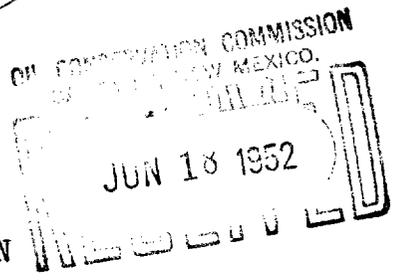


Case 382



NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

APPLICATION FOR APPROVAL OF UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE CLOUDCROFT UNIT AREA,
OTERO COUNTY, NEW MEXICO

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

Comes the undersigned, Southern Production Company, Inc., of Fort Worth, Texas, (successor to Danciger Oil & Refining Company), and files herewith three copies of a proposed Unit Agreement for the development and operation of the Cloudcroft Unit Area, Otero County, New Mexico, and hereby makes application for the approval of said Unit Agreement by the New Mexico Oil Conservation Commission as provided by law, and in support thereof shows:

1. That the unit area designated in said agreement comprises 67,507.50 acres, more or less, more particularly described as follows:

New Mexico Principal Meridian, New Mexico

T. 16 S., R. 11 E.,
Secs. 11-14, inclusive, all;
Sec. 22, Lot 1, SE $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$;
Secs. 23-26, inclusive, all;
Sec. 27, E $\frac{1}{2}$;
Sec. 34, E $\frac{1}{2}$;
Secs. 35 and 36, all.

T. 17 S., R. 11 E.
Secs. 1-3, inclusive, all;
Sec. 8, All;
Sec. 9, NW $\frac{1}{4}$, S $\frac{1}{2}$;
Secs. 10-16, inclusive, all;
Sec. 17, N $\frac{1}{2}$, SE $\frac{1}{4}$;
Secs. 21-28, inclusive, all;
Sec. 34, Lots 1 and 2, N $\frac{1}{2}$, N $\frac{1}{2}$ SE $\frac{1}{4}$;
Secs. 35 and 36, all.

T. 18 S., R. 11 E.
Secs. 1 and 2, All;
Sec. 12, All.

T. 16 S., R. 12 E.

Secs. 7-10, inclusive, all;
Secs. 15-22, inclusive, all;
Secs. 27-34, inclusive, all.

T. 17 S., R. 12 E.

Secs. 3-10, inclusive, all;
Sec. 11, SW $\frac{1}{4}$;
Sec. 14, W $\frac{1}{2}$;
Secs. 15-22, inclusive, all;
Sec. 23, NW $\frac{1}{4}$, S $\frac{1}{2}$;
Secs. 26-36, inclusive, all.

T. 18 S., R. 12 E.

Secs. 1-11, inclusive, all;
Sec. 12, NW $\frac{1}{4}$;
Secs. 14-17, inclusive, all;
Sec. 18, Lots 1-6, inclusive, E $\frac{1}{2}$;
Sec. 20, N $\frac{1}{2}$;
Sec. 21, N $\frac{1}{2}$, SE $\frac{1}{4}$;
Secs. 22 and 23, all.

That of the above described lands 56,810.04 acres are Federal Lands, 2,882.90 acres are lands of the State of New Mexico, and 8,494.56 acres are fee or privately owned lands. (There is a conflict between the United States and the State of New Mexico as to 640 acres.)

2. That said area has heretofore been designated by the Director of the United States Geological Survey as an area suitable and proper for unitization, a photostatic copy of the letter of the Acting Director to Danciger Oil & Refining Company, under date of December 15, 1950, so designating said area and determining the depth of the initial test well is attached hereto, made a part hereof, and for purposes of identification marked Exhibit "A".

That there is also attached hereto, made a part hereof, and for purposes of identification marked Exhibit "B", a photostatic copy of the Geological Report prepared by H. Giddings under date of August 29, 1950, and approved by Willard Gill, Chief Geologist for the Danciger Oil & Refining Company, covering the proposed unit area, and which is a copy of the Geological Report which was filed with the application

of the Danciger Oil & Refining Company to the United States Geological Survey for the designation of said area as one suitable and proper for unitization.

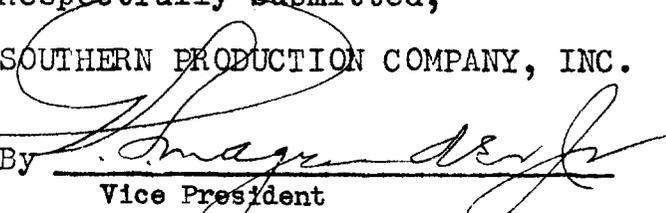
3. That the Southern Production Company, Inc., is designated as Unit Operator in said Unit Agreement, and as such is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas, subject to all applicable laws and regulations. That said Unit Agreement provides for the commencement of a test well upon some part of the unit area within six months after the effective date of the Unit Agreement, and for the drilling of the same with due diligence until the Ellenberger limestone formation has been tested, but the Unit Operator shall not in any event be required to drill said well to a depth in excess of 6,500 feet.

4. That said Unit Agreement is in substantially the same form as unit agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission, and it is believed that operations to be carried on under the terms of said agreement will promote the economical and efficient recovery of oil and gas to the end that the maximum yield may be obtained from the field or area in the event oil or gas should be discovered in paying quantities. It is also believed that the unit area covers all or substantially all of the geological feature involved so as to give effective control thereof in the event oil or gas is discovered, and that in such event said agreement will be in the interest of the conservation of oil and gas and the prevention of waste as contemplated by the Oil Conservation Statutes.

5. That a petition is being filed for approval of said Agreement by the Commissioner of Public Lands of the State of New Mexico, and that upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement and after approval thereof by the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, an executed and approved copy thereof will be filed with the New Mexico Oil Conservation Commission.

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

Respectfully Submitted,
SOUTHERN PRODUCTION COMPANY, INC.

By 
Vice President

S. P. CO., INC.		
APPROV.	BY	DATE
LAND	<i>ALB</i>	6/13/52
DRENK		
ACTS.		
LEGAL		
PROD.		
MKTG.		