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1957 OCT 11 AM 8:15

PHILLIPS PETROLEUM COMPANY

BARTLESVILLE, OKLAHOMA

LEGAL DEPARTMENT

RAYBURN L. FOSTER
VICE PRESIDENT
AND GENERAL COUNSEL

HARRY D. TURNER
GENERAL ATTORNEY

H. K. HUDSON
ASSOCIATE GENERAL ATTORNEY

WALTER L. BARNES
ED WAITE CLARK
R. M. WILLIAMS
WM. J. ZEMAN
ASSISTANT GENERAL ATTORNEYS

October 9, 1957

DARLENE G. ANDERSON
R. Y. BANDY, JR.
ROBT. B. BURGESS
GARY W. DAVIS
S. E. FLOREN
EARL GUITAR
DARALL G. HAWK
KENNETH HEADY
D. E. HODGES
C. B. McDONALD, JR.
LLOYD G. MINTER
JAMES MULLEN
W. E. SAVAGE
EARL T. WARREN
JAMES G. WILLIAMS, JR.
STAFF ATTORNEYS

Oil Conservation Commission of New Mexico
107 Mabry Hall
Capitol Building
Santa Fe, New Mexico

In re: Case No. 1306 - Hospah Unit

Gentlemen:

Pursuant to Paragraph No. (5) of Order No. R-1061 in the above captioned unit, I am enclosing for filing on behalf of Phillips Petroleum Company, operator of the Hospah Unit, copy of the Hospah Unit Agreement.

Very truly yours,

James G. Williams, Jr.

JGW:ch
Enc.

cc: Mr. Jason W. Kellahin
Kellahin & Fox
P. O. Box 1713
Santa Fe, New Mexico

MAIN OFFICE OCC

1957 OCT 1 AM 7:53

File 1306

IN REPLY DIVISION

September 30, 1957

Mr. Jason W. Kellahin
54 $\frac{1}{2}$ East San Francisco
Santa Fe, New Mexico

Re: Phillip's Hospah
Unit Agreement
San Juan County, New
Mexico

Dear Mr. Kellahin:

We are enclosing three copies of the Hospah Unit Agreement which was approved by the Commissioner of Public Lands September 30, 1957.

It is our understanding you will furnish this office letters from the record owners of the acreage not committed in Sec. 36, verifying they were contacted and their reasons for not joining this Unit. Also you will furnish us a copy of the operating Agreement.

We will mail the Official Receipt in the amount of \$5.00 to you as soon as it is issued.

Very truly yours,

MURRAY E. MORGAN
Commissioner of Public Lands

By: Ted Bilberry, Supervisor
Oil and Gas Department

MEM:mmr
cc: N.M.O.C.C.-Santa Fe

ROM:ch:cd
8-19-57

EPN 3P

UNIT AGREEMENT
HOSPAN UNIT, SAN JUAN COUNTY, NEW MEXICO

THIS AGREEMENT, made and entered into this 21st day of August, 1957, by and between THE STATE OF NEW MEXICO, acting by and through the Commissioner of Public Lands under authority and by virtue of Sections 7-11-39 to 7-11-42, New Mexico Statutes 1953, hereinafter called "Lessor," and PHILLIPS PETROLEUM COMPANY, a corporation, EL PASO NATURAL GAS PRODUCTS COMPANY, a corporation, and BROOKHAVEN OIL COMPANY, a corporation, hereinafter called "Lessees," and the undersigned parties as "Other Royalty Owners,"

W I T N E S S E T H :

WHEREAS, Lessees are the owners of separate oil and gas leases, executed by Lessor covering certain lands in San Juan County, New Mexico, which leases and lands are more fully described in Exhibit "A" hereto attached, said lands being hereinafter referred to as the "Unitized Area"; and

WHEREAS, the parties signing this agreement as Other Royalty Owners own overriding or other interests, other than a working interest, in and to the production from one or more of said leases; and

WHEREAS, Lessees have entered into an agreement with lessees of adjacent lands for the cooperative conduct of a pilot LPG high-pressure gas injection project to determine the feasibility and extent to which LPG and gas can be injected into the presently producing formation underlying the Unitized Area for the efficient recovery of the greatest quantity of oil therefrom, using an injection well on adjacent land located five feet from the southeast corner of the Unitized Area, and which requires the consolidation of the leases covering the Unitized Area as a single lease in order to effect a transfer of all or a part of the allowables of the several wells on the Unitized Area to the well on the Unitized Area offsetting the injection well so as to allow freedom in the operation of such well as a part of the pilot project; and

WHEREAS, it is the desire of the parties hereto that the leases covering the Unitized Area be so consolidated, developed, operated and

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treated as a single lease in order to enable Lessees to participate in said pilot LPG high-pressure gas injection project and, if successful, to carry on pressure maintenance operations on the Unitized Area and to otherwise more efficiently develop, produce and operate said leases and lands for oil and gas, obtain a greater recovery, prevent waste, and thereby more properly conserve the oil and gas resources of the State;

NOW, THEREFORE, premises considered and in consideration of the mutual covenants and agreements of the parties hereto, it is agreed as follows:

1. From and after the effective date hereof and subject to the further provisions, conditions and limitations hereinafter set out, all of the aforesaid leases insofar as they relate to the Unitized Area shall, for all intents, uses and purposes incident to the further development and operation thereof for oil and gas, the ownership of the production, and the payment of royalties, be unitized and treated as an entirety, all to the same extent and with the same force and effect as if said lands had been included in a single lease to the Lessees in the first instance.

2. For the purpose of sharing in the production and for the disbursement and payment of royalties and overriding royalties or other payments with respect to production, all oil and gas produced from the Unitized Area, regardless of the well or tract from which the same may be produced, shall from and after the effective date hereof be treated as an entirety and, except so much thereof as is used in the development and operation of the Unitized Area or is unavoidably lost, shall be apportioned among and allocated to the several tracts comprising the Unitized Area in accordance with the percentage participation shown opposite such tracts on Exhibit "A" hereto attached. All persons who in the absence of this agreement would have been entitled under the terms of said leases or other contracts relating thereto to share in, receive or be paid royalties, overriding royalties or other payments in respect to, production from a particular tract shall in lieu thereof, in like proportion and in like manner and with the same force and effect, share in, or be paid royalties or other payments in respect to, the production so allocated hereunder to

such tract as though the production so allocated to such tract hereunder had actually been produced from such tract.

3. Wells drilled or other operations conducted by Lessees upon any part of the Unitized Area or production from any well thereon shall for all uses and purposes be considered as wells drilled and other operations conducted on and production from each lease covering any part of the Unitized Area.

4. The terms and provisions of the various leases, agreements or other instruments covering the several tracts comprising the Unitized Area are hereby amended to the extent necessary to make them conform to the terms and provisions of this agreement but otherwise shall remain and continue in full force and effect in accordance with the terms and conditions thereof.

5. This agreement shall become and be effective as of 7:00 o'clock A.M. the day and year first above written and shall remain in force so long as oil and gas can be produced from the Unitized Area in paying quantities. From and after the termination of this agreement all rights in and to the several separate tracts and leases thereon within the Unitized Area shall revert to the separate owners thereof, all to the same extent as if this agreement had not been entered into. Lessees shall have a reasonable time thereafter to remove all material and equipment placed thereon.

6. As soon as reasonably practical after the effective date hereof Lessees in cooperation with lessees of adjacent lands shall with diligence and in accordance with good engineering and production practices establish and conduct a pilot LPG high-pressure gas injection project to determine the feasibility and extent to which gas can be injected into the presently producing formation underlying the Unitized Area for the efficient recovery of the greatest quantity of oil and gas therefrom. If gas injection operations are determined by Lessees to be feasible and profitable, Lessees will to that extent conduct such operations on the Unitized Area in accordance with good engineering and production practices. Lessees may abandon or change in whole or in part any particular method or methods of operation, including such gas injection operations, if and in the event,

at such time, and to the extent that any such method of operation as applied to the Unitized Area is, in the best judgment of Lessees, no longer feasible, profitable or in accord with good engineering or production practices or if it appears that some other method of operation is better suited to the Unitized Area.

7. Lessor and the Other Royalty Owners recognize that they are not entitled to royalty or other payments based on the reproduced LPG, gas or other substances (herein called "Outside Substances") purchased by Lessees and associates from sources off the Unitized Area and injected into the producing formations thereunder, whether injected in the initial pilot injection well on adjacent land or injection wells on the Unitized Area, and to provide a reasonable and practical basis of identifying the same for accounting purposes it is agreed that one-eighth (1/8) of the entire production produced and sold from the Unitized Area shall be deemed to be Outside Substances until the aggregate value of said 1/8 of said production equals 23.95 per cent of the accumulated cost of the Outside Substances so injected into the producing formation through the initial pilot injection well plus the entire accumulated cost to Lessees of the Outside Substances so injected into the producing formation through injection wells which may be located on the Unitized Area. No royalty or other payments shall be due or payable to Lessor or the Other Royalty Owners on said 1/8 of the production so deemed to be Outside Substances.

8. In the event that the oil and gas lessees of the other lands embraced within the pilot area of the pilot LPG high-pressure gas injection project agree with the United States Geological Survey upon a plan for the nonpayment of royalty on production in lieu of Outside Substances injected which is more favorable to Lessor and the Other Royalty Owners than that provided in paragraph 7 hereof, then such paragraph 7 shall be revised retroactively to the effective date of this agreement to provide for such more favorable treatment.

9. The phrase "oil and gas" wherever used in this agreement shall not only refer to oil and gas as such in combination one with the other but shall have reference to oil, gas, casinghead gas, casinghead gasoline or

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other hydrocarbons or any combination thereof which may underlie or be produced from the lands comprising the Unitized Area.

10. It is understood that Lessees coincident with the execution of this agreement have entered into a separate Operating Agreement defining more in detail the rights and obligations as among themselves with respect to the cooperative development and operation of the Unitized Area.

11. Lessees shall make a proper and timely gauge of all lease or other tanks to ascertain the amount of oil in such tanks as of the effective date hereof. Such oil shall remain and be the property of the parties owning the same immediately prior to such time.

12. This agreement is made subject to all laws, rules and regulations of any duly constituted authority having jurisdiction.

13. This agreement may be executed in any number of counterparts or ratified by separate instrument, all of which shall be considered together as one instrument.

14. This agreement shall constitute a covenant running with lands embraced within the Unitized Area and shall extend to and be binding upon and inure to the benefit of the parties hereto and persons who may later execute this agreement or a ratification thereof, their respective heirs, administrators, executors, successors, legal representatives and assigns, whether or not this agreement be executed by all of the parties owning minerals, royalties, overriding royalties or other rights in and to the several tracts comprising the Unitized Area; provided that if this agreement is not executed by Lessor and all Lessees by the 1st day of October, 1957, it shall thereupon terminate and be of no further force and effect.

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

THE STATE OF NEW MEXICO

By _____
Commissioner of Public Lands
LESSOR

ATTEST:
Richard
Assistant Secretary

PHILLIPS PETROLEUM COMPANY
By John M. Houchin
Vice President

APPROVED
Prod. Dept.

ATTEST:
Howman
Secretary

EL PASO NATURAL GAS PRODUCTS COMPANY
By Sam E. Merritt
Vice President

ATTEST:
Margaret's

BROOKHAVEN OIL COMPANY
John Burdette
John Burdette
John Burdette

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STATE OF NEW MEXICO

COUNTY OF _____

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)
) SS.

On this _____ day of _____, 1957, before me personally appeared _____, Commissioner of Public Lands of the State of New Mexico, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed and in the capacity therein stated.

Notary Public

My commission expires:

STATE OF OKLAHOMA

COUNTY OF WASHINGTON

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) SS.

On this 27th day of August, 1957, before me appeared J. M. Nauheim, to me personally known, who, being by me duly sworn, did say that he is the Vice President of PHILLIPS 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 said J. M. Nauheim acknowledged said instrument to be the free act and deed of said corporation.

O. Phillips

Notary Public

My commission expires:

Apr. 7, 1960

STATE OF Texas

COUNTY OF El Paso

)
)
) SS.

On this 9th day of September, 1957, before me appeared Cecil M. ..., to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS PRODUCTS 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 Cecil M. ... acknowledged said instrument to be the free act and deed of said corporation.

Louise Pearce

Notary Public

My commission expires:

LOUISE PEARCE

NOTARY PUBLIC IN THE STATE OF TEXAS

My Commission Expires _____

4131

STATE OF Arizona)
COUNTY OF Maricopa) SS.

On this 20th day of September, 1957, before me appeared Wm. B. Smith, Jr., to me personally known, who, being by me duly sworn, did say that he is the _____ President of BROOKHAVEN 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 Wm. B. Smith, Jr. acknowledged said instrument to be the free act and deed of said corporation.

Lavera L. Hunter
Notary Public

My commission expires:

My Commission Expires Mar. 19, 1960

STATE OF New Mexico)
COUNTY OF Haskell) SS.

On this 26th day of September, 1957, before me personally appeared Wm. B. Smith, Jr., known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

F. Lawrence Miller
Notary Public

My commission expires:

July 22, 1960

EXHIBIT "A"

<u>Tract No.</u>	<u>Description</u>	<u>New Mex. Lease No.</u>	<u>Tract Participation Percentage</u>
1	W/2 NE/4; SW/4 and E/2 SE/4	E-9707	66.66666
2	SW/4 NW/4	E-9707	8.333333
3	SE/4 NW/4	E-4500-2	8.333333
4	NW/4 SE/4	E-9707	8.333333
5	SW/4 SE/4	E-9148-2	8.333333

all in Sec. 36,
Twp. 26N, Rge. 13W,
San Juan County,
New Mexico

ILLEGIBLE

CERTIFICATE OF APPROVAL

MAIN OFFICE
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

1957 OCT 11

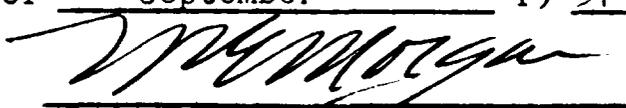
3: HOSP AH UNIT

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated 21st day of August, 1957. which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, 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 area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 30th day of September 19 57.



Commissioner of Public Lands
of the State of New Mexico

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OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

October 1, 1957

C
O
P
Y

Mr. Jason Kellahin
P.O. Box 597
Santa Fe, New Mexico

Dear Sir:

On behalf of your client, Phillips Petroleum Company, we enclose two copies of Order R-1061 issued September 30, 1957, by the Oil Conservation Commission in Case 1306, which was heard on September 11th.

Very truly yours,

A. L. Porter, Jr.
Secretary - Director

bp
Encls.

JASON W. KELLAHIN
ROBERT E. FOX

MAIN OFFICE OCC
1957 SEP 20 AM 8:05

KELLAHIN AND FOX
ATTORNEYS AT LAW
54½ EAST SAN FRANCISCO STREET
POST OFFICE BOX 1713
SANTA FE, NEW MEXICO

TELEPHONES
3-9396
2-2266

September 28, 1957

Oil Conservation Commission
State Capitol Building
Santa Fe, New Mexico

Attention of Dan J. Nutter

Re: Case No. 1306, Bisti
Lower Gallup Pool, San
Juan County, New Mexico.

Gentlemen:

We are enclosing five copies of plat marked Exhibit "A", in connection with the above-captioned case.

Very truly yours,

KELLAHIN and FOX

By: *Jason Kellahin*

JWK:j
enc

EXHIBIT "A"

HOSPAN UNIT
BISTI LOWER GALLUP POOL
SAN JUAN CO., NEW MEXICO

