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Unit outline	-----	-----
Tract number	③	③
Federal lands 5,082.16 acres 61.05 % of unit area	□	□
State land 3,202.00 acres 38.47 % of unit area	□	□
Fee land 40.00 acres 0.48 % of unit area	▨	▨
Total number of acres: 8,324.16		

Case 4106

Exhibit 2

SOUTH LEA UNIT AREA  
LEA COUNTY, NEW MEXICO  
EXHIBIT "A"



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY  
WASHINGTON, D.C. 20242

RECEIVED  
FEB 27 1969

FEB 19 1969

Hinkle, Bondurant & Christy  
P. O. Box 10  
Roswell, New Mexico 88201

HINKLE, BONDURANT & CHRISTY  
ROSWELL, NEW MEXICO

Attention: Mr. Clarence E. Hinkle

Gentlemen:

Your undated application filed on January 15 with the Regional Oil and Gas Supervisor, Roswell, New Mexico, in behalf of Humble Oil & Refining Company, requests the designation of the South Lea unit area embracing 8,324.16 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3 (1968 reprint), the land requested as outlined on your plat marked "Exhibit A, South Lea Unit Area," is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for the drilling of the initial exploratory well to test the Ellenburger formation or to a depth of 21,500 feet. Your proposed form of unit agreement will be acceptable if modified as shown in colored pencil and/or by attached riders on the attached copy of such agreement.

In the absence of any other type of land requiring special provisions, or any objection not now apparent, a duly executed agreement identical to the 1968 reprint, modified only as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

When the executed agreement is transmitted to the supervisor for approval, include the latest status of all acreage. The format of the sample exhibits attached to the 1968 reprint of the standard form should be followed closely in the preparation of exhibits A and B.

*EHS  
Case 4109*

Inasmuch as this unit area contains State of New Mexico lands, we are sending a copy of this letter to the Commissioner of Public Lands at Santa Fe. Please contact the State of New Mexico before soliciting joinders, regardless of prior contacts with or clearances from the State.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Arthur M. Baker".

Acting Director

CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
S. B. CHRISTY IV  
LEWIS C. COX, JR.  
PAUL W. EATON, JR.  
CONRAD E. COFFIELD  
HAROLD L. HENSLEY, JR.  
MICHAEL R. WALLER  
W. R. HUGHES, JR.

LAW OFFICES  
**HINKLE, BONDURANT & CHRISTY**  
600 HINKLE BUILDING  
ROSWELL, NEW MEXICO 88201

March 31, 1969

MAILED  
MIDLAND, TEXAS OFFICE  
521 MIDLAND TOWER  
(915) MU 3-4691  
COUNSELLOR: HIRAM M. DOW  
TELEPHONE 622-6510  
AREA CODE 505  
POST OFFICE BOX 10  
APR 3 1969  
AH 8 26

*Case 4109*

Oil Conservation Commission  
Box 2088  
Santa Fe, New Mexico 87501

Gentlemen:

We enclose herewith in triplicate application of Humble Oil & Refining Company for approval of the South Lea Unit Agreement embracing 8,324.16 acres in Township 26 South, Range 36 East, Lea County. You will also find enclosed 3 copies of the unit agreement.

We would appreciate your setting this matter down for the examiner's hearing to be held on April 23.

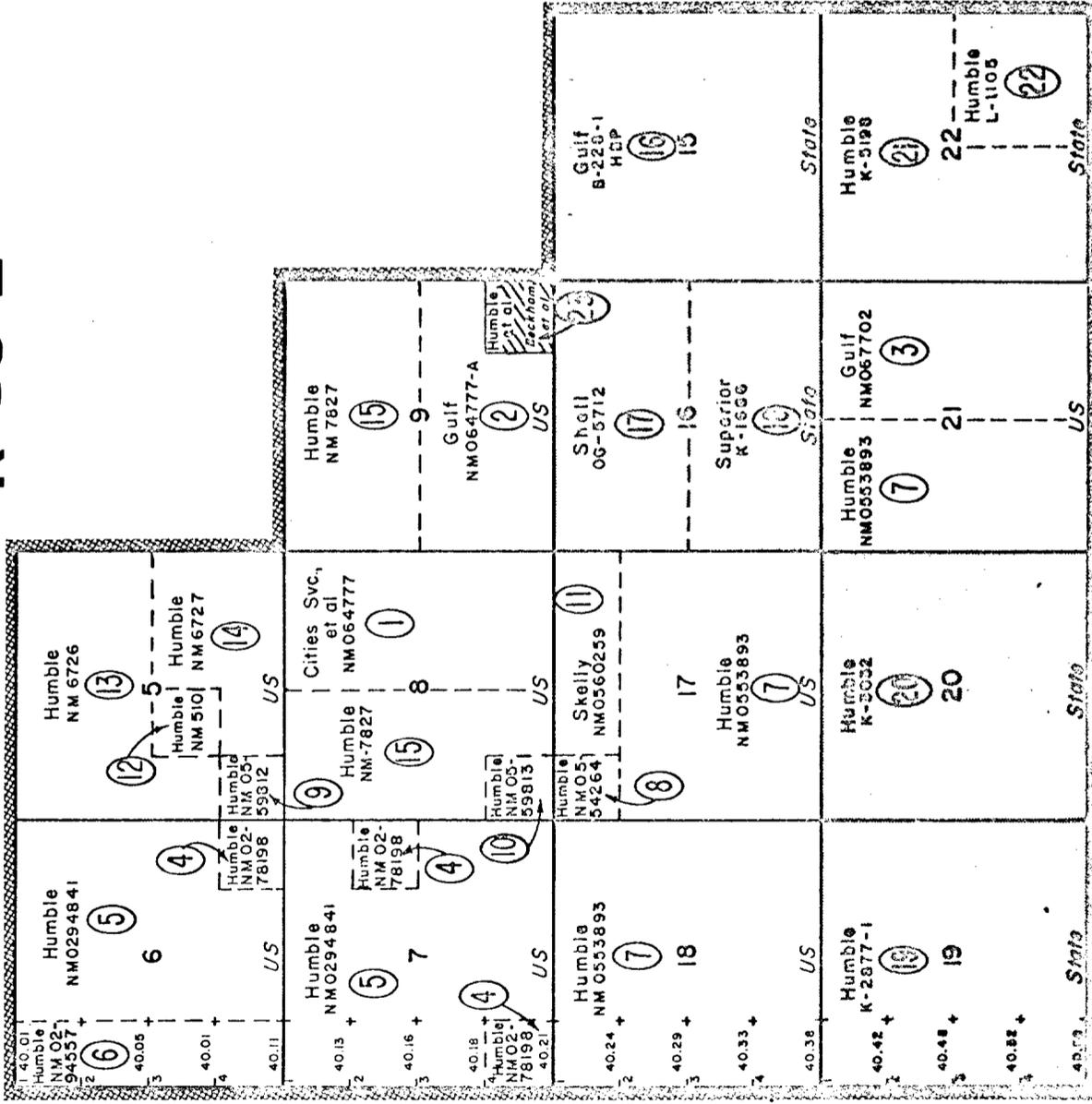
Yours very truly,

HINKLE, BONDURANT & CHRISTY

By *Clarence E. Hinkle*

CEH:cs  
Enc.

DOCKET MAILED  
Date 4-10-69



SOUTH LEA UNIT AREA  
LEA COUNTY, NEW MEXICO  
EXHIBIT "A"

Case 4109



UNIT AGREEMENT  
SOUTH LEA UNIT AREA  
LEA COUNTY, NEW MEXICO

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*Case 4109*

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1 UNIT AGREEMENT

2 FOR THE DEVELOPMENT AND OPERATION

3 OF THE

4 SOUTH LEA UNIT AREA

5 COUNTY OF LEA

6 STATE OF NEW MEXICO

7 NO. \_\_\_\_\_

8 THIS AGREEMENT entered into as of the \_\_\_\_ day of \_\_\_\_\_  
9 1969, by and between the parties subscribing, ratifying or con-  
10 senting hereto, and herein referred to as the "parties hereto".

11 WITNESSETH:

12 WHEREAS, the parties hereto are the owners of working,  
13 royalty, or other oil and gas interests in the unit area subject  
14 to this agreement; and

15 WHEREAS, the Mineral Leasing Act of February 25, 1920, 41  
16 Stat. 437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes  
17 Federal lessees and their representatives to unite with each other,  
18 or jointly or separately with others, in collectively adopting  
19 and operating a cooperative or unit plan of development or opera-  
20 tion of any oil or gas pool, field, or like area, or any part  
21 thereof for the purpose of more properly conserving the natural  
22 resources thereof whenever determined and certified by the Secretary  
23 of the Interior to be necessary or advisable in the public interest;  
24 and

25 WHEREAS, the Commissioner of Public Lands of the State of New  
26 Mexico is authorized by an Act of the Legislature (Sec. 7-11-39  
27 N.M. Statutes 1953 Annotated) to consent to or approve this agree-  
28 ment on behalf of the State of New Mexico, insofar as it covers  
29 and includes lands and mineral interests of the State of New  
30 Mexico; and

1           WHEREAS, the Oil Conservation Commission of the State of  
2 New Mexico is authorized by an Act of the Legislature (Article 3,  
3 Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this agree-  
4 ment and the conservations provisions hereof; and

5           WHEREAS, the parties hereto hold sufficient interests in  
6 the South Lea Unit Area covering the land hereinafter described  
7 to give reasonably effective control of operations therein; and

8           WHEREAS, it is the purpose of the parties hereto to conserve  
9 natural resources, prevent waste, and secure other benefits obtain-  
10 able through development and operation of the area subject to this  
11 agreement under the terms, conditions and limitations herein set  
12 forth;

13           NOW THEREFORE, in consideration of the premises and the pro-  
14 mises herein contained, the parties hereto commit to this agreement  
15 their respective interests in the below-defined unit area, and  
16 agree severally among themselves as follows:

17           1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act  
18 of February 25, 1920, as amended, supra, and all valid pertinent  
19 regulations, including operating and unit plan regulations, hereto-  
20 fore issued thereunder or valid, pertinent and reasonable regula-  
21 tions hereafter issued thereunder are accepted and made a part of  
22 this agreement as to Federal lands, provided such regulations are  
23 not inconsistent with the terms of this agreement; and as to non-  
24 Federal lands, the oil and gas operating regulations in effect as  
25 of the effective date hereof governing drilling and producing  
26 operations, not inconsistent with the terms hereof or the laws  
27 of the State of which the non-Federal land is located, are hereby  
28 accepted and made a part of this agreement.

29           2. UNIT AREA. The area specified on the map attached hereto  
30 marked Exhibit "A" is hereby designated and recognized as

1 constituting the unit area, containing 8,324.16 acres, more or  
2 less.

3 Exhibit "A" shows, in addition to the boundary of the unit  
4 area, the boundaries and identity of tracts and leases in said  
5 area to the extent known to the Unit Operator. Exhibit "B"  
6 attached hereto is a schedule showing to the extent known to  
7 the Unit Operator the acreage, percentage, and kind of ownership  
8 of oil and gas interests in all land in the unit area. However,  
9 nothing herein or in said schedule or map shall be construed as  
10 a representation by any party hereto as to the ownership of any  
11 interest other than such interest or interests as are shown in  
12 said map or schedule as owned by such party. Exhibits "A" and  
13 "B" shall be revised by the Unit Operator whenever changes in  
14 the unit area render such revision necessary, or when requested  
15 by the Oil and Gas Supervisor, hereinafter referred to as "Super-  
16 visor", or when requested by the Commissioner of Public Lands of  
17 the State of New Mexico, hereinafter referred to as "Commissioner",  
18 and not less than five copies of the revised exhibits shall be  
19 filed with the Supervisor, and two copies thereof shall be filed  
20 with the Commissioner, and one copy with the New Mexico Oil Con-  
21 servation Commission, hereinafter referred to as "Commission".

22 The above-described unit area shall when practicable be  
23 expanded to include therein any additional lands or shall be  
24 contracted to exclude lands whenever such expansion or contraction  
25 is deemed to be necessary or advisable to conform with the purposes  
26 of this agreement. Such expansion or contraction shall be effected  
27 in the following manner:

28 (a) Unit Operator, on its own motion or on demand of the  
29 Director of the Geological Survey, hereinafter referred to as  
30 "Director", or on demand of the Commissioner, after preliminary

1 concurrence by the Director and the Commissioner, shall prepare  
2 a notice of proposed expansion or contraction describing the  
3 contemplated changes in the boundaries of the unit area, the  
4 reasons therefor, and the proposed effective date thereof, pre-  
5 ferably the first day of a month subsequent to the date of notice.

6 (b) Said notice shall be delivered to the Supervisor, the  
7 Commissioner and the Commission and copies thereof mailed to the  
8 last known address of each working interest owner, lessee, and  
9 lessor whose interests are affected, advising that 30 days will  
10 be allowed for submission to the Unit Operator of any objections.

11 (c) Upon expiration of the 30-day period provided in the  
12 preceding item (b) hereof, Unit Operator shall file with the  
13 Supervisor, the Commissioner and the Commission evidence of mailing  
14 of the notice of expansion or contraction and a copy of any objec-  
15 tions thereto which have been filed with the Unit Operator, together  
16 with an application in sufficient number, for approval of such  
17 expansion or contraction and with appropriate joinders.

18 (d) After due consideration of all pertinent information,  
19 the expansion or contraction shall, upon approval by the Super-  
20 visor, the Commissioner and the Commission, become effective as  
21 of the date prescribed in the notice thereof.

22 (e) All legal subdivisions of lands (i.e., 40 acres by Govern-  
23 ment survey or its nearest lot or tract equivalent; in instances  
24 of irregular surveys unusually large lots or tracts shall be con-  
25 sidered in multiples of 40 acres or the nearest aliquot equivalent  
26 thereof), no parts of which are entitled to be in a participating  
27 area on or before the fifth anniversary of the effective date of  
28 the first initial participating area established under this unit  
29 agreement, shall be eliminated automatically from this agreement,  
30 effective as of said fifth anniversary, and such lands shall no

1 longer be a part of the unit area and shall no longer be subject  
2 to this agreement, unless diligent drilling operations are in  
3 progress on unitized lands not entitled to participation on said  
4 fifth anniversary, in which event all such lands shall remain  
5 subject hereto so long as such drilling operations are continued  
6 diligently with not more than 180 days' time elapsing between the  
7 completion of one such well and the commencement of the next such  
8 well, provided that such well is projected to a depth of 15,000  
9 feet or more, otherwise such drilling operations shall be continued  
10 diligently with not more than 90 days' time elapsing between the  
11 completion of one well and the commencement of the next well. All  
12 legal subdivisions of lands not entitled to be in a participating  
13 area within 10 years after the effective date of the first initial  
14 participating area approved under this agreement shall be automa-  
15 tically eliminated from this agreement as of said tenth anniversary.  
16 All lands proved productive by diligent drilling operations after  
17 the aforesaid 5-year period shall become participating in the  
18 same manner as during said 5-year period. However, when such  
19 diligent drilling operations cease, all nonparticipating lands  
20 shall be automatically eliminated effective as of the 91st day  
21 thereafter. The Unit Operator shall, within 90 days after the  
22 effective date of any elimination hereunder, describe the area so  
23 eliminated to the satisfaction of the Supervisor and the Commissioner,  
24 and promptly notify all parties in interest.

25 If conditions warrant extension of the 10-year period speci-  
26 fied in this subsection 2(e), a single extension of not to exceed  
27 2 years may be accomplished by consent of the owners of 90% of the  
28 working interests in the current nonparticipating unitized lands  
29 and the owners of 60% of the basic royalty interests (exclusive  
30 of the basic royalty interests of the United States) in nonparticipi-

1 pating unitized lands with approval of the Director and Com-  
2 missioner, provided such extension application is submitted to  
3 the Director and Commissioner not later than 60 days prior to  
4 the expiration of said 10-year period.

5 Any expansion of the unit area pursuant to this section  
6 which embraces lands theretofore eliminated pursuant to this  
7 subsection 2(e) shall not be considered automatic commitment  
8 or recommitment of such lands.

9 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed  
10 to this agreement shall constitute land referred to herein as  
11 "unitized land" or "land subject to this agreement". All oil and  
12 gas in any and all formations of the unitized land are unitized  
13 under the terms of this agreement and herein are called "unitized  
14 substances".

15 4. UNIT OPERATOR. Humble Oil & Refining Company is hereby  
16 designated as Unit Operator and by signature hereto as Unit Operator  
17 agrees and consents to accept the duties and obligations of Unit  
18 Operator for the discovery, development, and production of unitized  
19 substances as herein provided. Whenever reference is made herein  
20 to the Unit Operator, such reference means the Unit Operator acting  
21 in that capacity and not as an owner of interest in unitized sub-  
22 stances, and the term "working interest owner" when used herein  
23 shall include or refer to Unit Operator as the owner of a working  
24 interest when such an interest is owned by it.

25 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator  
26 shall have the right to resign at any time prior to the establish-  
27 ment of a participating area or areas hereunder, but such resigna-  
28 tion shall not become effective so as to release Unit Operator from  
29 the duties and obligations of Unit Operator and terminate Unit  
30 Operator's rights as such for a period of 6 months after notice of

1 intention to resign has been served by Unit Operator on all  
2 working interest owners and the Supervisor, the Commissioner  
3 and the Commission, and until all wells then drilled hereunder  
4 are placed in a satisfactory condition for suspension or abandon-  
5 ment whichever is required by the Supervisor as to Federal lands  
6 and by the Commission as to State and privately owned lands,  
7 unless a new Unit Operator shall have been selected and approved  
8 and shall have taken over and assumed the duties and obligations  
9 of Unit Operator prior to the expiration of said period.

10 Unit Operator shall have the right to resign in like manner  
11 and subject to like limitations as above provided at any time a  
12 participating area established hereunder is in existence, but,  
13 in all instances of resignation or removal, until a successor  
14 Unit Operator is selected and approved as hereinafter provided,  
15 the working interest owners shall be jointly responsible for  
16 performance of the duties of Unit Operator, and shall, not later  
17 than 30 days before such resignation or removal becomes effective,  
18 appoint a common agent to represent them in any action to be taken  
19 hereunder.

20 The resignation of Unit Operator shall not release Unit Opera-  
21 tor from any liability for any default by it hereunder occurring  
22 prior to the effective date of its resignation.

23 The Unit Operator may, upon default or failure in the per-  
24 formance of its duties or obligations hereunder, be subject to  
25 removal by the same percentage vote of the owners of working  
26 interests as herein provided for the selection of a new Unit  
27 Operator. Such removal shall be effective upon notice thereof  
28 to the Supervisor and the Commissioner.

29 The resignation or removal of Unit Operator under this agree-  
30 ment shall not terminate its right, title or interest as the owner

1 of a working interest or other interest in unitized substances,  
2 but upon the resignation or removal of Unit Operator becoming  
3 effective, such Unit Operator shall deliver possession of all  
4 wells, equipment, materials and appurtenances used in conducting  
5 the unit operations to the new duly qualified successor Unit  
6 Operator or to the common agent, if no such new Unit Operator  
7 is elected, to be used for the purpose of conducting unit opera-  
8 tions hereunder. Nothing herein shall be construed as authorizing  
9 removal of any material, equipment and appurtenances needed for  
10 the preservation of any wells.

11 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator  
12 shall tender his or its resignation as Unit Operator or shall be  
13 removed as hereinabove provided, or a change of Unit Operator is  
14 negotiated by working interest owners, the owners of the working  
15 interests in the participating area or areas according to their  
16 respective acreage interests in such participating area or areas,  
17 or, until a participating area shall have been established, the  
18 owners of the working interests according to their respective  
19 acreage interests in all unitized land, shall by majority vote  
20 select a successor Unit Operator: Provided, That, if a majority  
21 but less than 75 per cent of the working interests qualified to  
22 vote are owned by one party to this agreement, a concurring vote  
23 of one or more additional working interest owners shall be required  
24 to select a new operator. Such selection shall not become effec-  
25 tive until

26 (a) a Unit Operator so selected shall accept in writing the  
27 duties and responsibilities of Unit Operator, and

28 (b) the selection shall have been approved by the Supervisor  
29 and the Commissioner.

30 If no successor Unit Operator is selected and qualified as

1 herein provided, the Director and Commissioner at their election  
2 may declare this unit agreement terminated.

3 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If  
4 the Unit Operator is not the sole owner of working interest, costs  
5 and expenses incurred by Unit Operator in conducting unit opera-  
6 tions hereunder shall be paid and apportioned among and borne by  
7 the owners of working interests, all in accordance with the agree-  
8 ment or agreements entered into by and between the Unit Operator  
9 and the owners of working interests, whether one or more, sepa-  
10 rately or collectively. Any agreement or agreements entered into  
11 between the working interest owners and the Unit Operator as pro-  
12 vided in this section, whether one or more, are herein referred  
13 to as the "unit operating agreement". Such unit operating agree-  
14 ment shall also provide the manner in which the working interest  
15 owners shall be entitled to receive their respective proportionate  
16 and allocated share of the benefits accruing hereto in conformity  
17 with their underlying operating agreements, leases, or other  
18 independent contracts, and such other rights and obligations as  
19 between Unit Operator and the working interest owners as may be  
20 agreed upon by Unit Operator and the working interest owners; how-  
21 ever, no such unit operating agreement shall be deemed either to  
22 modify any of the terms and conditions of this unit agreement or  
23 to relieve the Unit Operator of any right or obligation established  
24 under this unit agreement, and in case of any inconsistency or  
25 conflict between this unit agreement and the unit operating agree-  
26 ment, this unit agreement shall govern. Three true copies of any  
27 unit operating agreement executed pursuant to this section should  
28 be filed with the Supervisor and one true copy with the Commissioner  
29 and one true copy with the Commission, prior to approval of this  
30 unit agreement.

1           8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as  
2 otherwise specifically provided herein, the exclusive right,  
3 privilege, and duty of exercising any and all rights of the  
4 parties hereto which are necessary or convenient for prospecting  
5 for, producing, storing, allocating, and distributing the unitized  
6 substances are hereby delegated to and shall be exercised by the  
7 Unit Operator as herein provided. Acceptable evidence of title  
8 to said rights shall be deposited with said Unit Operator and,  
9 together with this agreement, shall constitute and define the rights,  
10 privileges, and obligations of Unit Operator. Nothing herein,  
11 however, shall be construed to transfer title to any land or to  
12 any lease or operating agreement, it being understood that under  
13 this agreement the Unit Operator, in its capacity as Unit Operator,  
14 shall exercise the rights of possession and use vested in the  
15 parties hereto only for the purposes herein specified.

16           9. DRILLING TO DISCOVERY. Within 6 months after the effective  
17 date hereof, the Unit Operator shall begin to drill an adequate  
18 test well at a location approved by the Supervisor, if on Federal  
19 land, or by the Commissioner if on State land, or by the Commission  
20 if on fee land, unless on such effective date a well is being  
21 drilled conformably with the terms hereof, and thereafter continue  
22 such drilling diligently until the Ellenburger formation has been  
23 tested or until at a lesser depth unitized substances shall be dis-  
24 covered which can be produced in paying quantities (to-wit: quanti-  
25 ties sufficient to repay the costs of drilling, completing, and  
26 producing operations, with a reasonable profit) or the Unit Operator  
27 shall at any time establish to the satisfaction of the Supervisor  
28 if located on Federal lands, or the Commissioner if located on  
29 State lands, or the Commission if located on fee lands, that further  
30 drilling of said well would be unwarranted or impracticable, provided,

1 however, that Unit Operator shall not in any event be required  
2 to drill said well to a depth in excess of 21,500 feet. Until the  
3 discovery of a deposit of unitized substances capable of being  
4 produced in paying quantities, the Unit Operator shall continue  
5 drilling one well at a time, allowing not more than 6 months be-  
6 tween the completion of one well and the beginning of the next  
7 well, until a well capable of producing unitized substances in  
8 paying quantities is completed to the satisfaction of said Super-  
9 visor if on Federal land, or the Commissioner if on State land,  
10 or the Commission if on fee land, or until it is reasonably proved  
11 that the unitized land is incapable of producing unitized substances  
12 in paying quantities in the formations drilled hereunder. Nothing  
13 in this section shall be deemed to limit the right of the Unit  
14 Operator to resign as provided in Section 5 hereof, or as requiring  
15 Unit Operator to commence or continue any drilling during the period  
16 pending such resignation becoming effective in order to comply with  
17 the requirements of this section. The Supervisor and Commissioner  
18 may modify the drilling requirements of this section by granting  
19 reasonable extensions of time when, in their opinion, such action  
20 is warranted. Upon failure to commence any well provided for in  
21 this section within the time allowed, including any extension of  
22 time granted by the Supervisor and Commissioner, this agreement  
23 will automatically terminate; upon failure to continue drilling  
24 diligently any well commenced hereunder, the Supervisor and Com-  
25 missioner may, after 15 days notice to the Unit Operator, declare  
26 this unit agreement terminated.

27 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6  
28 months after completion of a well capable of producing unitized  
29 substances in paying quantities, the Unit Operator shall submit  
30 for the approval of the Supervisor and the Commissioner an

1 acceptable plan of development and operation for the unitized  
2 land which, when approved by the Supervisor and the Commissioner,  
3 shall constitute the further drilling and operating obligations  
4 of the Unit Operator under this agreement for the period specified  
5 therein. Thereafter, from time to time before the expiration of  
6 any existing plan, the Unit Operator shall submit for the approval  
7 of the Supervisor and the Commissioner a plan for an additional  
8 specified period for the development and operation of the unitized  
9 land.

10 Any plan submitted pursuant to this section shall provide for  
11 the exploration of the unitized area and for the diligent drilling  
12 necessary for determination of the area or areas thereof capable  
13 of producing unitized substances in paying quantities in each and  
14 every productive formation and shall be as complete and adequate  
15 as the Supervisor, the Commissioner and Commission may determine  
16 to be necessary for timely development and proper conservation of  
17 the oil and gas resources of the unitized area and shall:

18 (a) specify the number and locations of any wells  
19 to be drilled and the proposed order and time for  
20 such drilling; and

21 (b) to the extent practicable, specify the operating  
22 practices regarded as necessary and advisable for  
23 proper conservation of natural resources.

24 Separate plans may be submitted for separate productive zones,  
25 subject to the approval of the Supervisor, the Commissioner and  
26 the Commission.

27 Plans shall be modified or supplemented when necessary to  
28 meet changed conditions or to protect the interests of all parties  
29 to this agreement. Reasonable diligence shall be exercised in  
30 complying with the obligations of the approved plan of development.

1 The Supervisor and Commissioner are authorized to grant a reason-  
2 able extension of the 6-month period herein prescribed for sub-  
3 mission of an initial plan of development where such action is  
4 justified because of unusual conditions or circumstances. After  
5 completion hereunder of a well capable of producing any unitized  
6 substances in paying quantities, no further wells, except such as  
7 may be necessary to afford protection against operations not under  
8 this agreement and such as may be specifically approved by the  
9 Supervisor and the Commissioner, shall be drilled except in  
10 accordance with a plan of development approved as herein provided.

11 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a  
12 well capable of producing unitized substances in paying quantities  
13 or as soon thereafter as required by the Supervisor and Commissioner,  
14 the Unit Operator shall submit for approval by the Supervisor and  
15 Commissioner a schedule, based on subdivisions of the public land  
16 survey or aliquot parts thereof, of all land then regarded as  
17 reasonably proved to be productive in paying quantities; all lands  
18 in said schedule on approval of the Supervisor and Commissioner  
19 to constitute a participating area, effective as of the date of  
20 completion of such well or the effective date of this unit agree-  
21 ment, whichever is later. The acreages of both Federal and non-  
22 Federal lands shall be based upon appropriate computations from  
23 the courses and distances shown on the last approved public land  
24 survey as of the effective date of each initial participating area.  
25 Said schedule shall also set forth the percentage of unitized sub-  
26 stances to be allocated as herein provided to each tract in the  
27 participating area so established, and shall govern the allocation  
28 of production commencing with the effective date of the participating  
29 area. A separate participating area shall be established for each  
30 separate pool or deposit of unitized substances or for any group

1     thereof which is produced as a single pool or zone, and any  
2     two or more participating areas so established may be combined  
3     into one, on approval of the Supervisor and Commissioner. When  
4     production from two or more participating areas, so established,  
5     is subsequently found to be from a common pool or deposit said  
6     participating areas shall be combined into one effective as of  
7     such appropriate date as may be approved or prescribed by the  
8     Supervisor and Commissioner. The participating area or areas  
9     so established shall be revised from time to time, subject to  
10    like approval, to include additional land then regarded as  
11    reasonably proved to be productive in paying quantities or  
12    necessary for unit operations, or to exclude land then regarded  
13    as reasonably proved not to be productive in paying quantities  
14    and the schedule of allocation percentages shall be revised  
15    accordingly. The effective date of any revision shall be the  
16    first day of the month in which is obtained the knowledge or  
17    information on which such revision is predicated, provided,  
18    however, that a more appropriate effective date may be used if  
19    justified by the Unit Operator and approved by the Supervisor  
20    and Commissioner. No land shall be excluded from a participating  
21    area on account of depletion of the unitized substances, except  
22    that any participating area established under the provisions of  
23    this unit agreement shall terminate automatically whenever all  
24    completions in the formation on which the participating area is  
25    based are abandoned.

26           It is the intent of this section that a participating area  
27    shall represent the area known or reasonably estimated to be pro-  
28    ductive in paying quantities, but, regardless of any revision  
29    of the participating area, nothing herein contained shall be con-  
30    strued as requiring any retroactive adjustment for production

1 obtained prior to the effective date of the revision of the  
2 participating area.

3 In the absence of agreement at any time between the Unit  
4 Operator and the Supervisor and Commissioner as to the proper  
5 definition or redefinition of a participating area, or until a  
6 participating area has, or areas have, been established as pro-  
7 vided herein, the portion of all payments affected thereby shall  
8 be impounded in a manner mutually acceptable to the owners of  
9 working interests and the Supervisor and Commissioner. Royalties  
10 due the United States and the State of New Mexico, which shall  
11 be determined by the Supervisor for Federal land and the Com-  
12 missioner for State land and the amount thereof shall be deposited,  
13 as directed by the Supervisor and Commissioner respectively, to  
14 be held as unearned money until a participating area is finally  
15 approved and then applied as earned or returned in accordance  
16 with a determination of the sum due as Federal and State royalty  
17 on the basis of such approved participating area.

18 Whenever it is determined, subject to the approval of the  
19 Supervisor as to wells drilled on Federal land and of the Com-  
20 missioner as to wells drilled on State land, that a well drilled  
21 under this agreement is not capable of production in paying quanti-  
22 ties and inclusion of the land on which it is situated in a parti-  
23 cipating area is unwarranted, production from such well shall, for  
24 the purposes of settlement among all parties other than working  
25 interest owners, be allocated to the land on which the well is  
26 located unless such land is already within the participating area  
27 established for the pool or deposit from which such production is  
28 obtained. Settlement for working interest benefits from such a  
29 well shall be made as provided in the unit operating agreement.

30 12. ALLOCATION OF PRODUCTION. All unitized substances

1 produced from each participating area established under this  
2 agreement, except any part thereof used in conformity with good  
3 operating practices within the unitized area for drilling,  
4 operating, camp and other production or development purposes,  
5 for repressuring or recycling in accordance with a plan of  
6 development approved by the Supervisor and Commissioner, or  
7 unavoidably lost, shall be deemed to be produced equally on an  
8 acreage basis from the several tracts of unitized land of the  
9 participating area established for such production and, for the  
10 purpose of determining any benefits accruing under this agreement,  
11 each such tract of unitized land shall have allocated to it such  
12 percentage of said production as the number of acres of such tract  
13 included in said participating area bears to the total acres of  
14 unitized land in said participating area, except that allocation  
15 of production hereunder for purposes other than for settlement  
16 of the royalty, overriding royalty, or payment out of production  
17 obligations of the respective working interest owners, shall be  
18 on the basis prescribed in the unit operating agreement whether  
19 in conformity with the basis of allocation herein set forth or  
20 otherwise. It is hereby agreed that production of unitized sub-  
21 stances from a participating area shall be allocated as provided  
22 herein regardless of whether any wells are drilled on any particular  
23 part or tract of said participating area. If any gas produced  
24 from one participating area is used for repressuring or recycling  
25 purposes in another participating area, the first gas withdrawn  
26 from such last mentioned participating area for sale during the  
27 life of this agreement shall be considered to be the gas so trans-  
28 ferred until an amount equal to that transferred shall be so pro-  
29 duced for sale and such gas shall be allocated to the participating  
30 area from which initially produced as such area was last defined

1 at the time of such final production.

2 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR  
3 FORMATIONS. Any party hereto owning or controlling the working  
4 interest in any unitized land having thereon a regular well loca-  
5 tion may with the approval of the Supervisor as to Federal land,  
6 the Commissioner as to State land and the Commission as to pri-  
7 vately owned land, at such party's sole risk, cost and expense,  
8 drill a well to test any formation for which a participating area  
9 has not been established or to test any formation for which a  
10 participating area has been established if such location is not  
11 within said participating area, unless within 90 days of receipt  
12 of notice from said party of his intention to drill the well the  
13 Unit Operator elects and commences to drill such a well in like  
14 manner as other wells are drilled by the Unit Operator under this  
15 agreement.

16 If any well drilled as aforesaid by a working interest owner  
17 results in production such that the land upon which it is situated  
18 may properly be included in a participating area, such participating  
19 area shall be established or enlarged as provided in this agreement  
20 and the well shall thereafter be operated by the Unit Operator in  
21 accordance with the terms of this agreement and the unit operating  
22 agreement.

23 If any well drilled as aforesaid by a working interest owner  
24 obtains production in quantities insufficient to justify the in-  
25 clusion of the land upon which such well is situated in a partici-  
26 pating area, such well may be operated and produced by the party  
27 drilling the same subject to the conservation requirements of  
28 this agreement. The royalties in amount or value of production  
29 from any such well shall be paid as specified in the underlying  
30 lease and agreements affected.

1           14. ROYALTY SETTLEMENT. The United States and any State  
2 and any royalty owner who is entitled to take in kind a share  
3 of the substances now unitized hereunder shall hereafter be  
4 entitled to the right to take in kind its share of the unitized  
5 substances, and the Unit Operator, or the working interest owner  
6 in case of the operation of a well by a working interest owner as  
7 herein provided for in special cases, shall make deliveries of  
8 such royalty share taken in kind in conformity with the applicable  
9 contracts, laws and regulations. Settlement for royalty interest  
10 not taken in kind shall be made by working interest owners respon-  
11 sible therefor under existing contracts, laws and regulations, or  
12 by the Unit Operator, on or before the last day of each month for  
13 unitized substances produced during the preceding calendar month;  
14 provided, however, that nothing herein contained shall operate to  
15 relieve the lessees of any land from their respective lease obli-  
16 gations for the payment of any royalties due under their leases.

17           If gas obtained from lands not subject to this agreement is  
18 introduced into any participating area hereunder, for use in re-  
19 pressuring, stimulation of production, or increasing ultimate  
20 recovery, in conformity with a plan of operations approved by the  
21 Supervisor, the Commissioner, and Commission, a like amount of gas,  
22 after settlement as herein provided for any gas transferred from  
23 any other participating area and with appropriate deduction for  
24 loss from any cause, may be withdrawn from the formation in which  
25 the gas is introduced, royalty free as to dry gas, but not as to  
26 any products which may be extracted therefrom; provided that such  
27 withdrawal shall be at such time as may be provided in the approved  
28 plan of operations or as may otherwise be consented to by the  
29 Supervisor, the Commissioner and Commission as conforming to good  
30 petroleum engineering practice; and provided further, that such

1 right of withdrawal shall terminate on the termination of this  
2 unit agreement.

3 Royalty due the United States shall be computed as provided  
4 in the operating regulations and paid in value or delivered in  
5 kind as to all unitized substances on the basis of the amounts  
6 thereof allocated to unitized Federal land as provided herein at  
7 the rate specified in the respective Federal leases, or at such  
8 lower rate or rates as may be authorized by law or regulation;  
9 provided, that for leases on which the royalty rate depends on  
10 the daily average production per well, said average production  
11 shall be determined in accordance with the operating regulations  
12 as though each participating area were a single consolidated lease.

13 Royalty due on account of State lands shall be computed and  
14 paid on the basis of all unitized substances allocated to such  
15 lands.

16 15. RENTAL SETTLEMENT. Rental or minimum royalties due on  
17 leases committed hereto shall be paid by working interest owners  
18 responsible therefor under existing contracts, laws and regula-  
19 tions, provided that nothing herein contained shall operate to  
20 relieve the lessees of any land from their respective lease oblig-  
21 gations for the payment of any rental or minimum royalty due under  
22 their leases. Rental or minimum royalty for lands of the United  
23 States subject to this agreement shall be paid at the rate specified  
24 in the respective leases from the United States unless such rental  
25 or minimum royalty is waived, suspended or reduced by law or by  
26 approval of the Secretary or his duly authorized representative.

27 Rentals on State of New Mexico lands subject to this agree-  
28 ment shall be paid at the rates specified in the respective leases.

29 With respect to any lease on non-Federal land containing pro-  
30 visions which would terminate such lease unless drilling operations

1 are commenced upon the land covered thereby within the time  
2 therein specified or rentals are paid for the privilege of  
3 deferring such drilling operations, the rentals required thereby  
4 shall, notwithstanding any other provisions of this agreement,  
5 be deemed to accrue and become payable during the term thereof  
6 as extended by this agreement and until the required drilling  
7 operations are commenced upon the land covered thereby or until  
8 some portion of such land is included within a participating area.

9 16. CONSERVATION. Operations hereunder and production of  
10 unitized substances shall be conducted to provide for the most  
11 economical and efficient recovery of said substances without waste,  
12 as defined by or pursuant to State or Federal laws or regulations.

13 17. DRAINAGE. The Unit Operator shall take such measures  
14 as the Supervisor and Commissioner deem appropriate and adequate  
15 to prevent drainage of unitized substances from unitized land by  
16 wells on land not subject to this agreement.

17 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,  
18 conditions and provisions of all leases, subleases and other con-  
19 tracts relating to exploration, drilling, development or operations  
20 for oil or gas on lands committed to this agreement are hereby  
21 expressly modified and amended to the extent necessary to make  
22 the same conform to the provisions hereof, but otherwise to remain  
23 in full force and effect; and the parties hereto hereby consent  
24 that the Secretary as to Federal leases and the Commissioner as  
25 to State leases shall and each by his approval hereof, or by the  
26 approval hereof by their duly authorized representatives, do hereby  
27 establish, alter, change or revoke the drilling, producing, rental,  
28 minimum royalty and royalty requirements of Federal and State  
29 leases committed hereto and the regulations in respect thereto  
30 to conform said requirements to the provisions of this agreement,

1 and, without limiting the generality of the foregoing, all leases,  
2 subleases, and contracts are particularly modified in accordance  
3 with the following:

4 (a) The development and operation of lands subject to this  
5 agreement under the terms hereof shall be deemed full per-  
6 formance of all obligations for development and operation  
7 with respect to each and every separately owned tract subject  
8 to this agreement, regardless of whether there is any develop-  
9 ment of any particular tract of the unit area.

10 (b) Drilling and producing operations performed hereunder  
11 upon any tract of unitized land will be accepted and deemed  
12 to be performed upon and for the benefit of each and every  
13 tract of unitized land, and no lease shall be deemed to  
14 expire by reason of failure to drill or produce wells situated  
15 on the land therein embraced.

16 (c) Suspension of drilling or producing operations on all  
17 unitized lands pursuant to direction or consent of the  
18 Secretary and Commissioner or their duly authorized repre-  
19 sentatives shall be deemed to constitute such suspension  
20 pursuant to such direction or consent as to each and every  
21 tract of unitized land. A suspension of drilling or producing  
22 operations limited to specified lands shall be applicable  
23 only to such lands.

24 (d) Each lease, sublease or contract relating to the ex-  
25 ploration, drilling, development or operation for oil or  
26 gas of lands other than those of the United States or State  
27 of New Mexico committed to this agreement, which, by its  
28 terms might expire prior to the termination of this agree-  
29 ment, is hereby extended beyond any such term so provided  
30 therein so that it shall be continued in full force and

1 effect for and during the term of this agreement.

2 (e) Any Federal lease for a fixed term of twenty (20)  
3 years or any renewal thereof or any part of such lease  
4 which is made subject to this agreement shall continue  
5 in force beyond the term provided therein until the ter-  
6 mination hereof. Any other Federal lease committed hereto  
7 shall continue in force beyond the term so provided therein  
8 or by law as to the land committed so long as such lease  
9 remains subject hereto, provided that production is had  
10 in paying quantities under this unit agreement prior to  
11 the expiration date of the term of such lease, or in the  
12 event actual drilling operations are commenced on unitized  
13 lands, in accordance with the provisions of this agreement,  
14 prior to the end of the primary term of such lease and are  
15 being diligently prosecuted at that time, such lease shall  
16 be extended for two years and so long thereafter as oil or  
17 gas is produced in paying quantities in accordance with the  
18 provisions of the Mineral Leasing Act Revision of 1960.

19 (f) Each sublease or contract relating to the operation  
20 and development of unitized substances from lands of the  
21 United States committed to this agreement, which by its  
22 terms would expire prior to the time at which the underlying  
23 lease, as extended by the immediately preceding paragraph,  
24 will expire, is hereby extended beyond any such term so  
25 provided therein so that it shall be continued in full  
26 force and effect for and during the term of the underlying  
27 lease as such term is herein extended.

28 (g) Any lease embracing lands of the State of New Mexico  
29 which is made subject to this agreement, shall continue  
30 in force beyond the term provided therein as to the lands

1 committed hereto until the termination hereof, subject  
2 to the provisions of subsection (e) of Section 2 and  
3 subsection (i) of this Section 18.

4 (h) The segregation of any Federal lease committed to  
5 this agreement is governed by the following provisions in  
6 the fourth paragraph of Sec. 17(j) of the Mineral Leasing  
7 Act, as amended by the Act of September 2, 1960 (74 Stat.  
8 781-784): "Any (Federal) lease heretofore or hereafter  
9 committed to any such (unit) plan embracing lands that  
10 are in part within and in part outside of the area covered  
11 by any such plan shall be segregated into separate leases  
12 as to the lands committed and the lands not committed as  
13 of the effective date of unitization: Provided, however,  
14 That any such lease as to the nonunitized portion shall  
15 continue in force and effect for the term thereof but for  
16 not less than two years from the date of such segregation  
17 and so long thereafter as oil or gas is produced in paying  
18 quantities."

19 (i) Any lease embracing lands of the State of New Mexico  
20 having only a portion of its lands committed hereto, shall  
21 be segregated as to the portion committed and the portion  
22 not committed, and the provisions of such lease shall apply  
23 separately to such segregated portions commencing as of the  
24 effective date hereof; provided, however, notwithstanding  
25 any of the provisions of this agreement to the contrary any  
26 lease embracing lands of the State of New Mexico having only  
27 a portion of its lands committed hereto shall continue in  
28 full force and effect beyond the term provided therein as  
29 to all lands embraced in such lease, if oil or gas is dis-  
30 covered and is capable of being produced in paying quantities

1 from some part of the lands embraced in such lease at  
2 the expiration of the secondary term of such lease; or  
3 if, at the expiration of the secondary term, the lessee  
4 or Unit Operator is then engaged in bona fide drilling  
5 or reworking operations on some part of the lands embraced  
6 in such lease, the same, as to all lands embraced therein,  
7 shall remain in full force and effect so long as such opera-  
8 tions are being diligently prosecuted, and if they result  
9 in the production of oil or gas, said lease shall continue  
10 in full force and effect as to all of the lands embraced  
11 therein, so long thereafter as oil or gas in paying quantities  
12 is being produced from any portion of said lands.

13 (j) Any lease, other than a Federal lease, having only a  
14 portion of its lands committed hereto shall be segregated  
15 as to the portion committed and the portion not committed,  
16 and the provisions of such lease shall apply separately to  
17 such segregated portions commencing as of the effective date  
18 hereof. In the event any such lease provides for a lump sum  
19 rental payment, such payment shall be prorated between the  
20 portions so segregated in proportion to the acreage of the  
21 respective tracts.

22 19. COVENANTS RUN WITH LAND. The covenants herein shall be  
23 construed to be covenants running with the land with respect to  
24 the interest of the parties hereto and their successors in interest  
25 until this agreement terminates, and any grant, transfer, or con-  
26 veyance of interest in land or leases subject hereto shall be and  
27 hereby is conditioned upon the assumption of all privileges and  
28 obligations hereunder by the grantee, transferee or other successor  
29 in interest. No assignment or transfer of any working interest,  
30 royalty, or other interest subject hereto shall be binding upon

1 Unit Operator until the first day of the calendar month after  
2 Unit Operator is furnished with the original, photostatic, or  
3 certified copy of the instrument of transfer.

4 20. EFFECTIVE DATE AND TERM. This agreement shall become  
5 effective upon approval by the Secretary and Commissioner, or  
6 their duly authorized representatives and shall terminate five  
7 (5) years from said effective date unless:

8 (a) such date of expiration is extended by the Director  
9 and Commissioner, or

10 (b) it is reasonably determined prior to the expiration of  
11 the fixed term or any extension thereof that the unitized  
12 land is incapable of production of unitized substances in  
13 paying quantities in the formations tested hereunder and  
14 after notice of intention to terminate the agreement on  
15 such ground is given by the Unit Operator to all parties in  
16 interest at their last known addresses, the agreement is  
17 terminated with the approval of the Supervisor and the  
18 Commissioner, or

19 (c) a valuable discovery of unitized substances has been  
20 made or accepted on unitized land during said initial term  
21 or any extension thereof, in which event the agreement shall  
22 remain in effect for such term and so long as unitized sub-  
23 stances can be produced in quantities sufficient to pay for  
24 the cost of producing same from wells on unitized land within  
25 any participating area established hereunder and, should  
26 production cease, so long thereafter as diligent operations  
27 are in progress for the restoration of production or discovery  
28 of new production and so long thereafter as unitized sub-  
29 stances so discovered can be produced as aforesaid, or

30 (d) it is terminated as heretofore provided in this agreement.

1 This agreement may be terminated at any time by not less than  
2 75 per centum, on an acreage basis, of the working interest owners  
3 signatory hereto, with the approval of the Supervisor and Commis-  
4 sioner; notice of any such approval to be given by the Unit  
5 Operator to all parties hereto.

6 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The  
7 Director is hereby vested with authority to alter or modify from  
8 time to time in his discretion the quantity and rate of production  
9 under this agreement when such quantity and rate is not fixed  
10 pursuant to Federal or State law or does not conform to any state-  
11 wide voluntary conservation or allocation program, which is estab-  
12 lished, recognized and generally adhered to by the majority of  
13 operators in such State, such authority being hereby limited to  
14 alteration or modification in the public interest, the purpose  
15 thereof and the public interest to be served thereby to be stated  
16 in the order of alteration or modification. Without regard to  
17 the foregoing, the Director is also hereby vested with authority  
18 to alter or modify from time to time in his discretion the rate  
19 of prospecting and development and the quantity and rate of pro-  
20 duction under this agreement when such alteration or modification  
21 is in the interest of attaining the conservation objectives stated  
22 in this agreement and is not in violation of any applicable Federal  
23 or State law; provided, further, that no such alteration or modi-  
24 fication shall be effective as to any land of the State of New  
25 Mexico, as to the rate of prospecting and developing in the absence  
26 of the specific written approval thereof by the Commissioner and  
27 as to any lands of the State of New Mexico or privately owned lands  
28 subject to this agreement as to the quantity and rate of production  
29 in the absence of specific written approval thereof by the Com-  
30 mission.

1 Powers in this section vested in the Director shall only be  
2 exercised after notice to Unit Operator and opportunity for hearing  
3 to be held not less than 15 days from notice.

4 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor  
5 the working interest owners nor any of them shall be subject to  
6 any forfeiture, termination or expiration of any rights hereunder  
7 or under any leases or contracts subject hereto, or to any penalty  
8 or liability on account of delay or failure in whole or in part  
9 to comply with any applicable provision thereof to the extent that  
10 the Unit Operator, working interest owners or any of them are hin-  
11 dered, delayed or prevented from complying therewith by reason of  
12 failure of the Unit Operator to obtain in the exercise of due  
13 diligence, the concurrence of proper representatives of the United  
14 States and proper representatives of the State of New Mexico in  
15 and about any matters or things concerning which it is required  
16 herein that such concurrence be obtained. The parties hereto,  
17 including the Commission, agree that all powers and authority  
18 vested in the Commission in and by any provisions of this agree-  
19 ment are vested in the Commission and shall be exercised by it  
20 pursuant to the provisions of the laws of the State of New Mexico  
21 and subject in any case to appeal or judicial review as may now  
22 or hereafter be provided by the laws of the State of New Mexico.

23 23. APPEARANCES. Unit Operator shall, after notice to other  
24 parties affected, have the right to appear for and on behalf of  
25 any and all interests affected hereby before the Department of the  
26 Interior, the Commissioner of Public Lands of the State of New  
27 Mexico and the New Mexico Oil Conservation Commission and to appeal  
28 from orders issued under the regulations of said Department, the  
29 Commission or Commissioner or to apply for relief from any of said  
30 regulations or in any proceedings relative to operations before

1 the Department of the Interior, the Commissioner, or Commission,  
2 or any other legally constituted authority; provided, however,  
3 that any other interested party shall also have the right at his  
4 own expense to be heard in any such proceeding.

5 24. NOTICES. All notices, demands or statements required  
6 hereunder to be given or rendered to the parties hereto shall be  
7 deemed fully given if given in writing and personally delivered  
8 to the party or sent by postpaid registered or certified mail,  
9 addressed to such party or parties at their respective addresses  
10 set forth in connection with the signatures hereto or to the  
11 ratification or consent hereof or to such other address as any  
12 such party may have furnished in writing to party sending the  
13 notice, demand or statement.

14 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement  
15 contained shall be construed as a waiver by any party hereto of  
16 the right to assert any legal or constitutional right or defense  
17 as to the validity or invalidity of any law of the State wherein  
18 said unitized lands are located, or of the United States, or regu-  
19 lations issued thereunder in any way affecting such party, or as  
20 a waiver by any such party of any right beyond his or its authority  
21 to waive.

22 26. UNAVOIDABLE DELAY. All obligations under this agreement  
23 requiring the Unit Operator to commence or continue drilling or to  
24 operate on or produce unitized substances from any of the lands  
25 covered by this agreement shall be suspended while the Unit Opera-  
26 tor, despite the exercise of due care and diligence, is prevented  
27 from complying with such obligations, in whole or in part, by  
28 strikes, acts of God, Federal, State or municipal law or agencies,  
29 unavoidable accidents, uncontrollable delays in transportation,  
30 inability to obtain necessary materials in open market, or other

1 matters beyond the reasonable control of the Unit Operator  
2 whether similar to matters herein enumerated or not. No unit  
3 obligation which is suspended under this section shall become  
4 due less than thirty (30) days after it has been determined  
5 that the suspension is no longer applicable. Determination of  
6 creditable "Unavoidable Delay" time shall be made by the Unit  
7 Operator subject to approval of the Supervisor and Commissioner.

8 27. NONDISCRIMINATION. In connection with the performance  
9 of work under this agreement, the operator agrees to comply with  
10 all of the provisions of section 202 (1) to (7) inclusive of  
11 Executive Order 11246 (30 F.R. 12319), which are hereby incor-  
12 porated by reference in this agreement.

13 28. LOSS OF TITLE. In the event title to any tract of  
14 unitized land shall fail and the true owner cannot be induced to  
15 join in this unit agreement, such tract shall be automatically  
16 regarded as not committed hereto and there shall be such readjust-  
17 ment of future costs and benefits as may be required on account  
18 of the loss of such title. In the event of a dispute as to title  
19 to any royalty, working interest or other interests subject  
20 thereto, payment or delivery on account thereof may be withheld  
21 without liability for interest until the dispute is finally settled;  
22 provided, that, as to Federal and State land or leases, no payments  
23 of funds due the United State or State of New Mexico should be  
24 withheld, but such funds of the United States shall be deposited  
25 as directed by the Supervisor and such funds of the State of New  
26 Mexico shall be deposited as directed by the Commissioner to be  
27 held as unearned money pending final settlement of the title dis-  
28 pute, and then applied as earned or returned in accordance with  
29 such final settlement.

30 Unit Operator as such is relieved from any responsibility for

1 any defect or failure of any title hereunder.

2 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of  
3 any substantial interest in a tract within the unit area fails  
4 or refuses to subscribe or consent to this agreement, the owner  
5 of the working interest in that tract may withdraw said tract  
6 from this agreement by written notice delivered to the Supervisor  
7 and the Commissioner and the Unit Operator prior to the approval  
8 of this agreement by the Supervisor and Commissioner. Any oil  
9 or gas interests in lands within the unit area not committed hereto  
10 prior to submission of this agreement for final approval may there-  
11 after be committed hereto by the owner or owners thereof sub-  
12 scribing or consenting to this agreement, and, if the interest  
13 is a working interest, by the owner of such interest also sub-  
14 scribing to the unit operating agreement. After operations are  
15 commenced hereunder, the right of subsequent joinder, as provided  
16 in this section, by a working interest owner is subject to such  
17 requirements or approvals, if any, pertaining to such joinder,  
18 as may be provided for in the unit operating agreement. After  
19 final approval hereof, joinder by a non-working interest owner  
20 must be consented to in writing by the working interest owner  
21 committed hereto and responsible for the payment of any benefits  
22 that may accrue hereunder in behalf of such non-working interest.  
23 A non-working interest may not be committed to this unit agree-  
24 ment unless the corresponding working interest is committed hereto.  
25 Joinder to the unit agreement by a working interest owner, at any  
26 time, must be accompanied by appropriate joinder to the unit operat-  
27 ing agreement, if more than one committed working interest owner  
28 is involved, in order for the interest to be regarded as committed  
29 to this unit agreement. Except as may otherwise herein be provided,  
30 subsequent joinders to this agreement shall be effective as of the

1 first day of the month following the filing with the Supervisor  
2 and the Commissioner of duly executed counterparts of all or any  
3 papers necessary to establish effective commitment of any tract  
4 to this agreement unless objection to such joinder is duly made  
5 within 60 days by the Supervisor, provided, however, that as to  
6 State lands all subsequent joinders must be approved by the  
7 Commissioner.

8 30. COUNTERPARTS. This agreement may be executed in any  
9 number of counterparts no one of which needs to be executed by  
10 all parties or may be ratified or consented to by separate instru-  
11 ment in writing specifically referring hereto and shall be binding  
12 upon all those parties who have executed such a counterpart, rati-  
13 fication, or consent hereto with the same force and effect as if  
14 all such parties had signed the same document and regardless of  
15 whether or not it is executed by all other parties owning or  
16 claiming an interest in the lands within the above described unit  
17 area.

18 31. NO PARTNERSHIP. It is expressly agreed that the relation  
19 of the parties hereto is that of independent contractors and nothing  
20 in this agreement contained, expressed or implied, nor any opera-  
21 tions conducted hereunder, shall create or be deemed to have created  
22 a partnership or association between the parties hereto or any of  
23 them.

24 IN WITNESS WHEREOF, the parties hereto have caused this agree-  
25 ment to be executed and have set opposite their respective names  
26 the date of execution.

UNIT OPERATOR AND WORKING INTEREST OWNER

Date: \_\_\_\_\_

HUMBLE OIL & REFINING COMPANY

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

By \_\_\_\_\_  
\_\_\_\_\_

WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE OIL COMPANY

\_\_\_\_\_  
Secretary

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

Date: \_\_\_\_\_

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

ATTEST:

GULF OIL CORPORATION

\_\_\_\_\_  
Secretary

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

Date: \_\_\_\_\_

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

ATTEST:

REDFERN DEVELOPMENT CORPORATION

\_\_\_\_\_  
Secretary

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

Date: \_\_\_\_\_

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

ATTEST:

SHELL OIL COMPANY

\_\_\_\_\_  
Secretary

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

Date: \_\_\_\_\_

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

ATTEST:

SINCLAIR OIL CORPORATION

\_\_\_\_\_  
Secretary

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

Date: \_\_\_\_\_

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

ATTEST:

SKELLY OIL COMPANY

\_\_\_\_\_  
Secretary

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

Date: \_\_\_\_\_

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

ATTEST:

THE SUPERIOR OIL COMPANY

\_\_\_\_\_  
Secretary

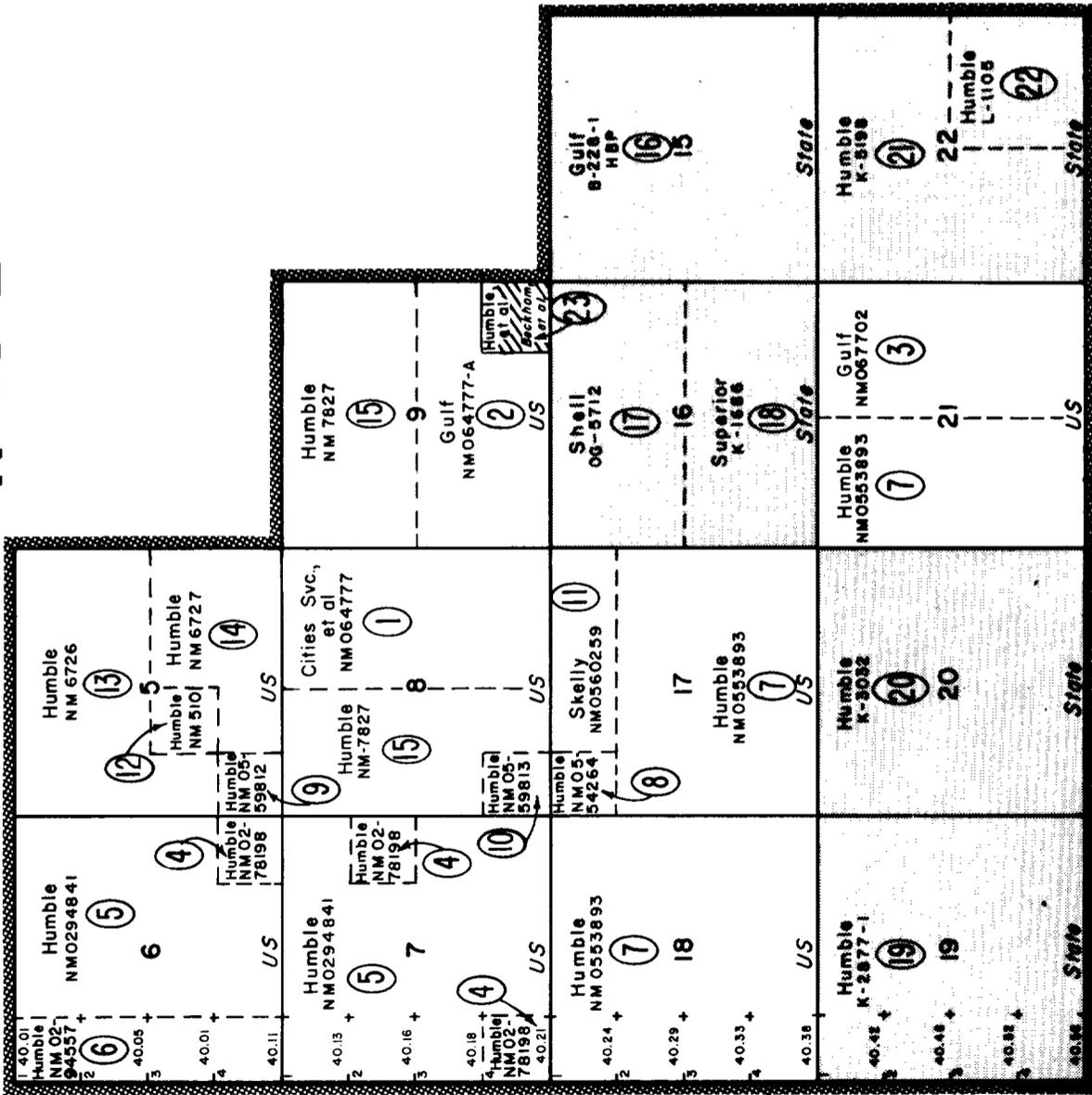
By \_\_\_\_\_  
President

Date: \_\_\_\_\_

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







T  
26  
S

- Unit outline
- Tract number
- Federal lands 5,082.16 acres  
61.05 % of unit area
- State land 3,202.00 acres  
38.47 % of unit area
- Fee land 40.00 acres  
0.48 % of unit area

Total number of acres: 8,324.16

SOUTH LEA UNIT AREA  
LEA COUNTY, NEW MEXICO  
EXHIBIT "A"

## EXHIBIT "B" - SOUTH LEA AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
FEDERAL LANDS:							
1	T-26-S, R-36-E: Sec. 8: E $\frac{1}{2}$	320.00	NM 064777 8-31-70	U. S. All	Cities Service Oil Company--50% Sinclair Oil Corporation--49.155% Redfern Development Corporation--.845%	Marcel Livandais, Jr. \$650.00 per acre out of 5%	ABOVE 13,605' Cities Service Oil Company - 50% Sinclair Oil Corporation - 49.155% Redfern Development Corporation - .845% BELOW 13,605' Cities Service Oil Company - All
2	T-26-S, R-36-E: Sec. 9: SW $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$	280.00	NM 064777-A 8-31-70	U. S. All	Gulf Oil Corporation	Marcel Livandais, Jr. \$500.00 per acre out of 5%	Gulf Oil Corporation - All
3	T-26-S, R-36-E: Sec. 21: E $\frac{1}{2}$	320.00	NM 067702 1-31-71	U. S. All	Gulf Oil Corporation	Wilma Donohue Moleen - 20% : Ruby E. Donohue ----- 27 $\frac{1}{2}$ %: Wilma Elliott Donohue- 27 $\frac{1}{2}$ %: Michael S. Shearn ---- 25% : of \$600.00 per acre out of 5% to \$480,000.00	Gulf Oil Corporation - All
4	T-26-S, R-36-E: Sec. 6: SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 7: SE $\frac{1}{4}$ NE $\frac{1}{4}$ , Lot 4	120.21	NM 0278198 6-30-72	U. S. All	Humble Oil & Refining Company	D. E. Kester - 3%	Humble Oil & Refining Company - All
5	T-26-S, R-36-E: Sec. 6: NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ , E $\frac{1}{2}$ W $\frac{1}{2}$ Sec. 7: Lots 1, 2, 3, E $\frac{1}{2}$ W $\frac{1}{2}$ , W $\frac{1}{2}$ E $\frac{1}{2}$ , NE $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$	1,000.47	NM 0294841 7-31-72	U. S. All	Humble Oil & Refining Company	P. D. Sams ----- 1.25% J. Hiram Moore ---- 1.25% Wallace R. Carter - 0.78125% Frances C. Powers - 1.71875% <u>5.00000%</u>	Humble Oil & Refining Company - All

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
6	T-26-S, R-36-E: Sec. 6: Lots 1, 2, 3, 4	160.24	NM 0294557 8-31-72	U. S. All	Humble Oil & Refining Company	Edward G. Gee - 4%	Humble Oil & Refining Company - All
7	T-26-S, R-36-E: Sec. 17: S $\frac{1}{2}$ , S $\frac{1}{2}$ N $\frac{1}{2}$ Sec. 18: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$ Sec. 21: W $\frac{1}{2}$	1,441.24	NM 0553893 7-31-72	U. S. All	Humble Oil & Refining Company	Same as Tract No. 5	Humble Oil & Refining Company - All
8	T-26-S, R-36-E: Sec. 17: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	NM 0554264 6-30-74	U. S. All	Humble Oil & Refining Company	Richard B. Carter - 5%	Humble Oil & Refining Company - All
9	T-26-S, R-36-E: Sec. 5: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	NM 0559812 4-30-76	U. S. All	Humble Oil & Refining Company	Alfred D. Heeley - 3%	Humble Oil & Refining Company - All
10	T-26-S, R-36-E: Sec. 8: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	NM 0559813 4-30-76	U. S. All	Humble Oil & Refining Company	Lucy M. English and Ernest A. Hanson - 5%	Humble Oil & Refining Company - All
11	T-26-S, R-36-E: Sec. 17: NE $\frac{1}{4}$ NW $\frac{1}{4}$ , N $\frac{1}{2}$ NE $\frac{1}{4}$	120.00	NM 0560259 6-30-76	U. S. All	Skelly Oil Company	Albert Barnes Zink and Jack J. Grynberg - 5%	Skelly Oil Company - All
12	T-26-S, R-36-E: Sec. 5: NE $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	NM 510 9-30-76	U. S. All	Humble Oil & Refining Company	Betty Heiskell - 3%	Humble Oil & Refining Company - All
13	T-26-S, R-36-E: Sec. 5: N $\frac{1}{2}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$	360.00	NM 6726 6-30-78	U. S. All	Humble Oil & Refining Company	Central Southwest Oil Corporation - 4% Charlie Buswell - 1%	Humble Oil & Refining Company - All
14	T-26-S, R-36-E: Sec. 5: SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$	200.00	NM 6727 6-30-78	U. S. All	Humble Oil & Refining Company	A. Tishman - \$750.00 per acre out of 5%	Humble Oil & Refining Company - All
15	T-26-S, R-36-E: Sec. 8: W $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ W $\frac{1}{2}$ Sec. 9: N $\frac{1}{2}$	600.00	NM 7827 9-30-78	U. S. All	Humble Oil & Refining Company	Tom B. Boston - 5%	Humble Oil & Refining Company - All

TOTAL: 15 Tracts Federal Land - 5,082.16, 61.05% of the Unit Area

## EXHIBIT "B" - SOUTH LEA AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
STATE LANDS:							
16	T-26-S, R-36-E: Sec. 15: All	640.00	B-228-1 HBP	State All	Gulf Oil Corporation	None	Gulf Oil Corporation - All
17	T-26-S, R-36-E: Sec. 16: N $\frac{1}{2}$	320.00	OG-5712 7-21-69	State All	Shell Oil Company	None	Shell Oil Company - All
18	T-26-S, R-36-E: Sec. 16: S $\frac{1}{2}$	320.00	K-1686 8-15-71	State All	The Superior Oil Company	None	The Superior Oil Company - All
19	T-26-S, R-36-E: Sec. 19: Lots 1, 2, 3, 4 E $\frac{1}{2}$ N $\frac{1}{2}$ , E $\frac{1}{2}$	642.00	K-2877-1 11-20-72	State All	Humble Oil & Refining Company	None	Humble Oil & Refining Company - All
20	T-26-S, R-36-E: Sec. 20: All	640.00	K-3032 1-15-73	State All	Humble Oil & Refining Company	None	Humble Oil & Refining Company - All
21	T-26-S, R-36-E: Sec. 22: N $\frac{1}{2}$ , SW $\frac{1}{4}$	480.00	K-5198 8-17-75	State All	Humble Oil & Refining Company	None	Humble Oil & Refining Company - All
22	T-26-S, R-36-E: Sec. 22: SE $\frac{1}{4}$	160.00	L-1105 8-20-78	State All	Humble Oil & Refining Company	None	Humble Oil & Refining Company - All

TOTAL: 7 Tracts State Land - 3,202.00, 38.47% of the Unit Area

## EXHIBIT "B" - SOUTH LEA AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
23	T-26-S, R-36-E: Sec. 9: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	1-2-74	David C. Smith III-6.25% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company-All
			1-2-74	Lucy J. Smith-6.25% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company-All
			1-1-74	Frank Anthony-5.36% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company-All
			3-1-73	C. H. Lewis-12.50% (of 12.5%)	Humble Oil & Refining Company	Redfern Development Corporation-6.25% (of 12.50%)	Humble Oil & Refining Company-All
			1-2-72	Foster Petroleum Company-8.33% (of 18.75%)	Humble Oil & Refining Company	None	Humble Oil & Refining Company-All
			10-23-69	Cities Service Oil Company-8.33% (of 18.75%)	Sinclair Oil Corporation Redfern Development Corporation	None	ABOVE 13,605' Sinclair Oil Corporation-98.31% Redfern Development Corporation-1.69% BELOW 13,605' Cities Service Oil Company-All (unleased Mineral interest)

## FEE LANDS:

- \*Cities Service Oil Company-8.33%
- \*Jewell Beckham-4.91%
- \*Billy Joe Beckham-7.37%
- \*Earnell Beckham Young-7.37%
- \*Howell Spear-0.36%
- \*Western Reserves Oil Company-1.43%
- \*Ethel Mitchell Robinson-1.78%
- \*General Crude Oil Company-8.93%

EXHIBIT "B" - SOUTH LEA AREA - LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Lease No. & Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty or Production Payments	Working Interest Owners and Percentage
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FEE LANDS:

23 -- Continued -----

\*Mobil Oil Corporation-12.50%

\*Unleased

TOTAL: 1 Tract Fee Lands - 40.00, 0.48% of the Unit Area

TOTAL: 23 Tracts comprising 8,324.16 acres in Unit Area

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the South Lea Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

DRAFT

GMH/esr

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

*Handwritten initials*

*Handwritten signature*

CASE No. 4109

Order No. R- 3740

APPLICATION OF HUMBLE OIL & REFINING COMPANY  
FOR APPROVAL OF THE SOUTH LEA  
UNIT AGREEMENT, LEA, COUNTY, NEW MEXICO.

*Handwritten notes and scribbles*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 ~~o'clock~~ a.m. on  
April 23, 1969, at Santa Fe, New Mexico, before Examiner  
Elvis A. Utz.

NOW, on this \_\_\_\_\_ day of April, 1969, the Commission,  
a quorum being present, having considered the testimony, the record,  
and the recommendations of the Examiner, and being fully advised  
in the premises,

FINDS:

(1) That due public notice having been given as required by  
law, the Commission has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, Humble Oil & Refining Company,  
seeks approval of the South Lea Unit Agreement  
State,  
covering 8,324.16 acres, more or less, of Federal, lands  
and Fee  
described as follows:

LEA COUNTY, NEW MEXICO  
TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM

*sections 5 through 9: all ✓*  
*sections 15 through 22: all ✓*