



Chevron U.S.A. Inc.
P.O. Box 1635, Houston, TX 77251 • Phone (713) 754-2681

BEFORE EXAMINER CATANACH OIL CONSERVATION DIVISION <i>Chevron</i> EXHIBIT NO. <u>37</u> CASE NO. <u>10059-61</u>

Ray M. Vaden
Land Representative
Interior Division
Land Department
Central Region

June 8, 1990

C E R T I F I E D

Working Interest Owners of the
Eunice Monument South Unit Expansion Area B
Address List Attached

Ratification and Joinder to
the Eunice Monument South Unit,
Lea County, New Mexico
for Commitment of Interest
in Expansion Area to the
Existing Unit and Unit Operating
Agreement under Subsequent
Joinder Provisions

Gentlemen:

Enclosed are seven copies of the Ratification and Joinder and Addendum to the captioned for Unit Expansion Area "B". Please return six fully executed and acknowledged copies to my attention at your earliest convenience. We will file two originals with the BLM, one with the OCD, one with the State Land Office, one in Lea County, N.M., and one in our unit file.

I am also enclosing a copy of Exhibits "A", "B", and "C" for the expansion area. These exhibits reflect the information your company has supplied Chevron concerning ownership within the tracts in the expansion area. We will utilize your division pay order information, as reflected on Exhibit "B", for notification of Expansion to the royalty owners within the expansion area. Please advise us if corrections are required.

We are tentatively planning to schedule the OCD hearing for expansion of the Eunice Monument South Unit (EMSU) on August 22, 1990, and will provide proper notice of the same to you prior to the hearing. We will also notify all known royalty owners prior to the hearing. We will begin signing up royalty owners after the hearing, and will include a copy of the Division's order for unitization in the royalty owners' Ratification and Joinder package. This procedure will insure that royalty owners are fully informed of the plan and of the Division's order prior to committing their interest to the unit.

We will also provide a copy of the Division's order for unitization to each of you and will coordinate the establishment of the effective date for commencement of unitized operations in the expansion area with you. Previous working interest owner ballots have approved unitization based upon the general terms contained in the Addendum attached to the Ratification and Joinder. At the time the ballots were executed we were anticipating costs adjustments (Buy-in) based upon a 1st quarter, 1991 commencement of water injection in the expansion area. In the event this water injection commencement is later than the 1st quarter of 1991, the buy in costs will be adjusted for depreciation.

As a member of the existing EMSU, your files contain copies of the Division's orders approving the EMSU, the Unit Agreement, the Unit Operating Agreement, and the exhibits to the Unit and Unit Operating Agreements. However, if you can not promptly locate your file copy let me know and I will make a copy from our file and forward it to your attention.

If you have any questions concerning the above, please call me.

Very truly yours,

Ray M. Vaden
Land Representative

RMV:Imm702

Enclosures

EXPANSION AREA "B"
EMSU WORKING INTEREST OWNERS
RATIFICATION, JOINDERS & EXHIBITS "A" AND "B"

CERTIFIED

Amerada Hess Corporation
J. C. Hefley
Manager of Unitization
P.O. Box 2040
Tulsa, OK 74102

Chevron U.S.A. Inc.
R. C. Anderson
P. O. Box 670
Hobbs, NM 88240

CERTIFIED

Amoco Production Company U.S.A.
Dan Janik
P.O. Box 3092
Houston, Texas 77253

CERTIFIED

Shell Western E&P Inc.
D. L. Barksdale
Room 4434 Woodcreek
P.O. Box 576
Houston, TX 77001

CERTIFIED

Arco Oil & Gas Company
Dan Dodd
P.O. Box 1610
Midland, Texas 79702

CERTIFIED

Conoco, Inc.
Joint Interest Operations
P.O. Box 460
Hobbs, NM 88240

CERTIFIED

Texaco Producing, Inc.
Attention: Mr. R. H. Koerner
P.O. Box 2100
Denver, CO 80201-2100

RATIFICATION AND JOINDER
OF UNIT AGREEMENT AND OPERATING AGREEMENT
FOR UNIT EXPANSION AREA B

In consideration of the execution of the Unit Agreement for the Development and Operation of the Eunice Monument South Unit Area, County of Lea, State of New Mexico, dated June 22, 1984, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other Working Interest Owners of the Unit Operating Agreement for the Eunice Monument South Unit Area, County of Lea, State of New Mexico, dated June 22, 1984, the undersigned working interest owner hereby expressly ratifies, approves, and adopts said Unit Agreement, and also said Unit Operating Agreement as fully as though the undersigned had executed the original agreements, subject to the terms and conditions of the Addendum attached hereto and made a part hereof.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its successors and assigns.

EXECUTED this _____ day of _____, 19__.

Address:

CORPORATION ACKNOWLEDGMENT

THE STATE OF _____ §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, 19__, by _____, _____, for/of _____, a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

WORKING INTEREST OWNER

ADDENDUM TO RATIFICATION AND JOINDER
OF UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
FOR UNIT EXPANSION AREA B OF THE
EUNICE MONUMENT SOUTH UNIT,
LEA COUNTY, NEW MEXICO

It is the intent of the owners of interests executing the Ratification and Joinder attached hereto to approve and join in the expansion of the Eunice Monument South Unit for secondary and tertiary recovery operations by expansion of the existing unit to encompass the following lands hereinafter referred to as "Unit Area B", "expansion area B", or "unit expansion area B".

Lands Encompassed in Unit Expansion Area B

Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico

Section 10: E/2E/2
Section 11: W/2, W/2NE/4, SE/4
Section 13: W/2, S/2SE/4
Section 14: All
Section 15: NE/4NE/4
Section 23: All
Section 24: N/2, SW/4, W/2SE/4

Lands Encompassed in Existing Unit Area A

Township 20 South, Range 36 East, N.M.P.M.

Section 25: All
Section 36: All

Township 20 South, Range 37 East, N.M.P.M.

Section 30: S/2, S/2N/2, NE/4NW/4 and NW/4NE/4
Section 31: All
Section 32: All

Township 21 South, Range 36 East, N.M.P.M.

Section 2: S/2S/2
Section 3: Lots 3, 4, 5, 6, 11, 12, 13, and 14 and S/2
Section 4 through 11: All
Section 12: W/2SW/4
Section 13: NW/4NW/4
Section 14 through 18: All
Section 21: N/2 and N/2S/2
Section 22: N/2 and N/2S/2

The parties hereto agree to operate the existing Unit Area (Area A) and the Unit expansion area "B" as separate entities until such time as the working interest owners of the existing Unit Area and the Unit expansion area "B" agree to consolidate facilities and operations under the terms and voting procedures of the Unit and Unit Operating Agreement in addition to obtaining the consent of the A.O., the Land Commissioner and the OCD. The total and proportionate allocation of said investment adjustment shall be in the amounts agreed upon and evidenced by ballot of the working interest owners in compliance with the voting procedures adopted by such owners.

The parties further agree that Eunice Monument South Unit will be expanded under the general terms of Section 4 (Expansion) and Section 32 (Nonjoinder and subsequent joinder) of the Unit Agreement with the understanding that at least until such time as the above described actions have consolidated facilities and operations, the following shall apply:

1. As a basis for admission into the existing Eunice Monument South Unit, the working interest owners in expansion area B will pay to the owners of the existing Unit an agreed upon investment adjustment for acquisition of an interest in the existing Eunice Monument South Unit water injection plant, main trunk line, water supply wells, water disposal well and the related equipment and facilities previously constructed to serve the existing unit area.
2. All direct capital costs necessary to implement secondary recovery operations for the expansion area B will be borne by the working interest owners in the expansion area B at no cost to the existing unit.
3. Future capital expenditures, as prescribed by the Internal Revenue Service Rules and Regulations then in effect, on the common injection system described above will be proportionately shared with 17.24% allocated to the expansion area and 82.76% allocated to the existing area; with the following exception:

Capital expenditures which benefit only one area (either expansion or existing area) will be borne solely (100%) by the area (either expansion or existing area) which initiated the expenditure. Capital expenditures on the common injection system shall be determined as benefitting solely one area by vote of the working interest owners in the affected area or areas, following the voting procedures established in Article 4 of the Unit Operating Agreement.

4. All expense and operating costs for the unit expansion area B that are not related to the common injection system will be maintained separately from the costs and expenses of the existing unit area. All expenses and operating costs for the common injection system set forth in number 1 above, will be shared proportionally between the existing unit area and the expansion area based on the percentage of monthly injection and monthly water supplied to the existing unit area and expansion area. Monthly operating expenses on the common injection system will be proportioned based on the following direct measurement approach:

Injection Facility Monthly Expenses $\frac{* \text{Monthly Water Injection to an Area}}{\text{Total Monthly Injection to both areas}}$

+ Water Supply Well Monthly Expenses $\frac{* \text{Monthly Water Supply to an Area}}{\text{Total Monthly Water Supplied to both areas}}$

In the event of injection system interruptions, the operator of the common injection system will make every reasonable effort to proportion water to the existing and expansion areas based on the injection take during the last month of full water delivery prior to the interruption.

5. Plans of development, AFE's, budgets, and actual development costs for secondary and tertiary recovery operations in expansion area B shall be maintained separate from the existing Unit Area.
6. All production from the expansion area B shall be held separate from the existing Unit Area and will be accounted for, sold, and allocated back to the tracts within the expansion area based upon the tract participation established for the expansion area.

This ratification and joinder to the Unit Agreement for the Eunice Monument South Unit shall be treated as a subsequent joinder under the terms of Section 32 of that certain Unit Agreement for the Eunice Monument South Unit dated June 22, 1984, and recorded in Book 440, at page 607, of the miscellaneous records of Lea County, New Mexico. Said unit became effective on February 1, 1985 as evidenced by the Certificate of Effectiveness dated February 12, 1985 and recorded in Book 442 at page 346 of the miscellaneous records of Lea County, New Mexico.

Notwithstanding the above, as subsequent joinders to the Unit and Unit Operating Agreement for the Eunice Monument South Unit, it is agreed and understood that under Section 24 as modified under Section 39 of the Unit Agreement, the effective date for unitization of expansion area B shall be in compliance with the Division's order or supplemental order, and will be a date and as mutually agreed upon by the Unit Operator, the A.O., the Land Commissioner, and the Division. The effective date of the unit will be set out in the Certificate of Effectiveness,

and filed of record in Lea County, New Mexico. If this agreement does not become effective as to expansion area B on or before June 1, 1991, it shall ipso facto expire on said date and thereafter be of no further force or effect. The statutory unitization of expansion area B and the inclusion of the same into the Eunice Monument South Unit shall also be in compliance with the terms of Sections 32 and 39 of the Unit Agreement. In a like manner the above referenced effective date for the unit expansion area B shall apply to Articles 10, 11 and 19 of the Unit Operating Agreement. It is agreed and understood that the terms of Exhibits "D" (Insurance), "E" (Accounting Procedure for Joint Operations), "F" (Certificate of Compliance), and "G" (Gas Storage and Balancing Agreement) shall apply equally to working interest owners of the original unit area and the expansion area as of the effective date of expansion. The overhead rates and charges referenced in Exhibit "E", as applied to the unit expansion area B, shall be the escalated charges currently charged the working interest owners of the existing unit and shall remain concurrent, and identical for both the existing unit and the expansion area.

3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

CERTIFIED
 Conoco, Inc.
 Joint Interest Operations
 P.O. Box 460
 Hobbs, NM 88240

4. Article Number
 671139

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address
 X

6. Signature - Agent
 X *Unita Bonales*

7. Date of Delivery
 JUN 14 1990

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

CERTIFIED
 Shell Western E&P Inc.
 D. L. Barksdale
 Room 4434 Woodcreek
 P.O. Box 576
 Houston, TX 77001

4. Article Number
 671135

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address
 X

6. Signature - Agent
 X

7. Date of Delivery
 JUN 14 1990

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

CERTIFIED
 Arco Oil & Gas Company
 Dan Dodd
 P.O. Box 1610
 Midland, Texas 79702

4. Article Number
 671140

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address
 X

6. Signature - Agent
 X *[Signature]*

7. Date of Delivery
 JUN 14 1990

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

CERTIFIED
 Amoco Production Company U.S.A.
 Dan Janik
 P.O. Box 3092
 Houston, Texas 77253

4. Article Number
 671139

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address
 X

6. Signature - Agent
 X

7. Date of Delivery
 JUN 14 1990

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

CERTIFIED
 Texaco Producing, Inc.
 Attention: Mr. R. H. Koerner
 P.O. Box 2100
 Denver, CO 80201-2100

4. Article Number
 671139

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address
 X

6. Signature - Agent
 X *TOURIST*

7. Date of Delivery
 6-14-90

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

CERTIFIED
 Amerada Hess Corporation
 J. C. Hefley
 Manager of Unitization
 P.O. Box 2040
 Tulsa, OK 74102

4. Article Number
 671139

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address
 X

6. Signature - Agent
 X *Charles Lawrence*

7. Date of Delivery
 JUN 14 1990

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

ILLEGIBLE