells are not capable of producing gas in commercial quantities we propose that no additional wells be drilled during the year 1953. In lieu of this, it is proposed that a data gathering program be initiated by the unit operator until such time as we have accumulated sufficient performance data to determine if the Dakota Zone warrants additional development in this area. At the end of such a period we would be able to evaluate our position in this area in regard to future development.

4. Offset Obligations:

The unit operator, on behalf of the owners of working, royalty or other interests in the Angels Peak Unit, will take appropriate and adequate measures to prevent drainage from lands subject to the Angels Peak Unit Agreement by wells on lands not subject to said agreement or pursuant to applicable regulations, will pay a fair and reasonable compensatory royalty as provided in Section 17 of the Angels Peak Unit Agreement.

5. Further Development:

This Plan of Development for the Dakota Zone shall constitute the obligations of the unit operator pursuant to the provisions of the Angels Peak Unit Agreement for the Dakota Zone for the period ending December 31, 1953. It is further agreed that prior to the expiration of this Plan of Development, another Plan of Development shall be submitted to the above named addressed for further development of the Unit.

6. Effective Date:

This Plan of Development shall be effective January 1, 1953.

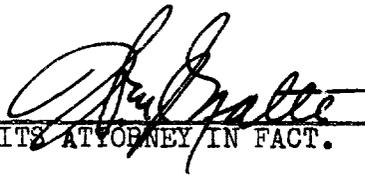
7. Modifications:

This Plan of Development may be modified from time to time with the approval of the Supervisor, the Commissioner, and the Commission to meet changing conditions.

Submitted this \_\_\_\_\_ day of \_\_\_\_\_, 1953.

STANOLIND OIL AND GAS COMPANY  
UNIT OPERATOR

BY:

  
ITS ATTORNEY IN FACT.



WJm.  
RS

New Mexico  
OIL CONSERVATION COMMISSION

GOVERNOR EDWIN L. MECHEM  
CHAIRMAN  
LAND COMMISSIONER E.S. WALKER  
MEMBER  
STATE GEOLOGIST R.R. SPURRIER  
SECRETARY AND DIRECTOR



P. O. BOX 871  
SANTA FE, NEW MEXICO

April 30, 1953

MEMORANDUM

TO: Mr. Spurrier  
FROM: George Graham

RE: Angel Peak Unit  
Recently submitted plan.

Under the original agreement, Stanolind, the operator, represented that the Byrd-Frost (Hargraves) Dakota well, (completed in 1949) called for a participating area upon approval of the unit. The U. S. Certificate is dated January 22, 1952. The Land Commissioner's Certificate is dated October 23, 1951. Under the Oil Commission Order dated October 23, 1951, the Angel Peak Agreement became effective on the 1st day of the calendar month next after U. S. and Land Commissioner approval--that is February 1, 1952.

Within six months after February 1, 1952, they should have commenced a second Dakota well. Correspondence in the file indicates the operator contacted the U.S.G.S. representative in Santa Fe, on July 16, 1952 verbally for an extension and formally wrote the U.S.G.S. and the Land Commissioner on August 6, 1952. On August 10, 1952 the Land Commissioner agreed to the six month extension subject to like approval by the U.S.G.S.; our files do not disclose whether U.S.G.S. agreed, but I assume it agreed, also.

It is represented by the operator that it completed Angel Peak No. 1 in the NE/4 Sec. 15-T; 27N-R 10 W, March 3, 1952 and No. 2 in Sec. 22-27N-10W, December 7, 1952: both claimed to be non commercial under the last paragraph of Section 11 of the agreement. According to the operator's statement it has not yet felt it necessary follow Section 10--submitting a plan, until recently, evidently for the reason that the two wells on the south end of the unit are non commercial wells--one 145 Mcf open, the other settled to 200 mcf.

New Mexico  
OIL CONSERVATION COMMISSION

GOVERNOR EDWIN L. MECHEM  
CHAIRMAN  
LAND COMMISSIONER E.S. WALKER  
MEMBER  
STATE GEOLOGIST R.R. SPURRIER  
SECRETARY AND DIRECTOR



P. O. BOX 871  
SANTA FE, NEW MEXICO

Memorandum---Page 2

The plan of development submitted recently, reiterates the participating area set out in the original agreement for the old Byrd-Frost 1949 well and says that no more wells should be drilled this year because of the weak wells drilled last year.

Under section 10 of the agreement, the operator, after the second well is completed as a producer in paying quantities, is required to submit a plan for further development for the approval of the Supervisor, Commissioner and the Commission; and the plan must be acceptable to each and should be reasonable and calculated to develop. The plan submitted is not grounded on a second producing well, and is nothing more than an application for extension of drilling time for the balance of the year 1953.

In all probability this so called plan of development should, after consultation with the Supervisor, and Commissioner be rejected, and any extension of the 6 month time from December 7, 1952 completion date of Angel Peak No. 2, be denied. Then if an additional well be not commenced by June 7, 1953, ~~then~~, in collaboration with the Supervisor and Commissioner, declare the Angel Peak Unit Agreement terminated. The operator is entitled to notice sufficient in time to commence another well located where the authorities approve.

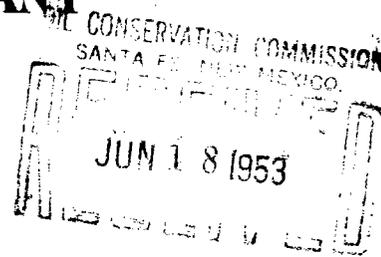
Termination would dissolve the participating area around the Byrd-Frost well.

George Graham

# STANOLIND OIL AND GAS COMPANY

OIL AND GAS BUILDING

FORT WORTH, TEXAS



C. F. BEDFORD  
DIVISION PRODUCTION SUPERINTENDENT

June 16, 1953

File: JTM-7176-216.78

Subject: Plan of Development for  
Calendar Year 1953,  
Dakota Zone, Angels Peak Unit,  
San Juan County, New Mexico

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

Gentlemen:

In accordance with the request in your letter of June 12, 1953, we are forwarding you one copy of a Plan of Development for the Dakota Zone in the Angels Peak Unit, San Juan County, New Mexico. As we had no additional copies in our files, we are forwarding a copy as approved by the Regional Oil and Gas Supervisor of the U.S.G.S. at Roswell.

We previously submitted to you copies of this Plan in our letter of April 14, 1953, at the same time we submitted copies to the U.S.G.S. and the State Land Commission of New Mexico; however, they were probably lost in the mail.

Very truly yours,

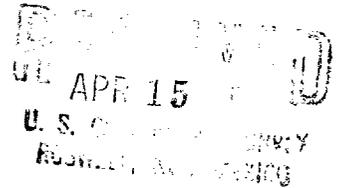
JTM/ek  
Attachment

PLAN OF DEVELOPMENT FOR THE CALENDAR YEAR 1953  
DAKOTA ZONE, ANGELS PEAK UNIT, SAN JUAN COUNTY, NEW MEXICO

TO: THE OIL AND GAS SUPERVISOR  
U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

COMMISSIONER OF PUBLIC LANDS  
STATE OF NEW MEXICO  
SANTA FE, NEW MEXICO

OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO  
SANTA FE, NEW MEXICO



In compliance with Section 10 of the Angels Peak Unit Agreement, approved by the Director of the United States Geological Survey on June 22, 1952, by the Commissioner of Public Lands of the State of New Mexico on October 23, 1951, and by the Oil Conservation Commission of the State of New Mexico on October 23, 1951, Stanolind Oil and Gas Company, as unit operator, on behalf of itself and other owners of oil and gas leases or of operating rights under oil and gas leases covering lands committed to the Angels Peak Unit, hereby submits a Plan of Development for the Dakota Zone of said Angels Peak Unit as follows:

1. Description of Participating Area in Dakota Zones:

A Dakota participating area was established effective as of the first of the month following the effective date of the Angels Peak Unit Agreement for all subsidies produced from the Dakota formation through a well completed prior to the formation of the Angels Peak Unit and located in the NE/4 of the NW/4 Section 4, T-27-N, R-10-W, San Juan County, New Mexico. The following land is included in this initial Dakota participating area:

T-27-N, R-10-W

W/2 of the NE/4 and NW/4 Section 4

T-28-N, R-10-W

S/2 of the SW/4 Section 33

SW/4 of the SE/4 Section 33

This participating area contains 361.54 acres, more or less.

2. Past Development History in the Dakota Zones:

Three wells have been drilled to the Dakota Zone in the Angels Peak Unit. All of these wells are productive of gas and a participating area has been established for the one well in Section 4 described above; however, the other two wells are considered non-commercial and no participating area is contemplated for these wells.

Byrd-Frost English Hargraves "A" No. 1, located in the NW/4 Section 4, T-27-N, R-10-W, was completed on December 19, 1949, for an initial open flow potential of 1,471 MCFPD. A participating area, described in Section 11 of the Unit Agreement, was established on the basis of completion of this well.

Angels Peak Unit No. 1 located in the NE/4 Section 15, T-27-N, R-10-W was completed on March 3, 1952 for an initial open flow potential of 145 MCFPD. This well is considered non-commercial and is being produced on the basis prescribed by the last paragraph of Section 11 of the Unit Agreement.

Angels Peak Unit No. 2 located in the SE/4 of Section 22, T-27-N, R-10-W was completed on December 7, 1952 for an initial open flow potential of 635 MCFPD. Subsequent tests of this well indicate its productive capacity is approximately 200 MCFPD; therefore, the well is considered non-commercial and it is being produced on the basis prescribed by the last paragraph of Section 11 of the Unit Agreement.

3. Proposed Additional Wells:

Due to the fact that the above-mentioned wells are not capable of producing gas in commercial quantities we propose that no additional wells be drilled during the year 1953. In lieu of this, it is proposed that a data gathering program be initiated by the unit operator until such time as we have accumulated sufficient performance data to determine if the Dakota Zone warrants additional development in this area. At the end of such a period we would be able to evaluate our position in this area in regard to future development.

4. Offset Obligations:

The unit operator, on behalf of the owners of working, royalty or other interests in the Angels Peak Unit, will take appropriate and adequate measures to prevent drainage from lands subject to the Angels Peak Unit Agreement by wells on lands not subject to said agreement or pursuant to applicable regulations, will pay a fair and reasonable compensatory royalty as provided in Section 17 of the Angels Peak Unit Agreement.

5. Further Development:

This Plan of Development for the Dakota Zone shall constitute the obligations of the unit operator pursuant to the provisions of the Angels Peak Unit Agreement for the Dakota Zone for the period ending December 31, 1953. It is further agreed that prior to the expiration of this Plan of Development, another Plan of Development shall be submitted to the above named address for further development of the Unit.

6. Effective Date:

This Plan of Development shall be effective January 1, 1953.

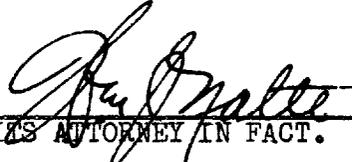
7. Modifications:

This Plan of Development may be modified from time to time with the approval of the Supervisor, the Commissioner, and the Commission to meet changing conditions.

Submitted this \_\_\_\_\_ day of \_\_\_\_\_, 1953.

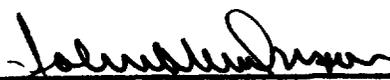
STANOLIND OIL AND GAS COMPANY  
UNIT OPERATOR

BY:

  
ITS ATTORNEY IN FACT.



Approved June 9, 1953, subject to like approval by the Commissioner of Public Lands, State of New Mexico, and the New Mexico Oil Conservation Commission.

  
John A. Anderson, Regional Oil & Gas Supervisor  
United States Geological Survey, Roswell, New Mexico

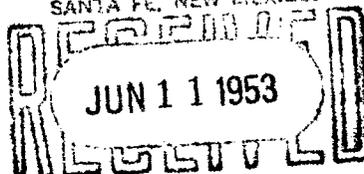


UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY

P. O. Box 997  
Roswell, New Mexico

June 9, 1953

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO.



Stanolind Oil and Gas Company  
Oil and Gas Building  
Fort Worth, Texas

Gentlemen:

Receipt is acknowledged of your letter of April 14, 1953, enclosing six copies of the plan of development for the calendar year 1953 for the Dakota zone, Angels Peak Unit area, I-Sec. No. 907.

The plan of development has been approved on this date subject to like approval by the Commissioner of Public Lands, State of New Mexico, and the New Mexico Oil Conservation Commission.

Two approved copies of the plan of development are enclosed.

Very truly yours,

JOHN A. ANDERSON  
Regional Oil and Gas Supervisor

Enclosures 2

cc: Commissioner of Public Lands  
New Mexico Oil Conservation Commission

**STANOLIND OIL AND GAS COMPANY**

OIL AND GAS BUILDING

**FORT WORTH, TEXAS**

C. F. BEDFORD  
DIVISION PRODUCTION SUPERINTENDENT

August 5, 1953

File: JTM-7228-216.78

Subject: Plan of Development for the  
Calendar Year 1953 for the  
Dakota Zone in the Angels  
Peak Unit, San Juan County,  
New Mexico

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

Attention: Mr. R. R. Spurrier

Gentlemen:

We would appreciate your advising us of your reaction toward the Plan of Development for the Calendar Year 1953 for the Dakota Zone in the Angels Peak Unit, San Juan County, New Mexico, which was transmitted to you by our letter of June 16, 1953.

Very truly yours,

*C. F. Bedford*  
x

JTM/ek

**OIL CONSERVATION COMMISSION**

P. O. BOX 871

SANTA FE, NEW MEXICO

August 18, 1953

**Stanolind Oil & Gas Company  
Oil and Gas Building  
Fort Worth, Texas**

**Re: Plan of Development for the Calendar Year  
1953 for the Dakota Zone in the Angels Peak  
Unit, San Juan County, New Mexico**

**Gentlemen:**

Reference is made to your letter of August 5, 1953, with reference to the above captioned.

Sometime in June, representatives of the U. S. Geological Survey, Stanolind Oil & Gas, Land Office and this office met in connection with this matter and approval was given for your Plan of Development at that time.

In checking our records we do not find this Plan and will appreciate your checking your file further for said copies. In the event that a diligent search does not produce the approval, please submit an additional set and Commission approval will be forthcoming.

Very truly yours,

**R. R. Spurrier  
Secretary and Director**

RRS:vc

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# STANOLIND OIL AND GAS COMPANY

OIL AND GAS BUILDING

FORT WORTH, TEXAS

September 14, 1953

C. F. BEDFORD  
DIVISION PRODUCTION SUPERINTENDENT

File: JTM-7244-216.78

Subject: Plan of Development for the  
Calendar Year 1953 for the  
Dakota Zone in the Angels  
Peak Unit, San Juan County,  
New Mexico

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SEP 17 1953  
1655

REGISTERED

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

Attention: Mr. R. R. Spurrier

Gentlemen:

In accordance with the request in your letter of August 18, 1953, we are submitting two additional photostatic copies of a Plan of Development for the Calendar Year of 1953 for the Dakota Zone in the Angels Peak Unit.

Very truly yours,



JTM/mjw

Attach.

*WKS  
9/21/53*

PLAN OF DEVELOPMENT FOR THE CALENDAR YEAR 1953  
DAKOTA ZONE, ANGELS PEAK UNIT, SAN JUAN COUNTY, NEW MEXICO

TO: THE OIL AND GAS SUPERVISOR  
U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

COMMISSIONER OF PUBLIC LANDS  
STATE OF NEW MEXICO  
SANTA FE, NEW MEXICO

OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO  
SANTA FE, NEW MEXICO

RECEIVED  
STATE LAND DEPT.  
APR 10 1 35 PM '53  
SANTA FE, N.M.

In compliance with Section 10 of the Angels Peak Unit Agreement, approved by the Director of the United States Geological Survey on June 22, 1952, by the Commissioner of Public Lands of the State of New Mexico on October 23, 1951, and by the Oil Conservation Commission of the State of New Mexico on October 23, 1951, Stanolind Oil and Gas Company, as unit operator, on behalf of itself and other owners of oil and gas leases or of operating rights under oil and gas leases covering lands committed to the Angels Peak Unit, hereby submits a Plan of Development for the Dakota Zone of said Angels Peak Unit as follows:

1. Description of Participating Area in Dakota Zone:

A Dakota participating area was established effective as of the first of the month following the effective date of the Angels Peak Unit Agreement for all subsidies produced from the Dakota formation through a well completed prior to the formation of the Angels Peak Unit and located in the NE/4 of the NW/4 Section 4, T-27-N, R-10-W, San Juan County, New Mexico. The following land is included in this initial Dakota participating area:

T-27-N, R-10-W

W/2 of the NE/4 and NW/4 Section 4

T-28-N, R-10-W

S/2 of the SW/4 Section 33

SW/4 of the SE/4 Section 33

This participating area contains 361.54 acres, more or less.

2. Past Development History in the Dakota Zone:

Three wells have been drilled to the Dakota Zone in the Angels Peak Unit. All of these wells are productive of gas and a participating area has been established for the one well in Section 4 described above; however, the other two wells are considered non-commercial and no participating area is contemplated for these wells.

Byrd Frost Engle and Hargreaves "A" No. 1, located in the NW/4 Section 4, T-27-N, R-10-W, was completed on December 29, 1949, for an initial open flow potential of 1,471 MCFPD. A participating area, described in Section 11 of the Unit Agreement, was established on the basis of completion of this well.

Angels Peak Unit No. 1 located in the NE/4 Section 15, T-27-N, R-10-W was completed on March 3, 1952 for an initial open flow potential of 145 MCFPD. This well is considered non-commercial and is being produced on the basis prescribed by the last paragraph of Section 11 of the Unit Agreement.

Angels Peak Unit No. 2 located in the SE/4 of Section 22, T-27-N, R-10-W was completed on December 7, 1952 for an initial open flow potential of 635 MCFPD. Subsequent tests of this well indicate its productive capacity is approximately 200 MCFPD; therefore, the well is considered non-commercial and it is being produced on the basis prescribed by the last paragraph of Section 11 of the Unit Agreement.

3. Proposed Additional Wells:

(Due to the fact that the above-mentioned wells are not capable of producing gas in commercial quantities we propose that no additional wells be drilled during the year 1953.) In lieu of this, it is proposed that a data gathering program be initiated by the unit operator until such time as we have accumulated sufficient performance data to determine if the Dakota Zone warrants additional development in this area. At the end of such a period we would be able to evaluate our position in this area in regard to future development.

4. Offset Obligations:

The unit operator, on behalf of the owners of working, royalty or other interests in the Angels Peak Unit, will take appropriate and adequate measures to prevent drainage from lands subject to the Angels Peak Unit Agreement by wells on lands not subject to said agreement or pursuant to applicable regulations, will pay a fair and reasonable compensatory royalty as provided in Section 17 of the Angels Peak Unit Agreement.

5. Further Developments:

This Plan of Development for the Dakota Zone shall constitute the obligations of the unit operator pursuant to the provisions of the Angels Peak Unit Agreement for the Dakota Zone for the period ending December 31, 1953. It is further agreed that prior to the expiration of this Plan of Development, another Plan of Development shall be submitted to the above named address for further development of the Unit.

6. Effective Date:

This Plan of Development shall be effective January 1, 1953.

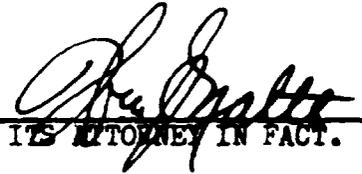
7. Modifications:

This Plan of Development may be modified from time to time with the approval of the Supervisor, the Commissioner, and the Commission to meet changing conditions.

Submitted this 14 day of April, 1953.

STANOLIND OIL AND GAS COMPANY  
UNIT OPERATOR

BY:

  
ITS ATTORNEY IN FACT.



Approved by me on this 15 day of June, 1953.

  
E. S. WALKER  
Commissioner of Public Lands

October 10, 1951

*CAPC 88*

**Stanolind Oil and Gas Company  
c/o Seth and Montgomery  
111 San Francisco Street  
Santa Fe, New Mexico**

**Re: Angels Peak Unit Agreement  
Application, San Juan County.**

**Dear Sirs:**

**This acknowledges receipt of Application for Approval by the Commissioner of Public Lands, of the Unit Agreement for the development and operation of the Unit Area indicated in the caption hereof together with signed counterpart of the Agreement and proper fees.**

**I have examined the Agreement submitted and since it is substantially in the form of previously approved agreements, I have no objection thereto.**

**When all testimony is presented and the New Mexico Oil Conservation Commission approves the same as a proper conservation project, I will, thereafter, execute a formal Certificate of Approval, in my capacity as a member of said Commission.**

**Very truly yours,**

*Guy Sheppard*  
**GUY SHEPARD**  
**Commissioner of Public Lands**

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

J. O. SETH  
A. K. MONTGOMERY  
OLIVER SETH  
WM. FEDERICI  
JUSTIN T. REID

October 8, 1951

*Case 320*

Oil Conservation Commission  
Santa Fe  
New Mexico

Gentlemen:

Enclosed please find Application in triplicate for the approval of the Angels Peak Unit Agreement covering certain lands lying in San Juan County, New Mexico.

It is respectfully requested that this Agreement be heard at the regular hearing of the Commission on October 23rd next.

Very truly yours,



OS/md

Enclosures

June 26, 1950

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
JUN 28 1950

#88

Stanolind Oil and Gas Company  
Stanolind Building  
Tulsa, Oklahoma

Attention of Mr. C. B. Caruthers

In the matter of Angels Peak  
Unit Area proposed unit agree-  
ment, San Juan County, N. M.

Gentlemen:

I have examined preliminarily the copy of the proposed  
Angels Peak Unit Agreement covering lands in San Juan County,  
New Mexico, as modified by a cover sheet attached which appears  
to meet any objections this office might have.

This is to say that if Stanolind Oil and Gas Company  
should submit the proper fees with a proper application to  
which was attached a form of unit agreement containing the  
changes indicated on cover sheet to the proposal submitted,  
I would approve the same as to form. But in accordance with  
prior practice, I shall withhold formal approval until the  
whole matter is passed upon by the New Mexico Oil Conservation  
Commission at a hearing, which must be held on all such matters.

I am enclosing copy of the oil and gas rules and regu-  
lations of this office, and refer you particularly to Pages  
12 and 13 thereof.

Very truly yours,

*Guy Shepard*  
GUY SHEPARD  
Commissioner of Public Lands

cc.  
U. S. G. S.  
Roswell, New Mexico

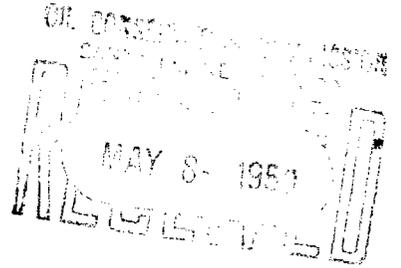
Oil Conservation Commission  
Santa Fe, New Mexico

**ILLEGIBLE**

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O  
P  
Y

## STANOLIND OIL AND GAS COMPANY

Tulsa, Oklahoma



May 4, 1950

File: CBC-41.155-A

Re: AFE 8648  
 Unitization of Angels Peak Area  
 San Juan County, New Mexico

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

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

Gentlemen:

Operators are proceeding with efforts to unitize all formations lying below the Pictured Cliffs in the Angels Peak Area. It is believed that formation of a unit for this area will be considerably facilitated if the Pictured Cliffs is omitted because of the complex problem presented in working out a plan of unitization covering the various wells which have been completed over a period of time in the Pictured Cliffs.

It is contemplated that a drilling obligation of a second Dakota test will be undertaken under unitization. An initial participating area, around the existing Hargrave well No. 1, located in the NE/4 NW/4, Section 4-T27N-R10W, and completed in the Dakota formation, will be formed. It is regarded that a logical initial participating area shall consist of nine quarter sections in the form of a square around the well.

In connection with this proposed unitization, a unit agreement has been prepared of which a copy is attached. This agreement follows the 1949 federal form with appropriate revisions to cover the establishment of an initial participating area and to recognize authority of the Commissioner of Public Lands and the Director of the New Mexico Oil Conservation Commission for the State of New Mexico. The revisions to the agreement which have been made on behalf of the state authorities are along the lines used in the Huerfano and Allison Unit Agreements. It is our understanding that these particular agreements, which have recently been circulated for signature among affected owners of interests, have been previously reviewed and deemed acceptable by your respective offices. To facilitate examination of the attached agreement, we have prepared a cover sheet referring to the revisions and making brief explanations as to the reasons for the revisions.

The purpose of this letter is to advise you of our present unitization plans for the Angels Peak Area and to file copies of the unit agreement for

COPY

-2-

May 5, 1950

your preliminary approvals. We would accordingly appreciate your examination of the attached agreements and that you advise us if they are acceptable. As soon as the agreement is in form acceptable to all parties we shall proceed to place the agreement in final form and obtain signatures.

Yours very truly,

*C. B. Caruth*

## ANGELS PEAK UNIT AGREEMENT

Below are listed those instances where the proposed Unit Agreement differs from the 1949 Federal Form. Also listed are the reasons for this divergence.

General - In numerous places throughout the agreement, language has been inserted to recognize the given authority of the various State officials and bodies to approve and consent to the terms of the agreement since both patented and State lands are contained in the unit area.

Section 3 - Since the objective of this agreement is to unitize only the oil and gas contained in those formations below the base of the Pictured Cliff formation, Section 3 has been slightly altered to satisfy this condition.

Section 8 - In the first sentence, the words allocating and distributing have been substituted for the word disposing in order to avoid the possibility of double taxation being imposed on the working interest owners as a result of I.T. 3930. It is our understanding that the Washington office of the U.S.G.S. now approves this substitution and that Mr. Johnson B. Mitchell of that office has advised such change to be satisfactory.

Section 9 - Because of the existing well completed in the Dakota Formation, it becomes necessary that the wording of the agreement depart somewhat from that of the Federal Form to provide for the drilling of a second deep test well within nine months of the effective date of the unit agreement. According to discussions had with Mr. Foster Morrell, Supervisor of Oil and Gas Operations at Roswell, New Mexico, it is understood that it is reasonable to expect U.S.G.S. approval of the nine-month period in order to insure that drilling operations may be conducted during favorable weather. The sentence in the Federal Form which states that a well will be drilled every six months until the existence of commercial deposits are proved or disproved is not applicable and is deleted in view of the existing productive well.

Section 10 - The wording "a well capable of producing unitized substances in paying quantities" has been deleted and the words "second deep test well" substituted.

Section 11 - In view of the existing productive well, a paragraph has been inserted to define a participating area to be effective as of the first of the month following the effective date of the agreement. In this connection, it has also been necessary to make certain minor changes in language to cover the situation of establishing additional participating areas.

Section 12 - A paragraph has been added to this Section providing for the allocation of unitized substances in the established participating area according to the schedule furnished as Exhibit "C".

Section 20 - The language as to the primary term of the unit agreement has been omitted since the existing productive well immediately perpetuates the unit so long as production can be had in paying quantities.

Section 22 - We have exercised the right to omit Section 22 entitled "Determinations By Unit Operator and Review Thereof" and in its place have inserted the section entitled "Conflict of Supervision" which is customarily placed in Federal-type unit agreements involving State of New Mexico lands. This new section states that no liability is incurred by unit members due to failure of State and U.S.G.S. authorities to agree.

Section 32 - We have again exercised our option by adding a section to the agreement covering the payment of taxes. This Section appears as No. 32 on the submitted form.

Section 33 - This section entitled "No Partnership" has been added which is a provision customarily placed in Federal-type unit agreements involving State of New Mexico lands.

UNIT AGREEMENT FOR THE DEVELOPMENT AND  
OPERATION OF THE ANGELS PEAK UNIT AREA,  
COUNTY OF SAN JUAN  
STATE OF NEW MEXICO

I \_\_\_ 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 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 operation of  
any oil or gas pool, field, or like area, or any part thereof, for the pur-  
pose 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 agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Angels  
Peak Unit Area covering the land hereinafter described to give reasonably

— Indicates language added or differing from Federal Form.  
\* Indicates where deletions have been made to Federal Form.

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

T. 27N., R. 10 W., Sec. 1, Lots 3, 4 S $\frac{1}{2}$  NW $\frac{1}{4}$ , SW $\frac{1}{4}$ ;  
Secs. 2 to 6, inclusive;  
Sec. 7, E $\frac{1}{2}$ , E $\frac{1}{2}$  W $\frac{1}{2}$ ;  
Secs. 8 to 11, inclusive;  
Sec. 12, W $\frac{1}{2}$ ;  
Sec. 13, W $\frac{1}{2}$ ;  
Secs. 14 to 17, inclusive;  
Sec. 18, E $\frac{1}{2}$ ;  
Secs. 20 to 23, inclusive;  
Sec. 24, W $\frac{1}{2}$ ;  
Sec. 25, NW $\frac{1}{4}$ , N $\frac{1}{2}$  SW $\frac{1}{4}$ ;  
Sec. 26, N $\frac{1}{2}$ , SW $\frac{1}{4}$ , N $\frac{1}{2}$  SE $\frac{1}{4}$ ;  
Secs. 27 and 28

T. 28N., R. 10 W., Fractional Secs. 7, 8 and 9;  
Sec. 15, SW $\frac{1}{4}$ ;  
Secs. 16 to 22, inclusive;  
Sec. 23, SW $\frac{1}{4}$ ;  
Sec. 26, W $\frac{1}{2}$ ;  
Secs. 27 to 35, inclusive

T. 29N., R. 10 W., Sec. 29, SW $\frac{1}{4}$  SW $\frac{1}{4}$ ;  
Sec. 30, S $\frac{1}{2}$ ;  
Secs. 31 and 32

T. 28N., R. 11 W., Sec. 12, Lot 1, SE $\frac{1}{4}$  SE $\frac{1}{4}$ ;  
Sec. 13, E $\frac{1}{2}$  E $\frac{1}{2}$ ;  
Sec. 24, E $\frac{1}{2}$  E $\frac{1}{2}$ ;  
Sec. 25, E $\frac{1}{2}$  E $\frac{1}{2}$ ;  
Sec. 36, E $\frac{1}{2}$  NE $\frac{1}{4}$

T. 29N., R. 11 W., Sec. 25, SE $\frac{1}{4}$ ;  
Sec. 36, all.

Total Unit Area embraces 29,802.17 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". Not less than six copies of the revised exhibits shall be filed with the Supervisor, and two copies each with the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner" and the 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.

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 below the base of the Pictured Cliffs formation 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, 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 him from his duties and obligations and terminate his rights

as such for a period of 6 months after notice of intention to resign has been served by him on all working interest owners, the Director, and the Commissioner and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment as may be required by the Supervisor and Commissioner, 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 after a participating area or areas have been established provided a successor unit operator has been selected and approved and has agreed to accept the duties and responsibilities of Unit Operator effective upon the relinquishment of such duties and responsibilities by the retiring Unit Operator. 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 his right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests

according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than 75 per cent of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Director and Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Commissioner at <sup>their</sup> his election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT: If the Unit Operator is not the sole owner of working interests, costs and expenses incurred in conducting unit operations hereunder shall be paid in the first instance by Unit Operator, and such costs and expenses so paid by Unit Operator shall be apportioned among and borne by the owners of working interests and the Unit Operator reimbursed, 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 as between the working interest owners and Unit Operator may provide for such limitations upon the power of the Unit Operator respecting the liability of the working interest owners for cost of operations hereunder 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. DEEP TEST WELL: It is recognized that one productive well in the Dakota formation has been completed within the Unit Area located in the NE/4 NW/4 Section 4, T27N, R10W, San Juan County, New Mexico. Within nine months after the effective date hereof the Unit Operator shall begin to drill a second \* deep 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 patented 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 Dakota formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling 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 or patented lands, that further drilling of said well would be unwarranted or impracticable, provided, however, that the Unit Operator shall not in any event be required to drill to a depth in excess of 6500 feet. \*

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 Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted. Upon failure to comply with the drilling provisions of this 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.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION: Within 6 months after\* completion of the second deep test well, 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 the 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 <sup>\*</sup> of the above-mentioned second well 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.

11. PARTICIPATION: A participating area hereinafter called "Dakota <sup>\*</sup> Participating Area" is hereby established effective as of the first of the month following the effective date of this agreement for all unitized substances produced from the Dakota formation through the existing well described in Section 9 hereof. The following land shall be embraced in the initial Dakota Participating Area:

PRINCIPAL MERIDIAN, NEW MEXICO (SAN JUAN COUNTY)

T. 27N. R. 10 W, all Sec. 4, and E/2 Sec. 5

T. 28N., R. 10 W., SE/4 Sec. 32 and S/2 Sec. 33.

containing 1443.00 acres, more or less.

The boundaries of the initial Dakota Participating Area are shown by a dashed line in Exhibit "A".

Upon completion of any other well capable of producing unitized substances in any formation in paying quantities, which does not cause a revision of an established participating area or areas as heretofore or hereinafter provided, or as soon thereafter as required by the Supervisor and 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 <sup>\*</sup> 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, and 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 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 as directed by the Supervisor and the Commissioner of Public Lands 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, 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.

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, the 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 tract of unitized land shall have allocated to it such percentage of said production as the number of acres in such tract 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, any 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.

Production of unitized substances from the Dakota Participating Area established in Section 11 hereof shall be apportioned among and allocated to the several tracts of land comprising such participating area effective as of the first of the month following the effective date of this agreement, in accordance with the schedule marked Exhibit "C" attached hereto. Nothing in this agreement shall be construed to affect the disposition of unitized substances, or the proceeds thereof, produced and saved from the unit area prior to the effective date of the establishment of a participating area.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS: Any party hereto owning or controlling the working interest in any unitized land

having thereon a regular well location may with the approval of the Supervisor, the Commissioner, and the Commission 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 transferred to and 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 establishment or the enlargement of a participating area such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT: The United States and 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, and 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 Unit Operator introduces gas obtained from sources other than the unitized substances 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 and the Commissioner, a like amount of gas if available, with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in 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.

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, or as otherwise provided by law or regulation. Such rental or minimum royalty may be waived, suspended, or reduced to the extent authorized by law and regulation. 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.

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 be deemed to accrue and become payable during the primary term thereof and thereafter 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.

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 holding interests in leases embracing unitized land of the United States or of the State of New Mexico hereby consent that the Secretary of the Interior, hereinafter referred to as "Secretary", and the Commissioner, respectively, shall, and said Secretary and Commissioner or their duly authorized representatives by their approval of this agreement do, hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of such 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 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 land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States, 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 the lease remains committed hereto, provided a valuable deposit of unitized substances is discovered 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.

19. 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, <sup>transfer</sup> ~~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, 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 and the Commissioner or their duly authorized representatives and shall <sup>\*</sup> remain in effect so long as unitized substances can be produced from the unitized land in paying quantities, 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 it is terminated as provided in Section 6 or Section 9 hereof. This agreement may be terminated at any time

by not less than 75 percentum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and the Commissioner.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION: The Director or Commissioner 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 proration program which, prior to the date of this agreement, 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, within the limits made or fixed by the Commission, to alter or modify 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; 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.

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. 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 in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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 and to appeal from orders issued under the regulations of said Department or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior 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 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, or the operation thereof hereunder becomes impractical as a result thereof, such tract may be eliminated from the unitized area and there shall be such readjustment of future costs and benefits as may be required on account of the loss of said acreage. In the event of a dispute as to title as to any royalty, working, or other interests subject thereto, 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 State or the State of New Mexico shall be withheld, but such funds shall be deposited with 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.

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 working interest owner in that tract may withdraw said tract from this agreement by notice to the Director, the Commissioner, and the Unit Operator prior to the approval of this agreement by the Director and the Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement and, if such owner is also a working interest owner, by subscribing to the Unit Operating Agreement. It is understood and agreed, however, that 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, if any, pertaining to such joinder, as may be

provided for in the Unit Operating Agreement, and it is also understood and agreed that after discovery of unitized substances in paying quantities hereunder, a subsequent joinder by a non-working interest owner must be consented to by the working interest owner responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A subsequent joinder 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: No right to surrender any lease or operating agreement reserved in any such instrument shall be exercised as to any lands within a participating area established pursuant to this agreement. There shall be no restriction on the right to surrender any lease or operating agreement embracing nonparticipating lands if that right is reserved in such instrument, subject, however, to the conditions hereinafter prescribed: (a) if a lease or portion thereof embracing nonparticipating lands is terminated as a result of a surrender to the lessor such lands shall not be deemed committed to this agreement unless and until such lands are recommitted hereto by an agreement with the Unit Operator; (b) if operating rights are surrendered to a lessee said lessee shall have the right to become a party to a unit accounting agreement with the Unit Operator, effective as of the date of such surrender, or may with the consent of the lessor withdraw such lease from the unit agreement and operate such lease independently but in accord with the conservation provisions of the unit agreement, provided, that if neither of these alternatives is adopted within a period of six months following the effective date of surrender, the lease shall automatically terminate as to the lands remaining in the unit area.

32. 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.

33. 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: \_\_\_\_\_

EXHIBIT "B"  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS  
 IN ALL LAND IN THE ANGELS PEAK UNIT AGREEMENT

TRACT NO.	DESCRIPTION	NO. OF ACRES	SERIAL NO. (Santa Fe) AND DATE OF LEASE	LAND OWNERS & PERCENTAGE OF ROYALTY	CURRENT RECORD OWNER OF LEASE OR APPLICATION	OVERRIDING ROYALTY OWNERS & PERCENTAGE OF INTEREST	WORKING INTEREST OWNER UNDER OPTION AGREEMENT, OPERATING AGREEMENT, LEASE OR ASSIGNMENT AND PERCENT- AGE OF INTEREST
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EXHIBIT "C"

ATTACHED TO ANGELS PEAK UNIT AGREEMENT - SAN JUAN COUNTY, NEW MEXICO  
PERCENTAGE OF PARTICIPATION OF EACH WORKING INTEREST OWNER IN EACH TRACT  
WITHIN THE INITIAL DAKOTA PARTICIPATING AREA

Serial Number	Description and Working Interest Owner	Percent of Participation of Tract
Santa Fe 046563	160.00 acres being: SE/4 of Sec. 32-T28N-R10W <u>WORKING INTEREST OWNERS</u> Stanolind Oil and Gas Company      50.000%    5.5440% Byrd-Frost Incorporated                18.750      2.0790 Western Natural Gas Co.                25.000      2.7720 P. B. English                                6.250      0.6930	11.0880
Santa Fe 046563	120.00 acres being: N/2 SW/4 and SW/4 SW/4 of Sec. 33- T28N-R10W <u>WORKING INTEREST OWNER</u> Kutz Canon Oil and Gas Company    100.000%	8.3160
Santa Fe 046563	200.00 acres being: SE/4 SW/4 and SE/4 of Sec. 33 T28N-R10W <u>WORKING INTEREST OWNERS</u> Stanolind Oil and Gas Company      50.000      6.9300 Byrd-Frost Incorporated                18.750      2.5988 Western Natural Gas Co.                25.000      3.4650 P. B. English                                6.250      0.8662	13.8600
Santa Fe 077941	321.04 acres being: Lots 1, 2, S/2 NE/4, SE/4 of Sec. 5-T27N-R10W <u>WORKING INTEREST OWNERS</u> Stanolind Oil and Gas Company      50.000    11.1241 Byrd-Frost Incorporated                18.750      4.1715 Western Natural Gas Co.                25.000      5.5620 P. B. English                                6.250      1.3905	22.2481
Santa Fe 077382	120.56 acres being: Lot 4 and S/2 NW/4, Sec. 4-T27N-R10W <u>WORKING INTEREST OWNERS</u> Stanolind Oil and Gas Company      50.000      4.1774 Byrd-Frost Inc.                            13.750      1.5665 Western Natural Gas Co.                25.000      2.0887 P. B. English                                6.250      0.5222	8.3548
Santa Fe 077382	40.51 acres being: Lot 3 of Sec. 4-T27N R10W <u>WORKING INTEREST OWNERS</u> Byrd-Frost Inc.                            (Percentages to Western Natural Gas Co.                be determined) P. B. English	2.8074
Santa Fe 077382	160.89 acres being: Lots 1, 2, S/2 NE/4 Sec. 4-T27N-R10W <u>WORKING INTEREST OWNER</u> Kutz Canon Oil and Gas Company    100.000%	11.1497
Santa Fe 077382	160.00 acres being: SW/4 Sec. 4-T27N-R10W <u>WORKING INTEREST OWNER</u> Kutz Canon Oil and Gas Company    100.000%	11.0880

Serial Number	Description and Working Interest Owner	Percent of Participation of Tract
Santa Fe 077382	160.00 acres being: SE/4 Sec. 4-T27N-R10W <u>WORKING INTEREST OWNERS</u>	11.0880
	Stanolind Oil and Gas Company      50.000%    5.5440%	
	Byrd-Frost Incorporated            18.750    2.0790	
	Western Natural Gas Co.            25.000    2.7720	
	P. B. English                        6.250    0.6930	

SUMMARY OF PERCENTAGES OF PARTICIPATION  
OF EACH WORKING INTEREST OWNER

Stanolind Oil and Gas Company	33.3195%
Western Natural Gas Company	16.6597
Byrd-Frost Incorporated	12.4948
Kutz Canon Oil and Gas Company	30.5537
P. B. English	4.1649
Acreage ownership to be determined	2.8074
	<u>100.0000%</u>

STANOLIND OIL AND GAS COMPANY  
Tulsa, Oklahoma



September 9, 1953

File: GBJ-41.155

Re: Tract 37  
Angels Peak Unit  
San Juan County,  
New Mexico  
APE-8648

AIR MAIL - SPECIAL DELIVERY

~~Mr. John Anderson  
Regional Oil and Gas Supervisor  
U. S. Geological Survey  
Roswell, New Mexico~~

Dear Mr. Anderson:

We submit herewith for departmental distribution four (4) executed counterparts of "Ratification and Joinder of Unit Agreement and Unit Operating Agreement" by which C. E. Mitcham and Lucille F. Mitcham, his wife, commit their 87 1/2% working interest in Tract 37 to the Angels Peak Unit. The Mitcham's acquired this interest from the Sunser's, who are indicated as owners on Exhibit "D" to the Unit Agreement. Tract 37 is under State Lease No. B-10644 and covers SE/4 SE/4 Section 32-29N-10W, New Mexico. By copy of this letter we are providing the appropriate State regulatory bodies with counterparts of the ratification instrument.

Stanolind Oil and Gas Company has by its execution of the ratification accepted this joinder as Unit Operator.

Yours very truly,

G. B. Jenkinson

By <sup>Original</sup> Signed by LAWRENCE E. BROCK

JM/gjj

Attachments

cc: New Mexico State Land Board  
New Mexico Oil Conservation Commission

COPY

RATIFICATION AND JOINDER OF UNIT AGREEMENT AND UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Angels Peak Unit Area, County of San Juan, State of New Mexico, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned owner of an interest in a certain State lease, viz:

State lease No. B-10644, covering SE/4 SE/4 Section 32 - T29N - R10W, New Mexico

hereby consents to the inclusion of said lands within the said Unit Agreement, approves and adopts each and every of the terms of said Unit Agreement, and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative, agrees that the term of said lease is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agrees that the drilling, development, and producing requirements of said lease and other contracts relating thereto shall be deemed fully performed by the performance of the provisions of said Unit Agreement, and agrees that payment for or delivery of oil and gas duly made at contract rates applied to the production allocated under said Unit Agreement to the above described lands regardless of actual production therefrom shall constitute full performance of all such obligations to the undersigned existing under said lease.

For a like consideration, the undersigned does hereby expressly ratify, approve, adopt, confirm, and join in said Unit Operating Agreement to the extent of the undersigned's leasehold interest in the above described lands, and agrees to be governed by all the terms and provisions thereof as a working interest owner, as fully to all intents and purposes as though the undersigned had originally executed said Unit Operating Agreement and all counterparts thereof.

And the undersigned does especially agree to the allocation of cost as set forth in said Unit Operating Agreement and the Exhibits attached thereto.

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the undersigned.

DATE:

*Tract 107*

Address: P. O. Box 432  
Albuquerque, New Mexico

JUN 30 1953

*[Signature]*  
C. E. Mitcham  
*[Signature]* C. E. Mitcham

STATE OF New Mexico )

COUNTY OF Bernalillo )

On this 30<sup>th</sup> day of June, 1953, before me personally appeared C. E. MITCHAM, to me known to be the person described in and who executed and delivered the foregoing instrument, and acknowledged to me that he executed the same as his free act and deed.

and his wife, Lucille F. Mitcham

Given under my hand and seal of office this 30<sup>th</sup> day of June, 1953.

My commission expires:

July 1, 1954

*[Signature]*  
Notary Public

ACCEPTED: JUL 27 1953

STANOLIND OIL AND GAS COMPANY,  
UNIT OPERATOR

*[Signature]*  
VICE PRESIDENT

APPROVED  
*[Signature]*

STANOLIND OIL AND GAS COMPANY  
Tulsa, Oklahoma

13

Case # 17

September 4, 1953

File: GBJ-41.155

Re: Tract 57  
Angels Peak Unit  
San Juan County,  
New Mexico  
AFE-8,648

OIL CONSERVATION COMMISSION  
SEP 11 1953

AIR MAIL

Mr. John Anderson  
Regional Oil and Gas Supervisor  
U. S. Geological Survey  
Roswell, New Mexico

Dear Mr. Anderson:

We submit herewith for departmental distribution four (4) executed counterparts of "Ratification and Joinder of Unit Agreement and Unit Operating Agreement" by which Clarence Rupp commits his 87 1/2% working interest in Tract 57 to the Angels Peak Unit, San Juan County, New Mexico. Tract 57 is under State Lease No. B-10644 and covers SW/4 NE/4 Section 32-29N-10W, New Mexico. By copy of this letter we are providing the appropriate State regulatory bodies with counterparts of the ratification instrument.

Stanolind Oil and Gas Company has by its execution of the ratification accepted this joinder as Unit Operator.

Yours very truly,

G. B. Jenkinson

JM/gjj

Enclosures

cc: New Mexico State Land Board  
New Mexico Oil and Gas  
Conservation Commission

COPY

MATIFICATION AND JOINING OF UNIT AGREEMENT AND UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the development and Operation of the Angels Peak Unit, County of San Juan, State of New Mexico, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned owner of an interest in a certain State Lease, viz:

State Lease No. B-10644, covering SW/4 NE/4 Section 32-T-29N, R-10W, New Mexico.

hereby consents to the inclusion of said lands within the said Unit Agreement, approves and adopts each and every of the terms of said Unit Agreement, and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative, agrees that the term of said lease is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agrees that the drilling, development, and producing requirements of said lease and other contracts relating thereto shall be deemed fully performed by the performance of the provisions of said Unit Agreement; and agrees that payment of delivery or for oil and gas duly made at contract rates applied to the production allocated under said Unit Agreement to the above described lands regardless of actual production therefrom shall constitute full performance of all such obligations to the undersigned existing under said lease.

For a like consideration, the undersigned does hereby expressly ratify, approve, adopt, confirm, and join in said Unit Operating Agreement to the extent of the undersigned's leasehold interest in the above described lands, and agrees to be governed by all terms and provisions thereof as a working interest owner, as fully to all intents and purposes as though the undersigned had originally executed said Unit Operating Agreement and all counterparts thereof.

And the undersigned does especially agree to the allocation of cost as set forth in said Unit Operating Agreement and the Exhibits attached thereto.

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the undersigned.

DATE:

August 31, 1953 Clarence Rupp  
Clarence Rupp

Tract 57

Address: Route 4  
Mechanicsburg, Pennsylvania

STATE OF PENNSYLVANIA

COUNTY OF CUMBERLAND

On this 31st day of August, 1953, before me personally appeared Clarence Rupp, single man, to me known to be the person described in and who executed and delivered the foregoing instrument, and acknowledged to me that he executed the same as his free act and deed.

Given under my hand and seal of office this 31st day of August, 1953,

My commission expires: Feb. 16, 1957

Mildred R. Watts  
Notary Public

ACCEPTED:

STANOLIND OIL AND GAS COMPANY,  
UNIT OPERATOR

BY Frank [Signature]  
VICE PRESIDENT

APPROVED  
[Signature]

ILLEGIBLE

STANOLIND OIL AND GAS COMPANY

May 22, 1953

File: GBJ-41.155

Re: Angels Peak Unit  
San Juan County,  
New Mexico



Mr. John Anderson  
Regional Oil and Gas Supervisor  
U. S. Geological Survey  
Roswell, New Mexico

Dear Sir:

Please find herewith four (4) copies of "Jeinder of Additional Land Under Unit Agreement and Unit Operating Agreement, Designated 'Angels Peak' Unit Area, San Juan County, New Mexico" for Departmental distribution.

By this instrument Southern Union Gas Company commits its interest in the SW/4 of Section 23, T-28N, R-10W, N.M.P.H. being Tract 28 of the subject Unit Area. This tract was not committed originally due to the fact that Robert L. Cooper, lessee of record, could not be located at the time the unit was formed.

Stanolind Oil and Gas Company, by its execution of the instrument, has consented to this jeinder.

Yours very truly,

Original  
Signed by G. B. JENKINSON  
G. B. Jenkinson

cc: New Mexico State Land Board  
New Mexico Oil & Gas  
Conservation Commission  
Southern Union Gas Co.  
Attention: Mr. D. W. Whitlow

COPY

JOINDER OF ADDITIONAL LAND UNDER UNIT AGREEMENT  
AND UNIT OPERATING AGREEMENT, DESIGNATED "ANGELS  
PEAK" UNIT AREA, SAN JUAN COUNTY, NEW MEXICO

L-Sub. No. 907

THIS AGREEMENT, made and entered into this 5th day of March, 1953, by and between SOUTHERN UNION GAS COMPANY, a corporation with offices in Dallas, Texas (hereinafter referred to as "Southern Union"), and STANLEED OIL AND GAS COMPANY, a corporation designated as Unit Operator under the above captioned agreements (hereinafter referred to as "Unit Operator"),

W I T N E S S E T H :

WHEREAS, under date of May 3, 1951, Unit Operator, Southern Union and others entered into a certain Unit Agreement for the development and operation of the Angels Peak Unit Area, San Juan County, New Mexico, and a related Unit Operating Agreement, which Unit Agreement has been approved by the Department of the Interior; and

WHEREAS, by assignment dated September 15, 1952, Southern Union acquired United States Oil and Gas Lease Santa Fe Serial No. 079634 issued under date of May 1, 1948, to Robert L. Casper and subsequently assigned by him to Bill R. Vanderlides, assignee under the September 15, 1952, assignment to Southern Union, insofar as said lease covered and embraced the SW $\frac{1}{4}$  of Section 23, Township 26 North, Range 10 West, N.M.P.M., San Juan County, New Mexico; and

WHEREAS, although the above described lands are within the designated unit area of the Angels Peak Unit Agreement, they have not been committed to such agreement and Southern Union desires to commit its interest in the above described lease and lands to said Unit Agreement and Unit Operating Agreement, such action being permitted by the terms of said Agreements;

NOW, THEREFORE, in consideration of the premises, it is mutually agreed as follows:

1. Southern Union does hereby expressly commit United States Oil and Gas Lease Santa Fe Serial No. 079634, insofar as it covers and embraces the SW $\frac{1}{4}$  of Section 23, Township 26 North, Range 10 West, N.M.P.M., San Juan County, New Mexico, and its interests therein to said Angels Peak Unit Agreement and

ILLEGIBLE

hereby approves and adopts the terms and provisions of said agreement. Southern Union agrees that said Unit Agreement and Operating Agreement are applicable to the lands committed hereunder. It is further agreed that the terms of said lease, insofar as it includes the lands herewith described, shall and may be modified to the extent necessary to conform to the Unit Agreement and that the producing and development requirements thereunder shall be deemed fully performed by performance of the provisions of the Unit Agreement and the plans of development which may be submitted thereunder. It is also agreed that the delivery or payment for oil and gas duly made on the basis of production, allocated under said Unit Agreement to the above described lands, regardless of actual production therefrom, shall constitute full performance of all such obligations existing under Southern Union's lease.

2. Southern Union does also expressly ratify, confirm, adopt and subject its lease to the terms and provisions of said Operating Agreement and agrees that for all purposes of said Operating Agreement Southern Union is deemed to be a participating working interest owner as defined therein and subject to all rights, benefits, duties, obligations and liabilities of a participating working interest owner under said contract.

3. In consideration of the foregoing, Unit Operator agrees to accept the commitment of the above described lands to the Angola Peak Unit Agreement and Operating Agreement effective as of the date of this agreement.

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

AGREE:  
[Signature]  
Secretary

AGREE:  
[Signature]  
Assistant Secretary

SOUTHERN UNION GAS COMPANY  
BY [Signature] Vice President Jed  
FW

STANLEED OIL AND GAS COMPANY  
BY [Signature] Vice President APPROV  
JCB  
JHK

ILLEGIBLE

STATE OF TEXAS }  
COUNTY OF DALLAS }

On this 6<sup>th</sup> day of March, 1953, before me appeared Scott Hughes, to me personally known, who, being by me duly sworn, did say that he is the Vice President of SOUTHERN INDIAN GAS COMPANY, and that the seal affixed to the foregoing 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 Scott Hughes 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 seal on this the day and year first above written.

My Commission Expires:

6-1-53

Max Van Watten  
Notary Public in and for  
Dallas County, Texas

STATE OF Oklahoma }  
COUNTY OF LeFlore }

On this 18<sup>th</sup> day of May, 1953, before me appeared J. E. Rouse, to me personally known, who, being by me duly sworn, did say that he is the Vice President of STANOLIND OIL AND GAS 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 J. E. Rouse 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 seal on this the day and year first above written.

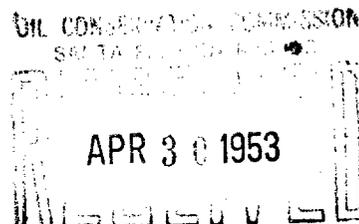
My Commission Expires:

My Commission Expires October 4, 1955

Maxine M. Adams  
Notary Public in and for  
State of LeFlore, Oklahoma

**ILLEGIBLE**

STANOLIND OIL AND GAS COMPANY  
Tulsa, Oklahoma



April 27, 1953

File: GBJ-41.155

Re: Angels Peak Unit  
San Juan County  
New Mexico

Mr. John Anderson  
Regional Oil and Gas Supervisor  
United States Geological Survey  
Roswell, New Mexico

Dear Sir:

Please be advised that by assignment dated November 29, 1952, Stanolind acquired the working interest of Mr. A. H. Applegate in State of New Mexico Lease No. B-10644-42 dated September 10, 1943, covering the NW/4 SE/4 Section 32, Township 29 North, Range 10 West (Tract No. 58 in captioned unit).

Mr. A. H. Applegate and Julia Lee Applegate Bowen retained a 3% overriding royalty interest in said tract.

We are submitting herewith for Departmental distribution four copies of "Ratification and Joinder of Unit Agreement and Unit Operating Agreement" for the captioned unit, which serves to commit this company's interest in Tract No. 58 to the unit.

Yours very truly,

Original  
Signed by G. B. JENKINSON

G. B. Jenkinson

Enclosures

cc - w/enclosure:

Oil and Gas Conservation Commission  
State of New Mexico

State Land Board  
State of New Mexico

COPY

**RATIFICATION AND JOINDER OF UNIT AGREEMENT AND UNIT OPERATING AGREEMENT**

In consideration of the execution of the Unit Agreement for the Development and Operation of the Angels Peak Unit Area, County of San Juan, State of New Mexico, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned owner of a certain State lease, vis:

State of New Mexico Lease No. B-10644-42, covering NE/4 SE/4

Section 32-T29N-R10W

hereby consents to the inclusion of said lands within the said Unit Agreement, approves and adopts the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative, agrees that the term of said lease is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agrees that the drilling, development, and producing requirements of said leases and other contracts relating thereto shall be deemed fully performed by the performance of the provisions of said Unit Agreement, and agrees that payment for or delivery of oil and gas duly made at contract rates applied to the production allocated under said Unit Agreement to the above described lands regardless of actual production therefrom shall constitute full performance of all such obligations to the undersigned existing under said leases.

For a like consideration, the undersigned does hereby expressly ratify, approve, adopt, confirm, and join in said Unit Operating Agreement to the extent of the undersigned's leasehold interest in the above described lands, and agrees to be governed by all the terms and provisions thereof as a working interest owner, as fully to all intents and purposes as though the undersigned had originally executed said Unit Operating Agreement and all counterparts thereof.

And the undersigned does especially agree to the allocation of cost as set forth in said Unit Operating Agreement and the Exhibits attached thereto.

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the undersigned.

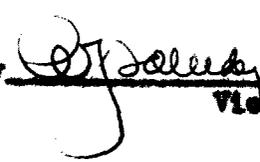
ATTEST:

  
Assistant Secretary

DATE:

APR 27 1953

STANOLIND OIL AND GAS COMPANY  
Working Interest Owner  
and Unit Operator

By   
Vice President

APPROV  


Address: P. O. Box 591, Tulsa, Oklahoma

STATE OF Oklahoma )  
COUNTY OF  Tulsa  )

On this 27<sup>th</sup> day of April, 1953, before me appeared A. L. Holliday, to me personally known, who, being by me duly sworn, did say that he is the vice President of STANOLIND OIL AND GAS 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 A. L. Holliday acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this 27<sup>th</sup> day of April, 1953.

Marine M. Adams  
Notary Public

My Commission expires:

My Commission Expires October 4, 1955

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

On this \_\_\_\_ day of \_\_\_\_\_, 19\_\_, before me 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 said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

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

My Commission expires:

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

On this \_\_\_\_ day of \_\_\_\_\_, 19\_\_, before me 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 said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

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

My Commission expires:

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

On this \_\_\_\_ day of \_\_\_\_\_, 19\_\_, before me 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 said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

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

My Commission expires:

UNIT AGREEMENT FOR THE DEVELOPMENT AND  
OPERATION OF THE ANGELS PEAK UNIT AREA,  
COUNTY OF SAN JUAN  
STATE OF NEW MEXICO

I      Sec. No.                     

THIS AGREEMENT, entered into as of the 3<sup>rd</sup> day of May,  
1951, 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 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 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. 168, Laws 1949) to approve  
this agreement and the conservation provisions hereof; and

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

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

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

1. 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

T. 27N., R. 10 W., Sec. 1, Lots 3, 4 S $\frac{1}{2}$  NW $\frac{1}{4}$ , SW $\frac{1}{4}$ ;  
Secs. 2 to 6, inclusive;  
Sec. 7, E $\frac{1}{2}$ , E $\frac{1}{2}$  W $\frac{1}{2}$ ;  
Secs. 8 to 11, inclusive;  
Sec. 12, W $\frac{1}{2}$ ;  
Sec. 13, W $\frac{1}{2}$ ;  
Secs. 14 to 17, inclusive;  
Sec. 18, E $\frac{1}{2}$ ;  
Secs. 20 to 23, inclusive;  
Sec. 24, W $\frac{1}{2}$ ;  
Sec. 25, NW $\frac{1}{4}$ , N $\frac{1}{2}$  SW $\frac{1}{4}$ ;  
Sec. 26, N $\frac{1}{2}$ , SW $\frac{1}{4}$ , N $\frac{1}{2}$  SE $\frac{1}{4}$ ;  
Secs. 27 and 28

T. 28N., R. 10 W., Fractional Secs. 7, 8 and 9;  
Sec. 15, SW $\frac{1}{4}$ ;  
Secs. 16 to 22, inclusive;  
Sec. 23, SW $\frac{1}{4}$ ;  
Sec. 26 W $\frac{1}{2}$ ;  
Secs. 27 to 35, inclusive

T. 29N., R. 10 W., Sec. 29, SW $\frac{1}{4}$  SW $\frac{1}{4}$ ;  
Sec. 30, S $\frac{1}{2}$ ;  
Secs. 31 and 32

T. 28N., R. 11 W., Sec. 12, Lot 1, SE $\frac{1}{4}$  SE $\frac{1}{4}$ ;  
Sec. 13, E $\frac{1}{2}$  E $\frac{1}{2}$ ;  
Sec. 24, E $\frac{1}{2}$  E $\frac{1}{2}$ ;  
Sec. 25, E $\frac{1}{2}$  E $\frac{1}{2}$ ;  
Sec. 36, E $\frac{1}{2}$  NE $\frac{1}{4}$

T. 29N., R. 11 W., Sec. 25, SE $\frac{1}{4}$ ;  
Sec. 36, all.

Total Unit Area embraces 29,802.17 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". Not less than six copies of the revised exhibits shall be filed with the Supervisor, and two copies each with the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner" and the 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.

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 below the base of the Pictured Cliffs formation 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, 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 it from its duties and obligations and terminate his rights as such for a period of 6 months after notice of intention to resign has been served by him on all working interest owners, the Director, and the Commissioner and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment as may be required by the Supervisor and Commissioner, 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 after a participating area or areas have been established provided a successor unit operator has been selected and approved and has agreed to accept the duties and responsibilities of Unit Operator effective upon the termination of such duties and responsibilities by the retiring Unit Operator. 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 his right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than 75 per cent of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the 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 in conducting unit operations hereunder shall be paid in the first instance by Unit Operator, and such costs and expenses so paid by Unit Operator shall be apportioned among and borne by the owners of working interests and the Unit Operator reimbursed, 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 as between the working interest owners and Unit Operator may provide for such limitations upon the power of the Unit Operator respecting the liability of the working interest

owners for cost of operations hereunder 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. DEEP TEST WELL: It is recognized that one productive well in the Dakota formation has been completed within the Unit Area located in the NE/4 NW/4 Section 4, T27N, R10W, San Juan County, New Mexico. Within six months after the effective date hereof the Unit Operator shall begin to drill a second 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 patented lands such location shall be approved by the Commission, unless on such effective date such a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Dakota formation has been tested or until at a lesser depth but below the base of the Pictured Cliffs formation, 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 or patented lands, that further drilling of said well would be unwarranted or impracticable, provided, however, that the Unit Operator shall not in any event be required to drill to a depth in excess of 7000 feet. In the event of discovery and completion of the second or subsequent test wells as a commercial well or wells in formation below the base of the Pictured Cliffs formation above and before reaching the Dakota formation, a test well shall be drilled to the original objective, and it is agreed that such well will be begun at a location approved as above not later than 18 months after the effective date of this agreement.

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 Commissioner may modify the drilling requirement of this section by granting reasonable extensions of time when, in his opinion, such action is warranted. Upon failure to comply with the drilling provisions of this 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.

10, PLAN OF FURTHER DEVELOPMENT AND OPERATION: Within 6 months after completion of the second well, which is 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, subject to the test well provisions of Section 9 hereof. 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 the 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 second 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 necessary to comply with Section 9 hereof, 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.

11. PARTICIPATION: A participating area hereinafter called "Dakota Participating Area" is hereby established effective as of the first of the month following the effective date of this agreement for all unitized substances produced from the Dakota formation through the existing well described in Section 9 hereof. The following land shall be embraced in the initial Dakota Participating Area:

PRINCIPAL MERIDIAN, NEW MEXICO (SAN JUAN COUNTY)

T. 27N. R. 10 W,  $W\frac{1}{2}$  NE, NW Sec. 4, and

T. 28N., R. 10 W.,  $S\frac{1}{2}$  SW, SW/4 SE/4 Sec. 33.

containing 361.54 acres, more or less.

The boundaries of the initial Dakota Participating Area are shown by a dashed line in Exhibit "A".

Upon completion of any other well capable of producing unitized substances in any formation in paying quantities, which does not cause a revision of an established participating area or areas as heretofore or hereinafter provided, or as soon thereafter as required by the Supervisor and 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 separate 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, and 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 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 as directed by the Supervisor and the Commissioner of Public Lands 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, 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.

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, the 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 tract of unitized land shall have allocated to it such

percentage of said production as the number of acres in such tract 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, any 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.

Production of unitized substances from the Dakota Participating Area established in Section 11 hereof shall be apportioned among and allocated to the several tracts of land comprising such participating area effective as of the first of the month following the effective date of this agreement, in accordance with the schedule marked Exhibit "C" attached hereto. Nothing in this agreement shall be construed to affect the disposition of unitized substances, or the proceeds thereof, produced and saved from the unit area prior to the effective date of the establishment of the participating area.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS:

Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor, the Commissioner, and the Commission 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 transferred to and 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 establishment or the enlargement of a participating area such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT: The United States and 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, and 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 Unit Operator introduces gas obtained from sources other than the unitized substances 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 and the Commissioner, a like amount of gas if available, with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in 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.

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, or as otherwise provided by law or regulation. Such rental or minimum royalty may be waived, suspended, or reduced to the extent authorized by law and regulation. 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.

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 be deemed to accrue and become payable during the primary term thereof and thereafter 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.

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 holding interests in leases embracing unitized land of the United States or of the State of New Mexico hereby consent that the Secretary of the Interior, hereinafter referred to as "Secretary", and the Commissioner, respectively, shall, and said Secretary and Commissioner or their duly authorized representatives by their approval of this agreement do, hereby establish, alter, change or revoke the drilling, producing, rental minimum royalty, and royalty requirements of such 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 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 land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States, 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 the lease remains committed hereto, provided a valuable deposit of unitized substances is discovered 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.

19. 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. No assignment or transfer of any working, 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 and the Commissioner or their duly authorized representatives and shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities, 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 it is terminated as provided in Section 6 or Section 9 hereof.

This agreement may be terminated at any time by not less than 75 percentum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and the Commissioner.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION: The Director or Commissioner 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 proration program which, prior to the date of this agreement, 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, within the limits made or fixed by the Commission, to alter or modify 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; 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.

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. 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 in any case to appeal or judicial review as may now or hereafter be provided by laws of the State of New Mexico.

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 and to appeal from orders issued under the regulations of said Department or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior 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 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, or the operation thereof hereunder becomes impractical as a result thereof, such tract may be eliminated from the unitized area and there shall be such readjustment of future costs and benefits as may be required on account of the loss of said acreage. In the event of a dispute as to title as to any royalty, working, or other interests subject thereto, 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 Bureau of Land Management or as directed by the Supervisor

and with 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.

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 working interest owner in that tract may withdraw said tract from this agreement by notice to the Director, the Commissioner, the the Unit Operator prior to the approval of this agreement by the Director and the Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement and, if such owner is also a working interest owner, by subscribing to the Unit Operating Agreement. It is understood and agreed, however, that 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, if any, pertaining to such joinder, as may be provided for in the Unit Operating Agreement, and it is also understood and agreed that after discovery of unitized substances in paying quantities hereunder, a subsequent joinder by a non-working interest owner must be consented to by the working interest owner responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A subsequent joinder 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 counter parts 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: During the life of this agreement, no right to surrender any lease or operating agreement reserved in any such instrument shall be exercised as to any lands within a participating area established pursuant to this agreement. There shall be no restriction on the right to surrender any lease or operating agreement embracing nonparticipating lands if that right is reserved in such instrument, subject, however, to the conditions hereinafter prescribed: (a) if a lease or portion thereof embracing nonparticipating lands is terminated as a result of a surrender to the lessor such lands shall not be deemed committed to this agreement unless and until such lands are recommitted hereto by an agreement with the Unit Operator; (b) if operating rights are surrendered to a lessee said lessee shall have the right to become a party to a unit accounting agreement with the Unit Operator, effective as of the date of such surrender, or may with the consent of the lessor withdraw such lease from the unit agreement and operate such lease independently but in accord with the conservation provisions of the unit agreement, provided, that if neither of these alternatives is adopted within a period of six months following the effective date of surrender, the lease shall automatically terminate as to the lands remaining in the unit area.

32. 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.

33. 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:

*L. ...* 5-3-51  
Assistant Secretary

By *W. J. ...*  
Vice-President

APPROVED  
*[Signature]*

WORKING INTEREST OWNERS

ATTEST:

DATE:

*R. H. ...* 7-7-51  
Assistant Secretary

By *A. H. ...*  
Vice-President

KOTZ OIL & GAS CO.

Address: 210 U.S. 7th Bldg.  
Denver, Colo.

ATTEST:

DATE:

*R. H. ...* 7-7-51  
Secretary

By *A. H. ...*  
President

KOTZ DEEP TEST INC

Address: 210 U.S. 7th Bldg.  
Denver, Colo.

ATTEST:

DATE:

*A. C. Martel* 8-6-51  
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By *C. L. Perkins*  
Vice President

Address: 1010 Bassett Tower  
El Paso, Texas

WORKING INTEREST OWNERS

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

Attest:

*Charles H. Cunningham*  
ASST. SECRETARY

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

NATIONAL STANDARD BLDG.  
HOUSTON, TEXAS

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

AUG 8 1951

WESTERN NATURAL GAS COMPANY

*J. V. Cowan*  
J. V. COWAN, VICE PRESIDENT

ATTEST:

*Margaret Clark*  
Secretary

Address: 1110 Tower Petroleum Bldg.

DALLAS, TEXAS  
BIG CHIEF WESTERN DRILLING CORP.

Address: 620 ARDIS BUILDING

SHREVEPORT, LOUISIANA

8-13-51

JUN 29 1951

BYRD-FROST, INC.

By *Jack Frost*  
Vice-Pres.  
BIG CHIEF WESTERN DRILLING CORP.

attest:

*Charles T. Hayes-Scig*

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

By *H. H. Rowley, Pres.*

FOUR CORNERS OIL CORP.

By *T. M. Wilson*  
Vice-Pres.

attest:

*Margaret Clark*  
Secretary

Address: 1110 TOWER PETROLEUM BUILDING

DALLAS, TEXAS

Address: 1110 TOWER PETROLEUM BUILDING

DALLAS, TEXAS

9-13-51

9-13-51

*Jack Frost*

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

attest:

*Wm. T. P. [Signature]*  
asst. secretary

Address: Burt Bldg

Dallas, Texas

attest:

*Wm. T. P. [Signature]*  
asst. secretary

Address: Burt Bldg

Dallas, Texas

attest:

*T. M. O'Connell*  
Secretary

Address: Burt Bldg

Dallas, Texas

attest:

*T. M. O'Connell*  
secretary

Address: Burt Bldg

Dallas, Texas

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

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

SOUTHERN UNION GAS CO.

*J. C. [Signature]*  
vice-Pres.

AZTEC OIL & GAS COMPANY

*J. C. [Signature]*  
vice-Pres.

ANGELS PEAK OIL CO.

*Wm. Douglas*  
President

LUNGHESS OIL CO.

*Wm. Douglas*  
President



STATE OF Oklahoma  
COUNTY OF Tulsa

On this 3<sup>rd</sup> day of May, 1951, before me appeared L. L. Salliday, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Stensliek Oil and Gas 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 L. L. Salliday acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this 3<sup>rd</sup> day of May, 1951.

My Commission Expires September 30, 1951

Edward D. Ridgely  
Notary Public

City STATE OF Colorado  
COUNTY OF Denver

On this 7<sup>th</sup> day of July, 1951, before me appeared A. G. Meyer, to me personally known, who, being by me duly sworn, did say that he is the President of Rutz Canon Oil & Gas Co. 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 A. G. Meyer acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this 7<sup>th</sup> day of July, 1951

My Commission expires:

March 1 - 1955

Margaret Stepp  
Notary Public

City STATE OF Colorado  
COUNTY OF Denver

On this 7<sup>th</sup> day of July, 1951, before me appeared A. G. Meyer, to me personally known, who, being by me duly sworn, did say that he is the President of Rutz Deep Test, Inc. 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 A. G. Meyer acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this 7<sup>th</sup> day of July, 1951

My Commission expires:

March 1 - 1955

Margaret Stepp  
Notary Public

STATE OF Texas  
COUNTY OF El Paso

On this 6<sup>th</sup> day of August, 1951, before me appeared C. L. Perkins, to me personally known, who, being by me duly sworn, did say that he is the Vice President of El Paso Natural Gas 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. L. Perkins acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this 6<sup>th</sup> day of August, 1951

My Commission expires:

June 1, 1953

Robert E. Haysen  
Notary Public

STATE OF Texas  
COUNTY OF HARRIS

On this 8th day of August, 1951, before me appeared J.V. Cowan  
to me personally known, who, being by me duly  
sworn, did say that he is the Vice President of  
WESTERN NATURAL GAS 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 J.V. Cowan  
acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this 8th day of August, 1951

My Commission expires:  
ROBERT E. JINKS  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1953

[Signature]  
Notary Public

STATE OF Texas  
COUNTY OF Dallas

On this 13th day of Aug., 1951, before me appeared Jack Frost  
to me personally known, who, being by me duly  
sworn, did say that he is the Vice-President of Byrd-Frost, Inc.

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 Jack Frost  
acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this 13th day of Aug., 1951.

My Commission expires:  
NAOMA WILLIAMS  
Notary Public, Dallas County, Texas  
My Commission Expires June 1, 1953

Naoma Williams  
Notary Public

STATE OF Texas  
COUNTY OF Caddo

On this 29th day of June, 1951, before me appeared H. L. Rawley  
to me personally known, who, being by me duly  
sworn, did say that he is the President of  
BIG CHIEF WESTERN DRILLING CORP.

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 H. L. Rawley  
acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this 29th day of June, 1951.

My Commission expires:  
is for life

John M. Shree  
Notary Public

STATE OF Texas  
COUNTY OF Dallas

On this 13 day of Sept., 1951, before me appeared K. M. Willson  
to me personally known, who, being by me duly  
sworn, did say that he is the Vice President of FOUR CORNERS OIL CORP.

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 K. M. Willson  
acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this 13 day of Sept., 1951

My Commission expires:  
NAOMA WILLIAMS  
Notary Public, Dallas County, Texas  
My Commission Expires June 1, 1953

Naoma Williams  
Notary Public

STATE OF TEXAS )  
COUNTY OF DALLAS )

On this 27th day of September, 1951, before me appeared J. C. Reid, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Southern Union Gas 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 J. C. Reid acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this 27th day of September, 1951.

My Commission expires:

June 1, 1953

Mary M. Green  
Notary Public

STATE OF TEXAS )  
COUNTY OF DALLAS )

On this 27th day of September, 1951, before me appeared J. C. Reid, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Artes Oil & Gas 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 J. C. Reid acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this 27th day of September, 1951.

My Commission expires:

June 1, 1953

Mary M. Green  
Notary Public

STATE OF TEXAS )  
COUNTY OF DALLAS )

On this 27th day of September, 1951, before me appeared Scott Hughes, to me personally known, who, being by me duly sworn, did say that he is the President of Angelo Peak 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 Scott Hughes acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this 27th day of September, 1951.

My Commission expires:

June 1, 1953

John Woodard  
Notary Public

STATE OF TEXAS )  
COUNTY OF DALLAS )

On this 27th day of September, 1951, before me appeared Scott Hughes, to me personally known, who, being by me duly sworn, did say that he is the President of Congress 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 Scott Hughes acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this 27th day of September, 1951.

My Commission expires:

June 1, 1953

John Woodard  
Notary Public

STATE OF Texas )  
COUNTY OF Dallas )

On this 13 day of Sept., 1951, before me personally appeared

Jack Frost  
to me known to be the person \_\_\_ described in and who executed and delivered the foregoing instrument, and acknowledged to me that he executed the same as his free act and deed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 13 day of Sept., 1951.

My Commission expires:  
NACMA WILLIAMS  
Notary Public, Dallas County, Texas  
~~My Commission Expires June 1, 1953~~

Naoma Williams  
Notary Public

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

On this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, before me personally appeared

to me known to be the person \_\_\_ described in and who executed and delivered the foregoing instrument, and acknowledged to me that \_\_\_ executed the same as \_\_\_\_\_ free act and deed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this \_\_\_ day of \_\_\_\_\_, 19\_\_\_.

My Commission expires:

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

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

On this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, before me personally appeared

to me known to be the person \_\_\_ described in and who executed and delivered the foregoing instrument, and acknowledged to me that \_\_\_ executed the same as \_\_\_\_\_ free act and deed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this \_\_\_ day of \_\_\_\_\_, 19\_\_\_.

My Commission expires:

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

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

On this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, before me personally appeared

to me known to be the person \_\_\_ described in and who executed and delivered the foregoing instrument, and acknowledged to me that \_\_\_ executed the same as \_\_\_\_\_ free act and deed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this \_\_\_ day of \_\_\_\_\_, 19\_\_\_.

My Commission expires:

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

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

On this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, before me personally appeared

to me known to be the person \_\_\_ described in and who executed and delivered the foregoing instrument, and acknowledged to me that \_\_\_ executed the same as \_\_\_\_\_ free act and deed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this \_\_\_ day of \_\_\_\_\_, 19\_\_\_.

My Commission expires:

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

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me personally appeared

to me known to be the person \_\_\_\_\_ described in and who executed and delivered the foregoing instrument, and acknowledged to me that \_\_\_\_\_ executed the same as \_\_\_\_\_ free act and deed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

My Commission expires:

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

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me personally appeared

to me known to be the person \_\_\_\_\_ described in and who executed and delivered the foregoing instrument, and acknowledged to me that \_\_\_\_\_ executed the same as \_\_\_\_\_ free act and deed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

My Commission expires:

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

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me personally appeared

to me known to be the person \_\_\_\_\_ described in and who executed and delivered the foregoing instrument, and acknowledged to me that \_\_\_\_\_ executed the same as \_\_\_\_\_ free act and deed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

My Commission expires:

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

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me personally appeared

to me known to be the person \_\_\_\_\_ described in and who executed and delivered the foregoing instrument, and acknowledged to me that \_\_\_\_\_ executed the same as \_\_\_\_\_ free act and deed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

My Commission expires:

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

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me personally appeared

to me known to be the person \_\_\_\_\_ described in and who executed and delivered the foregoing instrument, and acknowledged to me that \_\_\_\_\_ executed the same as \_\_\_\_\_ free act and deed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

My Commission expires:

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

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 CFR sec. 4.611, 12 F. R. 6784, I do hereby:

A. Approve the attached agreement for the development and operation of the Angels Peak Unit Area, 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 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

STANOLIND OIL AND GAS COMPANY  
Tulsa, Oklahoma

December 29, 1953

File: GBJ-41.155

Re: Unit Agreement for Development  
and Operation of Angels Peak  
Unit Area, San Juan County,  
New Mexico, I-Sec. No. 907

DEC 30 1953

AIR MAIL SPECIAL DELIVERY

Mr. John Anderson  
Regional Oil and Gas Supervisor  
U. S. Geological Survey  
Roswell, New Mexico

Dear Sir:

An application for dissolution of the subject unit agreement, dated December 8, 1953, has heretofore been signed by owners of over 75 per cent of the working interest committed to said unit and forwarded for approval of the Department of the Interior. Supplementing such action Stanolind Oil and Gas Company herewith tenders its resignation as Unit Operator of said unit as of December 24, 1953. It is respectfully requested that this resignation be forwarded for approval at your early convenience. Notice of such resignation has been given to other unit participants.

Yours very truly,

ORIGINAL G. B. JENKINSON  
APPROVED BY

G. B. Jenkinson

TAC/gjc  
Enclosures

cc: Oil Conservation Commission  
State of New Mexico  
Santa Fe, New Mexico

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

COPY

STANOLIND OIL AND GAS COMPANY

Tulsa, Oklahoma



January 12, 1954

File: GBJ-41.155

Re: Dissolution of "Unit Agreement For Development and Operation of Angels Peak Area", San Juan County, New Mexico I-Sec. No. 907

Mr. John Anderson  
Regional Oil and Gas Supervisor  
U. S. Geological Survey  
Roswell, New Mexico

Dear Sir:

Attached are three signed and four photostat copies of a "Consent to Dissolution of Unit Agreement" signed by H. L. Rowley, Inc., formerly Big Chief Western Drilling Corporation, on December 31, 1953, said consent referring to the subject Unit Agreement. These consents will supplement the Application for Dissolution heretofore furnished you. One copy is for the State of New Mexico. We respectfully request that these consents be approved and forwarded to Washington at your early convenience.

Yours very truly,

G. B. Jenkinson

*[Signature]*

By:

TAC/ptd  
Attachments

CC: Oil Conservation Commission  
State of New Mexico  
Santa Fe, New Mexico

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

COPY

## STANOLIND OIL AND GAS COMPANY

Tulsa, Oklahoma

January 6, 1954

File: GBJ-41.155

Re: Angels Peak Area  
 San Juan County,  
 New Mexico

Mr. John Anderson  
 Regional Oil and Gas Supervisor  
 U. S. Geological Survey  
 Roswell, New Mexico

Dear Sir:

We recently furnished you with executed copies of an Application for Dissolution of Angels Peak Unit Agreement, I Sec. No. 907, which we are advised were forwarded to Washington for approval. To supplement the foregoing application we now hand you three executed copies and four photostats thereof of a Consent to Dissolution of Unit Agreement signed by Kutz Canon Oil & Gas Company on December 31, 1953, and a similar set signed by Kutz Deep Test, Inc. on December 31, 1953. One copy of these two consent agreements is intended for the State.

We respectfully request that these instruments be forwarded to Washington to supplement the application heretofore furnished at your early convenience.

Yours very truly,

G. B. Jenkinson

G. B. Jenkinson

TAC/gjc

Attachments

cc: Oil Conservation Commission  
 Santa Fe, New Mexico  
 Commissioner of Public Lands  
 Santa Fe, New Mexico

COPY

DEPARTMENT OF THE INTERIOR  
UNITED STATES GEOLOGICAL SURVEY  
DISSOLUTION OF ANGELS PEAK UNIT AGREEMENT

I-Sec. No. 907

To the Honorable the Director of the U. S. Geological Survey  
Washington, D. C.

To the Honorable the Commissioner of Public Lands of the State of New Mexico  
Santa Fe, New Mexico

Gentlemen:

Reference is made to that certain "Unit Agreement for the Development and Operation of the Angels Peak Unit Area", County of San Juan, State of New Mexico (I-Sec. No. 907), dated May 3, 1951 and subscribed by Stanolind Oil and Gas Company as Unit Operator and by itself and other parties as Working Interest Owners.

The undersigned, constituting more than seventy-five per cent (75%) in interest of the Working Interest Owners committed to said Unit Agreement, in accordance with the provisions of Section 20 of the Unit Agreement do hereby dissolve said Unit Agreement subject to your consent. Application is hereby respectfully made for your approval.

In support of said application, your Applicants show and represent, as follows:

The Unit Agreement covers only those formations below the base of the Pictured Cliffs. Unit No. 1 well was located in the Northeast Quarter of Section Fifteen (NE/4 Sec. 15) Township 27 North, Range 10 West, and was completed March 3, 1952 in the Dakota formation, the well testing at an initial potential of 145 M. C. F. P. D. The well was carried on to the Upper Triassic formation but no production was obtained in any other formation below the Pictured Cliffs except the Dakota. The approximate cost of the well was \$265,000.

Unit No. 2 well was drilled in the Southeast Quarter Section 22-T27N-R10W and was completed in the Dakota formation December 7, 1952 with a

potential of 630 M. C. F. P. D. , which well was drilled to the Morrison and there was no showing of any oil or gas in any formation below the base of the Pictured Cliffs except in the Dakota.

It is obvious that neither of these wells can possibly pay out the cost of drilling and operating.

Prior to the formation of the Unit and on December 8, 1945 Byrd-Frost, Incorporated completed its Hargrave No. 1 well in the Dakota formation on the NE/4 NW/4 Section 4, T27N, R10W, after having drilled the well to the Morrison formation. Show of gas in cores were obtained at 4,733 feet and at 6,488 feet. The Dakota potential was tested at 1,250 M. C. F. P. D. All wells showed a small amount of casinghead gasoline. Although this well has been on gas production for a number of years, it has not nearly paid out the original cost of drilling and must likewise be regarded as a marginal well.

Under the provisions of Section 9 of the Unit Agreement, as presently extended, another test well is due to be commenced on January 1, 1954. It is the opinion of the signatories hereto and those who consent hereto that in view of the disappointing results of the above described wells no further well is justified at the present time and none of the signatories are willing to risk the additional capital necessary to drill another well at this time on this structure. Wherefore, the undersigned respectfully request that the dissolution of the Unit Agreement be approved, as there seems to be no purpose for holding the Unit together.

DATED this 8th day of December, A. D. 1953.

Respectfully submitted,

ATTEST:

STANOLIND OIL AND GAS COMPANY

\_\_\_\_\_  
Assistant Secretary

By \_\_\_\_\_  
Vice President  
Unit Operator  
Working Interest Owner

WORKING INTEREST OWNERS

DATE \_\_\_\_\_

ANGELS PEAK OIL COMPANY

Attest \_\_\_\_\_  
Secretary

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

Address:

DATE \_\_\_\_\_

AZTEC OIL & GAS COMPANY

Attest \_\_\_\_\_  
Secretary

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

Address:

DATE \_\_\_\_\_

BYRD OIL CORPORATION

Attest \_\_\_\_\_  
Secretary

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

Address:

DATE \_\_\_\_\_

CONGRESS OIL COMPANY

Attest \_\_\_\_\_  
Secretary

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

Address:

DATE \_\_\_\_\_

DELHI OIL CORPORATION

Attest \_\_\_\_\_  
Secretary

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

Address:

DATE \_\_\_\_\_

EL PASO NATURAL GAS COMPANY

Attest \_\_\_\_\_  
Secretary

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

Address:

DATE \_\_\_\_\_

SOUTHERN UNION GAS COMPANY

Attest \_\_\_\_\_  
Secretary

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

Address:





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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me 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 said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

My Commission expires:

\_\_\_\_\_

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

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me 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 said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

My Commission expires:

\_\_\_\_\_

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

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me 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 said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

My Commission expires:

\_\_\_\_\_

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

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me 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 said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

My Commission expires:

\_\_\_\_\_

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

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me 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 said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

My Commission expires:

\_\_\_\_\_

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

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

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Given under my hand and notarial seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

My Commission expires:

\_\_\_\_\_

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

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me 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 said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

My Commission expires:

\_\_\_\_\_

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

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me 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 said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

My Commission expires:

\_\_\_\_\_

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

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me 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 said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and notarial seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

My Commission expires:

\_\_\_\_\_

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

# Kutz Canon Oil & Gas Co.

OFFICE OF THE COMPANY  
TRANSFER OFFICE  
U. S. NATIONAL BANK BUILDING  
DENVER, COLO.

PROPERTIES  
SAN JUAN BASIN



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

Gentlemen:                   Att'n. Mr. R. R. Spurrier. Secy.

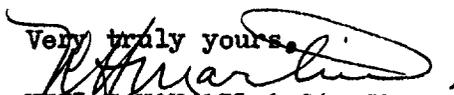
RE: Angel Peak Unit Agreement.  
San Juan County, N.M.

Enclosed please find a Protest and Petition, on behalf of the some 6000 stockholders of this company and against the Angel Peak Unit Agreement, and Stanolind Oil & Gas Co., as its operator.

This Petition is also being filed today with the Director of U. S. G. S. in Washington, the Supervisor of U. S. G. S. at Roswell, and the Commissioner of Public Lands at Santa Fe, besides yourself. A copy is also being mailed to all substantial acreage holders in the Angel Peak Unit, including Stanolind Oil & Gas Co.

This Petition is as honest and forthright as we know how to make it, and we trust it may be given due consideration by your department.

RHM/H.

Very truly yours,  
  
KUTZ CANON OIL & GAS CO.

BEFORE THE DIRECTOR  
UNITED STATES GEOLOGICAL SURVEY  
AND  
BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO  
AND  
BEFORE THE COMMISSIONER OF PUBLIC LANDS  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE UNIT AGREEMENT	)	
FOR THE DEVELOPMENT AND OPERATION	)	PROTEST OF EXTENSION OF
OF THE ANGELS PEAK UNIT AREA, COUNTY	)	TIME FOR DRILLING AND
OF SAN JUAN, STATE OF NEW MEXICO,	)	REQUEST FOR TERMINATION
APPROVED JANUARY 22, 1952.	)	

Kutz Canon Oil and Gas Company, a party to the above Unit Agreement, and a substantial working interest owner, hereby protests the granting to the Unit Operator, Stanolind Oil and Gas Company, of an extension of time for drilling further wells and requests termination of Angels Peak Unit Agreement.

DEVELOPMENT RECORD

1. There has been drilled, within the Unit area, three wells to test the Dakota sand formation.

(a) In 1947 there was completed a well to the Dakota sand, known as the Hargrave #1, on lands described as Lot 4 (NW $\frac{1}{4}$ ), Section 4, Township 27 N., Range 10 W. This well was drilled under a contract between this company and Byrd-Frost, Inc., of Dallas, Texas, and was paid for by this company in acreage. This is the well referred to in paragraph 9 of the Unit Agreement. It was completed five years prior

to the effective date of the Unit, and can therefore, not be construed in any wise as a well completed under this Unit, or by the Unit operator.

Paragraph 7, pages six and seven of the Unit agreement, provides for a "Unit Operating Agreement" which ties into and becomes a part of the Unit Agreement. Lines 7, 8, and 9 on page 7 of the Unit Agreement, provide that copies of the "Unit Operating Agreement" shall be supplied to the Supervisor and Commissioner.

There is a considerable difference between a "producing well", and a well "producing in paying quantities".

That there may be no mistake in our claim that, altho a participating area was set up for the Hargrave well, it is not a well "producing in paying quantities", we respectfully refer to Paragraph 13, subdivision "B" of the "Unit Operating Agreement" which reads as follows: (b) "That as among the parties hereto and for the purposes hereof, the parties desire that said well be regarded as a well not productive of the unitized substances in paying quantities."

(b) During the early fall of 1951, a well which has been called Unit #1 of the Angels Peak Unit, was commenced. This well was drilled under an operating agreement dated July 12, 1949 between Eva E. Martin as record holder S.F. 077329, and Four Corners Oil Corporation as operator. Said operating agreement called for, among other things, the Completion of a well to test the Dakota formation by January, 1952. After the signing of the operating agreement, Four Corners Oil Corporation assigned a one-half interest in all sand below the Pictured Cliffs sand in this agreement to Stanolind Oil & Gas Co., and then assigned their remaining interest to Byrd Oil Corporation.

This well was drilled to meet the drilling obligation necessary to hold the operating agreement by Stanolind Oil & Gas Co., and Byrd-Oil Corporation, and was drilled to the Dakota sands prior to the effective date of this Unit. The well therefore (tho named Unit #1 well Angels Peak Unit) can hardly be termed as a well drilled strictly for or on behalf of the Unit since it was drilled to meet prior drilling requirements of an operating agreement dated July 12, 1949.

(c) A well known as Unit #2, Angels Peak Unit, was commenced in the SE $\frac{1}{4}$ , Section 22, T. 27 N., R. 10 W. in August, 1952. It was announced as completed December 9, 1952, but was not connected to gas pipeline or produced until May 26, 1953, altho a gas line had been laid to the well prior to completion. This well is the only well which could legitimately be claimed to have been drilled solely for the benefit of the Angels Peak Unit.

2. None of the three wells mentioned are commercially producing wells, or "paying producers" (as defined in definition of "paying quantities" in last three lines on page 7 of the Unit Agreement.

3. On June 6, 1953, the Supervisor, Commission and Commissioner granted to Stanolind Oil & Gas Co., as Unit Operator, an extension of time for drilling another Unit well, to December 31, 1953. This company, as a substantial holder of acreage in the Unit, was never advised that such a move was contemplated. The only reason given for the extension was to permit "further evaluation of the producing possibilities of the Dakota sand."

4. Kutz Canon Oil & Gas Company does now protest the extension already granted, and does most vigorously protest the granting of any further extensions for the following reasons:

(a) Further evaluation of the producing possibilities of the Dakota sand can only be accomplished by drilling wells.

(b) We are able to locate but two places in the Unit Agreement which provide for the Supervisor, Commission and Commissioner granting extensions of time to the operator: First, on page 8, lines sixteen, seventeen and eighteen, and on page 9, lines 15, 16, 17, and 18, and none of the conditions set forth in either of these two places is applicable, nor do the conditions for which extension may be given exist, nor have they existed.

(c) The only other mention of extension of time for drilling, or suspension of drilling, comes in paragraph 26 of the Unit Agreement, and none of the conditions mentioned in this paragraph exist, or have existed.

5. None of the three wells now in the Dakota sand, although now on production, are commercial producers, or producers in "paying quantities" as defined in the last three lines on page 7 of the Unit Agreement. This then, would throw all three wells in the category of wells described in paragraph 2, page 11 of the Unit Agreement.

6. The Unit Agreement calls for all "Unitized Substances" below the base of the Pictured Cliffs sand. The only mention made by Stanolind Oil & Gas Co. as operator of the Unit is Dakota sand. Between the base of the Pictured Cliffs sand and the Dakota sand, is the Mesa Verde formation. This is a large thickness formation containing three separate sands, the Cliff-house, Menefee, and Point Lookout, with total formation thickness of about five hundred feet. It is a quite substantial producer of natural gas, and in many cases

also distillate, in nearby lands and in at least two wells within the Unit area, the Day #1 and Hargrave #1, cores and actual production indicate that it would likewise produce within the Unit area. It is a very hard formation with little porosity and requires shooting with considerable shot to bring out the production. This formation is ignored by the Unit operator. In the so-called Unit well #1, only one core was taken from this formation and one drill stem test made, which is entirely inadequate for testing this formation. In Unit well #2, so far as we are able to ascertain, no cores were taken, and no drill stem test made of this formation as it was drilled through on the way to the Dakota sands.

#### OUR RELIANCE IN SIGNING UNIT AGREEMENT

7. While we signed the Unit Agreement of our own free will, we did so in reliance upon its provisions, and with the idea that it constituted a contract between the operator and ourselves, to be kept and performed in accordance with its terms.

We relied upon paragraphs two and three on page 2 of the agreement. Paragraph two says in part, "to secure other benefits to be obtained through development and operation of the area." Paragraph three says in part, "in consideration of the premises and promises herein contained."

We submit that there is no development being carried on, and the promises have not been fulfilled, and therefore the Unit and its Operator, Stanolind Oil & Gas Co., are at this time, and have been for some time, in default of the Unit Agreement.

Our further reliance in signing this agreement, was upon paragraph 20 of the agreement. This paragraph, dealing with

"Effective Date and Term" of the agreement, states in plain and understandable language, that the Unit Agreement shall remain in force and effect "so long as Unitized substances can be produced from the Unitized lands in paying quantities, or so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production."

There is no production in "paying quantities" as defined in the last three lines on page 7, nor is there any "diligent operations in progress, or in fact, any operations of any nature.

We submit again, therefore, that the Unit and its Operator, Stanolind Oil & Gas Company are, and have been for some time, in default of the Unit Agreement.

#### POSITION OF KUTZ CANON OIL & GAS CO.

8. The position of this company is quite different from that of the other substantial holders of acreage in this Unit.

Other substantial acreage holders in the Unit are Stanolind Oil & Gas Co., El Paso Natural Gas Co., Southern Union Gas Co., and Three States Natural Gas Co.

All of the above named, hold much greater acreage in many sections of San Juan Basin, and in other regions and States which they are developing.

This company's sole acreage holding is the approximately 6000 acres now committed to this Unit.

Our company has approximately 6000 stockholders, covering every State in the United States.

When unwarranted extension of time is given the Operator of this Unit, or he fails in his duties of development as

operator, he in effect, puts this company and its 6000 stockholders out of business. He stops all possibility of any progress by this company and deprives our 6000 stockholders of their moral and legal right to development of their holdings and the value of whatever production may be obtained by developments.

Our petition to you is based upon a plea for consideration of the rights of these 6000 stockholders to stay in business, and receive the benefits of the terms of a contract which they, through their officers, signed in this Unit Agreement.

9. It is not our intention nor desire to coerce anyone into spending money to drill lands in which they do not believe commercial production, or production in paying quantities, may be obtained. It is our desire, however, that the Operators of the Angels Peak Unit either carry out the terms of the Unit, drill until production in paying quantities is obtained, or terminate the contract in accordance with paragraph 20 of the agreement, so that in that event this company may do development on its own, which we are now precluded from doing.

It cannot conceivably be claimed by the operator that one well actually drilled for the Unit within a two year period, on a Unit consisting of 29,802.17 acres, is diligent operations, nor development in the Public Interests, nor, from a royalty standpoint, in the interests of the United States Government, nor from a school and severance tax standpoint, in the interests of the State of New Mexico, and most certainly not in the interests of the 6000 stockholders of this company, nor could one well in two years, on so large an acreage, prove or disprove the existence of oil and/or gas in paying quantities.

OUR PLEA

10. It is our plea, therefore, on behalf of the 6000 stockholders of this company, that upon the expiration December 31, 1953, of the extension granted Stanolind Oil & Gas Company, as Operators of the Unit, they be required to correct the existing default of the Unit Agreement, and begin immediate operations for the discovery of unitized substances in "paying quantities" in all sands included in the Unit, and carry on such developments until production in paying quantities is encountered, said developments to be carried on in a "workmanlike manner" as provided in the Unit Agreement, or that upon expiration of the extension now granted, December 31, 1953, the Angels Peak Unit Agreement be terminated so that we may carry on developments on our own account on our own acreage.

Respectfully submitted,  
KUTZ CANON OIL & GAS COMPANY

By J. L. Lester  
Vice President  
U. S. National Bank Bldg.  
Denver, Colorado

ATTEST:

W. H. Martin  
Secretary

## REQUEST FOR CLARIFICATION

Lines four and five, page eight of the Unit Agreement read, "that the Unit Operator shall not, in any event, be required to drill to a depth in excess of 7000 feet."

Paragraph 3, page four of the Agreement reads, "All oil and gas in any and all formations below the base of the Pictured Cliffs formation of the Unitized lands are unitized under the terms of this Agreement---".

The Pennsylvania sands, approximate depth 12,000 feet, underlie the entire Unit area. They are prolific producers elsewhere in San Juan Basin. Since they could not conceivably be reached within 7000 feet, we would like to have this ambiguity cleared up. Are the Pennsylvania sands included in the Unit?

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