

LAW OFFICES

J. M. HERVEY 1874-1953
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON
S. B. CHRISTY IV

MAIL OFFICE 908

HERVEY, DOW & HINKLE
FIRST NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO

August 22, 1956

TELEPHONE MAIN 2-6510

J. PENROD TOLES
LEWIS C. COX, JR.

VIA AIR MAIL

Case # 1140

*Sent two
copies to
D. A. Kell*

*to Bondurant
on 8/23/56*

Mr. A. L. Porter, Jr.,
Secretary-Director
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Re: Tres Ranchos Unit Agreement,
Eddy County, New Mexico

Dear Mr. Porter:

Reference is made to my letter of August 9th on the above matter.

At your earliest convenience I would appreciate it if you would advise me when the matter will be set for hearing, and I suppose that it will be in Hobbs pursuant to my request.

If there is anything that we can furnish you, please advise.

Yours very truly,

HERVEY, DOW & HINKLE

By W. E. Bondurant

WEB:mc

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HERVEY, DOW & HINKLE

FIRST NATIONAL BANK BUILDING

ROSWELL, NEW MEXICO

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J. PENROD TOLES
LEWIS C. COX, JR.

August 9, 1956

Mr. A. L. Porter, Jr.,
Secretary-Director
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Re: Tres Ranchos Unit Agreement,
Eddy County, New Mexico

Dear Mr. Porter:

Enclosed herewith please find original and two copies of Application by Magnolia Petroleum Company for approval of the above Unit Agreement. We also enclose herewith two copies of the Unit Agreement which have been fully executed. I understand that it is customary to send you three copies of the Unit Agreement but Mr. Hannifin of Magnolia has discussed the matter either with you or someone in your office and his notation shows that only two copies need be sent you.

We are also sending the State Land Office an Application for their approval.

We would like to have the matter heard at the earliest date possible, and also, if possible, would like to have it heard before your Examiner, and as I understand it, the Examiner's hearing will be held in Hobbs, New Mexico. Consequently, we ask that you set the case at the earliest date possible.

If you need any further information or desire to discuss the matter please phone either the writer or Mr. Hannifin collect.

Yours very truly,

HERVEY, DOW & HINKLE

By W. E. Bondurant

WEB:mc

Encls.

cc-Magnolia Petroleum Company
P. O. Box 662
Roswell, New Mexico
Attention: Mr. S. P. Hannifin

R 23 E

NM 2812
1-18-65

NM 1399
7-10-57

Union
2-16-64

-4050

E-1395
State

-4000

Gulf
3-20-66

E-1161
State

NM 1399
7-10-57

E-1399
State

-4000

-4050

T
19
S

NM 1399
7-10-57

Proposed
Location

E-1395
State

E-8764
State

E-7882
State

Charm
2-16-64

NM 2813
1-18-65

Gulf
2-10-57

NM 2813
1-18-65

-4100

-4050

-4000

E-8766
State

E-1191
State

14

Contoured on Top of Mississippian

CI = 50'

E-8766
State

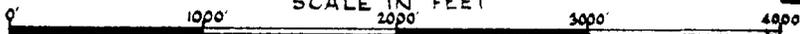
MAGNOLIA PETROLEUM COMPANY

GEOLOGICAL DEPARTMENT

TRES RANCHOS UNIT

EDDY COUNTY, NEW MEXICO

SCALE IN FEET



RE MURPHY, DISTRICT GEOLOGIST
ROSWELL, NEW MEXICO

DRAWN BY B.R. CHANDLER
AUGUST 27, 1956

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

EXHIBIT No. A
1140

File 1140

1957 SEP 25 10 30 AM

1957 SEP 25 10 30 AM

September 25, 1957

In reply refer to:
Unit Division

Magnolia Petroleum Co.
P. O. Box 662
Roswell, New Mexico

Union Oil Co. of California
Union Oil Bldg.
Midland, Texas

Attention: Mr. S. P. Hannifin

Charm Oil Co.
Carper Bldg.
Artesia, New Mexico

Magnolia Petroleum Co.
P. O. Box 900
Dallas 21, Texas

Gulf Oil Corporation
P. O. Drawer 1290
Fort Worth, Texas

Re: Termination of
Tres Ranchos Unit
Agreement

Gentlemen:

In regard to the Tres Ranchos Unit Agreement, such records on file in the State Land Office regarding this unit reflect only that the test well located in the SE/4 SE/4 of Section 10-19S-23E was spudded August 31, 1956.

However, in accordance with our telephone conversation with you today, you stated that said described well was completed as a dry hole January 24, 1957, and that Magnolia Petroleum Co., as Operator, had no intentions of drilling another well on this unit.

You also agreed that said Unit Agreement should automatically terminate under its own terms. Under the drilling provisions of this unit, another well should have been started six months after the completion of this first test well.

Therefore, under Paragraph 8 of the Unit Agreement and for failure to comply with requirements, we are terminating Tres Ranchos Unit Agreement effective September 25, 1957, and our records will be posted accordingly.

Very truly yours,

MURRAY E. MORGAN
Commissioner of Public Lands

By: Ted Bilberry, Supervisor
Oil and Gas Department

MEM:MMR/m
cc: OCC-Santa Fe

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

October 1, 1956

C

O

P

Y

Mr. W. E. Bondurant, Jr.
Harvey, Dow & Hinkle
Box 547
Roswell, New Mexico

Dear Sir:

On behalf of your client, Magnolia Petroleum Company, we enclose two copies of Order R-889 issued September 27, 1956, by the Oil Conservation Commission in Case 1140, which was heard on September 6th at Hobbs.

Very truly yours,

A. L. Porter, Jr.
Secretary - Director

brp
Encls.

1956 AUG 20 PM 1:12

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
TRES RANCHOS UNIT
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 10th day of April, 1956, 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 Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chapter 162, Laws of 1951) to amend with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") 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 Tres Ranchos 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 devel-

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

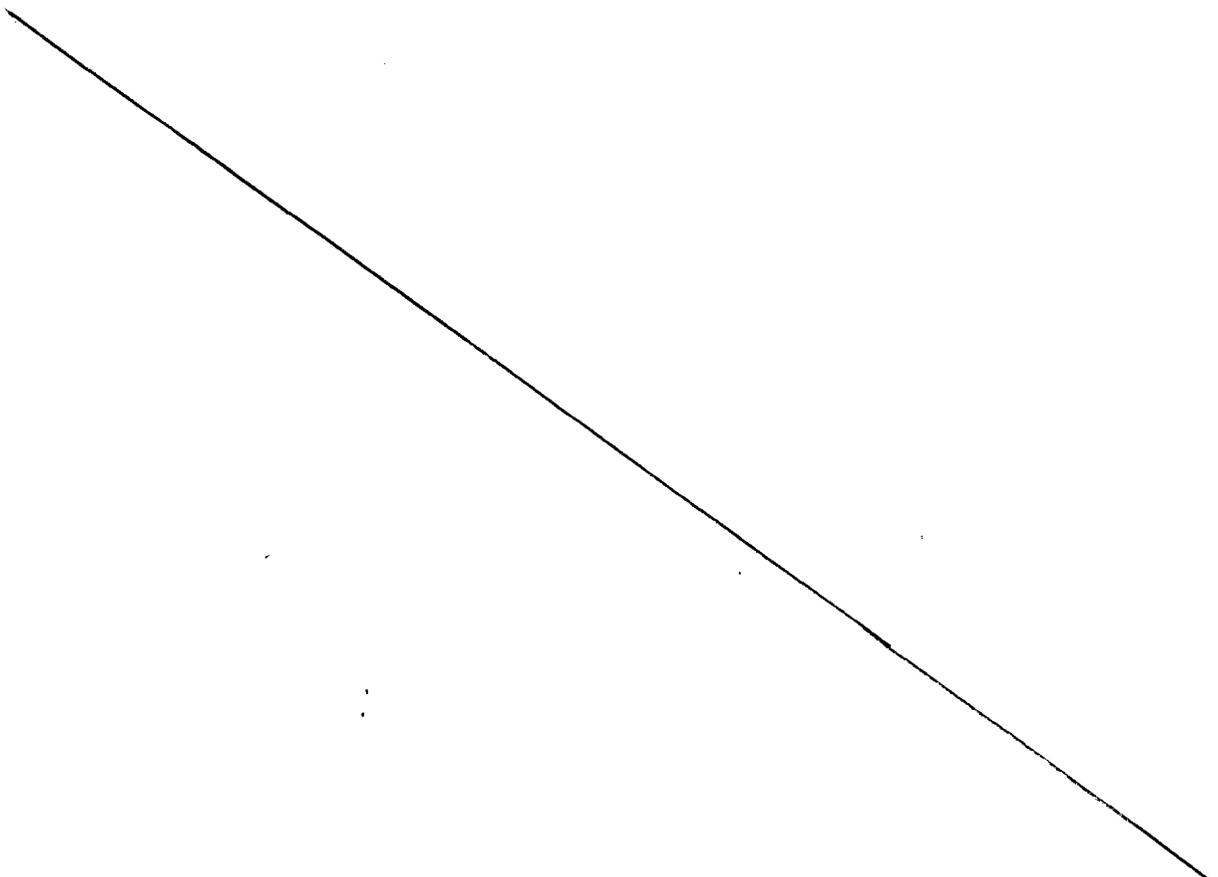
NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T. 19 S., R. 23 E., Eddy County, New Mexico

Sec. 10: All
Sec. 11: $W\frac{1}{2}$ $W\frac{1}{2}$
Sec. 15: $N\frac{1}{2}$
Sec. 14: $W\frac{1}{2}$ $NW\frac{1}{4}$

containing 1,200.00 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 Commissioner of Public Lands, hereinafter referred to as "Commissioner."



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

2. UNITIZED SUBSTANCES. All oil, gas, natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR. Magnolia Petroleum Company, a Texas corporation, 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 an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time but such resignation shall not become effective

until a successor Unit Operator has been selected and approved in the manner provided for in Article 5 of this agreement. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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 Commissioner.

The resignation or removal of the 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.

5. 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 according to their respective acreage interests in all unitized land shall by a majority vote select a successor Unit Operator; provided that, if a majority but less than 65 per cent of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than 65 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 Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The Unit Operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder

and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement by and between the Unit Operator and the other owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this article, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistencies or conflict between this Unit Agreement and the Operating Agreement this Unit Agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, 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.

8. DRILLING TO DISCOVERY. Within 60 days after the effective date hereof, the Unit Operator shall commence operations upon an adequate test well for oil and gas upon the SE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 10, Township 19 South, Range 23 East, Eddy County, New Mexico embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Ellenburger Formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of the Unit Operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 10,000 feet. Until a discovery of a deposit of unitized substances capable of being

produced in paying quantities, Unit Operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Failure to comply with the drilling provisions of this article shall automatically terminate this agreement as to all its terms, conditions and provisions and all rights, privileges and obligations granted by this Unit Agreement shall cease and terminate as of the date of any such default.

9. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this Unit Agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provision contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of

the same, and nothing herein contained shall be construed as giving or granting to the Unit Operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

10. ALLOCATION OF PRODUCTION. All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

11. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES. All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the Unit Operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

If the Unit Operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, 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 a plan of operations consented to by the Commissioner and approved by

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.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

12. LEASE AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LAND WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, sub-leases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall, upon approval hereof by the Commissioner be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the length of the secondary term as to lands within such area will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the lessee shall, without further action of the Commissioner or the lessee, be effective to conform the provisions and extend the term of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein so long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the Unit Operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws shall continue in full force and effect thereafter. The commencement, completion, operation or production of a well on any part of the unit area shall be respectively construed and considered as the commencement or completion or operation or production of a well within the terms and provisions of each of the oil and gas leases to the same extent as though such

commencement, completion, operation or production was carried on, conducted and/or obtained from any such leased tract.

Any lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this 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 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 committed to this agreement 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, 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 of the lands embraced therein, so long thereafter as unitized substances in paying quantities are being produced from any portion of said lands.

13. 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 laws or regulation.

14. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized lands by wells on land not subject to this agreement.

15. 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.

16. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement 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. This agreement may be terminated at any time by not less than 65 per cent on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, as provided in Article 8 hereof, the failure to comply with the drilling provisions of this Unit Agreement shall as of the date of any such default, automatically terminate this Unit Agreement.

17. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

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

19. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if

ment or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. After operations are commenced hereunder, the right of subsequent joinder by a working interest owner shall be subject to all of the requirements of any applicable operating agreement between the working interest owners relative to the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the filing with the Commissioner and the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to Unit Operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the Unit Agreement, and the Unit Operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

23. 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.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set opposite their signatures.

ATTEST: *[Signature]*
 Assistant Secretary
 Date April 19, 1956

MAGNOLIA PETROLEUM COMPANY
 By *E. G. Seymour*
 Vice-President E. G. SEYMOUR
 Address P. O. BOX 900
Dallas 21, Texas

[Handwritten initials]
[Handwritten initials]
[Handwritten initials]

UNIT OPERATOR AND WORKING INTEREST OWNER
 CHARM OIL COMPANY
 By _____
 President
 Address _____

ATTEST:

 Secretary
 Date _____

SECOND PAGE OF SIGNATURES TO UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE TRES RANCHOS UNIT, EDDY COUNTY, NEW MEXICO.

Law	<i>TKC</i>
Compt.	<i>KOR</i>
Exp.	<i>R & B</i>
Prod.	

ATTEST:

[Signature]
 Assistant Secretary
 Date June 29, 1956

GULF OIL CORPORATION

By *[Signature]*
 Vice-President

Address P. O. Drawer 1290
Fort Worth, Texas

ATTEST:

 Assistant Secretary
 Date _____

APPROVED
 Union Oil Co. of Calif.
 Wes-Tex Div.
S&S
 LAND
 DEPT.

UNION OIL COMPANY OF CALIFORNIA

By *E. R. Atwill*
 E. R. Atwill, ~~vice-president~~ Attorney-in-Fact

Address Union Oil Building
Midland, Texas

July 10, 1956

CHARM OIL COMPANY, a Co-partnership
Carper Bldg, Artesia, N.M.

By *[Signature]*
 H. B. Harris, Partner

By *L. F. Miles*
 L. F. Miles, Partner

By *[Signature]*
 S. N. Chauvet, Partner

Mary J. Harris
 Mary J. Harris, wife of H. B. Harris

Mary A. Miles
 Mary A. Miles, wife of L. F. Miles

Mary E. Chauvet
 Mary E. Chauvet, wife of S. N. Chauvet

CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION
OF TRES RANCHOS UNIT AREA, EDDY COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the Tres Ranchos Unit Area, Eddy County, New Mexico, dated the 10th day of April, 1956, in which the Magnolia Petroleum Company, a corporation, is designated as Operator, and which has been executed by various parties owning and holding oil and gas leases embracing lands within the unit area, and upon examination of said Agreement, the Commissioner finds:

- (a) That such Agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said field;
- (b) That under the operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its land in the area affected;
- (c) That the Agreement is in other respects for the best interest of the State;
- (d) That the Agreement provides for the unit operation of the field, for the allocation of production, and the sharing of proceeds from a part of the area covered by the Agreement on an acreage basis as specified in the Agreement.

NOW, THEREFORE, by virtue of the authority conferred upon me by the Laws of the State of New Mexico, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the above referred to Tres Ranchos Unit Agreement as to the lands of the State of New Mexico committed thereto, and all oil and gas leases embracing lands of the State of New Mexico committed to said Agreement shall be and the same are hereby amended so that the provisions thereof will conform to the provisions of said Unit Agreement and so that the length of the secondary term of each such lease as to the lands within the unit area will be extended, insofar as necessary, to coincide with the term of said Unit Agreement, and in the event the term of said Unit Agreement shall be extended as provided therein such extension shall also be effective to extend the term of each oil and gas lease embracing lands of the State of New Mexico committed to said Unit Agreement which would otherwise expire, so as to coincide with the extended term of such Unit Agreement.

IN WITNESS WHEREOF, this certificate of approval is executed as of this the _____ day of _____, 1956.

Commissioner of Public Lands
of the State of New Mexico

STATE OF TEXAS }
COUNTY OF DALLAS } SS

On this 19 day of April 1956, before me personally appeared E. C. [unclear] to me personally known, who being by me duly sworn did say that he is the Vice President of MAGNOLIA PETROLEUM 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 [unclear] acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires:
June 1, 1956

Alice Fodge
Notary Public

STATE OF [unclear] }
COUNTY OF [unclear] }

STATE OF TEXAS }
COUNTY OF EL PASO } SS

On this 10 day of July, 1956, before me personally appeared H. B. Harris and Mary J. Harris, his wife; L. F. Miles and Mary A. Miles, his wife; and S. N. Chauvet and Mary E. Chauvet, his wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Given under my hand and seal this 10 day of July, 1956.
My commission expires 6/1/57.

[Signature]
Notary Public

Residing at 7368 Dale Rd KENNETH L. CARROLL
El Paso, Texas

corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and H. M. Bayer acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires: 6-1-57

M. B. Chippeaux M. B. CHIPPEAUX
Notary Public

STATE OF TEXAS }
COUNTY OF MIDLAND }

ON THIS 3rd day of July, 1956, personally appeared before me E. R. ATWILL, Attorney-in-fact for UNION OIL COMPANY OF CALIFORNIA, to me known to be the person who executed the foregoing instrument in behalf of UNION OIL COMPANY OF CALIFORNIA, a corporation, and acknowledged that he executed same as the free act and deed of said UNION OIL COMPANY OF CALIFORNIA.

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

My Commission Expires:
June 1, 1957

Elma H. Sloan
Notary Public in and for
Midland County, Texas

ELMA H. SLOAN - NOTARY PUBLIC

STATE OF TEXAS)
) SS
COUNTY OF DALLAS)

On this 17 day of July, 1956, before me personally appeared _____, to me personally known, who being by me duly sworn did say that he is the Vice-President of MAGNOLIA PETROLEUM 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires: _____

Alvin Hodge
Notary Public

STATE OF ~~TEXAS~~ New Mexico)
) SS
COUNTY OF ~~EL PASO~~ Eddy)

On this 7th day of August, 1956, before me personally appeared H. B. Harris and Mary J. Harris, his wife; L. F. Miles and Mary A. Miles, his wife; and S. N. Chauvet and Mary E. Chauvet, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

My Commission Expires: _____

Minty Lee Whitaker
Notary Public

STATE OF TEXAS)
) SS
COUNTY OF TARRANT)

On this 23 day of July, 1956, before me personally appeared H. M. Bayer, to me personally known, who being by me duly sworn did say that he is the Vice-President of GULF OIL CORPORATION 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 H. M. Bayer acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires: 6-1-57

M. B. Chippeaux M. B. CHIPPEAUX
Notary Public

STATE OF TEXAS)
) SS
COUNTY OF MIDLAND)

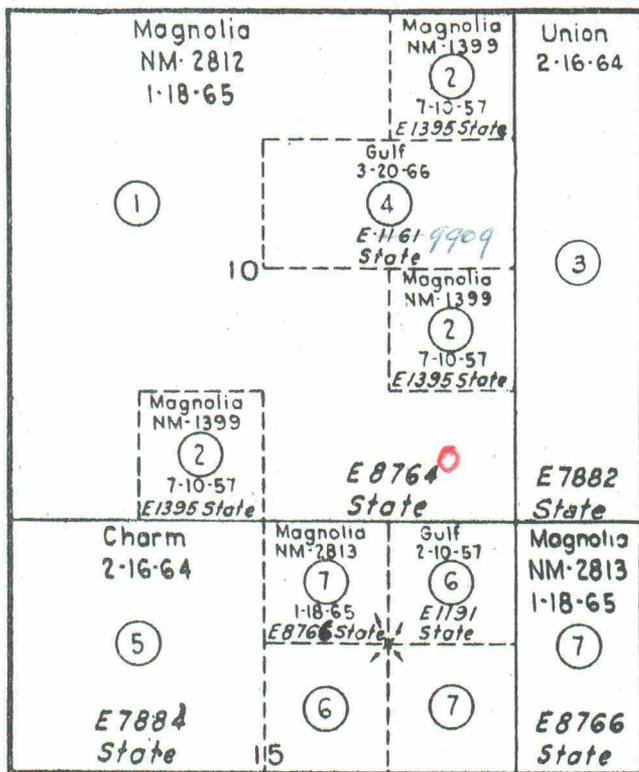
On this 25th day of July, 1956, personally appeared before me E. R. Stewart, Attorney-in-Fact for UNION OIL COMPANY OF CALIFORNIA, to me known to be the person who executed the foregoing instrument in behalf of UNION OIL COMPANY OF CALIFORNIA, a corporation, and acknowledged that he executed same as the free act and deed of said UNION OIL COMPANY OF CALIFORNIA.

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

My Commission Expires: 6-1-57

Margaret Dougherty (MARGARET DOUGHERTY)
Notary Public

R 23 E



11
T
19
S

14

EXHIBIT "A"

OWNERSHIP PLAT

TRES RANCHOS UNIT
EDDY COUNTY, NEW MEXICO

T 19 S, R 23 E

TOTAL ACREAGE IN UNIT — 1200 ACRES

- UNIT OUTLINE
- TRACT NUMBERS

EXHIBIT "B"
TRES RANCHOS UNIT AREA
EDDY COUNTY, NEW MEXICO
TOWNSHIP 19 SOUTH, RANGE 23 EAST

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

Lease Number	Tract No.	Description of Land	No. of Acres	State Lease No. and Expiration	Basic Royalty and Percentage	Overriding Royalty and Percentage	Working Interest Owner
<u>All in T-19S R-23E</u>							
NM-2812	1	Section 10 NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$	440.00	E-8764 1-18-65	State of New Mexico - All	None	Magnolia Petroleum Company
NM-1399	2	Sec. 10 NE $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$	120.00	E-1395 7-10-57	Do	Do	Do
NM-2813	7	Sec. 15 NW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$; Sec. 14 W $\frac{1}{2}$ NW $\frac{1}{4}$	160.00	E-8766 1-18-65	Do	Do	Do
	3	Sec. 11 W $\frac{1}{2}$ W $\frac{1}{2}$	160.00	E-7882 2-16-64	Do	Do	Union Oil Company of California
	4	Sec. 10 S $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	E-9909 E-1161	Do	Do	Gulf Oil Corporation
	5	Sec. 15 NW $\frac{1}{4}$	160.00	E-7884 2-16-64	Do	Do	Charm Oil Company
	6	Sec. 15 NE $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$	80.00	E-1191 2-10-57	Do	Do	Gulf Oil Corporation
			<u>1200.00</u>	ACRES ALL STATE TRACTS			

WORKING INTEREST OWNERSHIP

MAGNOLIA PETROLEUM COMPANY	720/1200ths or 60.0000%
UNION OIL COMPANY OF CALIFORNIA	160/1200ths or 13.3333%
GULF OIL CORPORATION	160/1200ths or 13.3333%
CHARM OIL COMPANY	160/1200ths or 13.3334%