



IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

NOV 21 1955

Mr. Lester Morrell
Nickson Hotel Building
Roswell, New Mexico

RECEIVED NOV 25 1955

My dear Mr. Morrell:

Reference is made to our letter of September 16, 1955, which designated the land to be included in the South Chaco unit area, New Mexico. This letter advised that the form of unit agreement submitted with your application of July 20, 1955, would be acceptable if modified as indicated in red pencil and attached riders.

Subsequently, your letter of November 4, 1955, requested that two minor changes be made in sections 15 and 18 of the form of unit agreement. You stated that both of these changes, which apply only to State leases, have been approved by the New Mexico State Land Commissioner.

Accordingly, Survey letter of September 16, 1955, is modified as follows:

1. In the second paragraph of Section 15. Rental Settlement, delete any reference to reduction or suspension of State lease rentals so that said second paragraph will be as follows:

"Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases."

2. Add the following proviso to cover State leases only at the end of subsection 18(h):

"Provided, however, notwithstanding any of the provisions of the Agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond

GREAT WESTERN DRILLING COMPANY

EXHIBIT 4

Case No. 1033 March 14, 1956

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the term provided therein as to all lands embraced in such lease, if unitized substances are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease, or from a well spacing unit defined or approved by the Commission including some part of the lands embraced in such lease, committed to this Agreement, or if production in paying quantities is being produced from some part of the lands embraced in such lease outside this unit area, at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, or on a well spacing unit defined or approved by the Commission including some part of the lands embraced in such lease, the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of unitized substances, said lease shall continue in full force and effect as to all lands embraced therein, and so long thereafter as unitized substances in paying quantities are being produced from any portion of said lands."

Sincerely yours,



Acting Director

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