

CASE 4268: Application of TEXACO  
FOR APPROVAL OF THE STATE "JD"  
UNIT AGREEMENT, LEA COUNTY.

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Case Number

4268

Application

Transcripts.

Small Exhibits

ETC.

DEC 3 1969

December 2, 1969

4268

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Texaco, Inc.  
P. O. Box 1270  
Midland, Texas 79701

Re: State "JD" Unit  
Lea County, New Mexico

ATTENTION: Mr. R. T. Maxwell

Gentlemen:

The Commissioner of Public Lands has this date approved the State "JD" Unit, Lea County, New Mexico, effective as of January 1, 1970.

We are retaining both copies of the Unit Agreement and Operating Agreement. We are also enclosing five (5) Certificates of Approval.

Please remit a ten (\$10.00) Dollar filing fee.

Very truly yours,

Ted Bilberry, Director  
Oil and Gas Department

TE/ML/s  
encls.

cc: New Mexico Oil Conservation  
Commission  
Santa Fe, New Mexico (ltr. only)



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:

CASE No. 4268  
Order No. R-3886

APPLICATION OF TEXACO INC.  
FOR APPROVAL OF THE STATE "JD"  
UNIT AGREEMENT, LEA COUNTY, NEW  
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 25, 1969,  
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 2nd day of December, 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, Texaco Inc., seeks approval of the  
State "JD" Unit Agreement covering 160 acres, more or less, of  
State lands described as follows:

LEA COUNTY, NEW MEXICO  
TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM  
Section 27: NW/4

(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 State "JD" Unit Agreement is hereby approved.

-2-

CASE No. 4268

Order No. R-3886

(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; that this order shall terminate ipso facto upon the termination of said unit agreement; 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.

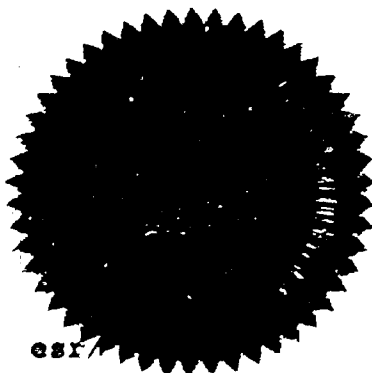
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
DAVID F. CARGO, Chairman

  
ALEX J. ARMLJO, Member

  
A. L. PORTER, Jr., Member & Secretary



Case 4268

Urged 11-25-69

Rec. 11-26-69

Grant Texas approval of their  
St. J D unit agreement as  
requested.

Thos. H. [Signature]

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
STATE "JD" UNIT AREA  
RHODES YATES FIELD  
STATE OF NEW MEXICO

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UNIT AGREEMENT  
STATE "JD" UNIT  
LEA COUNTY, NEW MEXICO

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UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
STATE "JD" UNIT AREA  
LEA COUNTY, NEW MEXICO  
NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 1st day of September 1, 1969, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N.M. Statutes 1953 Annot.), to consent to and approve the development or operation of State Lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap. 7, Art. 11, Sec. 41 N. M. Statutes 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (Hereinafter referred to as the "Commission") is authorized by an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art.3, Sec. 14 N. M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the State "JD" Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below defined unit area, and agree severally among themselves as follows:

ARTICLE 1  
DEFINITIONS

As used in this agreement, the terms herein contained shall have the following meaning:

1.1 Commissioner means the Commissioner of Public Lands of the State of New Mexico.

1.2 Commission means the Oil Conservation Commission of the State of New Mexico.

1.3 Unit Area means the lands described by Tracts in Exhibit B and shown on Exhibit A as to which this agreement becomes effective or to which it may be extended as herein provided.

1.4 Unitized Formation means the Yates-Seven Rivers formation encountered between the depths of 2912 feet and 3400 feet below the derrick floor elevation on the Lane Wells Radioactivity Log of the Amerada Petroleum Corporation State "JA" Well No. 2, located 765 feet from the west line and 1875 feet from the north line of Section 27, Township 26 South, Range 37 East, Lea County, New Mexico.

1.5 Unitized Substances means all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.

1.6 Working Interest means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, which interest is chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing, and operating the Unitized Formation. Any interest in Unitized Substances which is a Working Interest as of the date the owner thereof executes or ratifies this Agreement shall thereafter be treated as a Working Interest for all purposes of this Agreement.

1.7 Working Interest Owner means a party hereto who owns a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

1.8 Royalty Interest means a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.

1.9 Royalty Owner means a party hereto who owns a Royalty Interest.

1.10 Tract means each parcel of land described as such and given a Tract number in Exhibit B.

1.11 Unit Operating Agreement means the agreement entitled "Unit Operating Agreement, State "JD" Unit, Lea County, New Mexico" of the same effective date as the effective date of this agreement, and which is entered into by Working Interest Owners.

1.12 Unit Operator means the Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to develop and operate the Unitized Formation, acting as operator and not as a Working Interest Owner.

1.13 Tract Participation means the percentage shown on Exhibit B for allocating Unitized Substances to a Tract under this agreement.

1.14 Unit Participation of each Working Interest Owner means the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation of such Tract.

1.15 Outside Substances means all substances obtained from any source other than the Unitized Formation and which are injected into the Unitized Formation.

1.16 Oil and Gas Rights means the right to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

1.17 Unit Operations means all operations conducted by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of the development and operation of the Unitized Formation for the production of Unitized Substances.

1.18 Unit Equipment means all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

1.19 Unit Expense means all cost, expense, or indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of Unit Operations.

1.20 Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural include the singular, and the neuter gender include the masculine and the feminine.

## ARTICLE 2 EXHIBITS

2.1 Exhibits. Attached hereto are the following exhibits which are incorporated herein by reference:

2.1.1 Exhibit A, which is a map that shows the boundary lines of the Unit Area and the Tracts therein.

2.1.2 Exhibit B, which is a schedule that describes each Tract in the Unit Area and shows its Tract Participation.

2.2 Reference to Exhibits. When reference herein is made to an exhibit, the reference is to the Exhibit as originally attached or, if revised, to the latest revision.

2.3 Exhibits Considered Correct. An exhibit shall be considered to be correct until revised as herein provided.

2.4 Correcting Errors. The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the effective date hereof, should be divided into more than one Tract, or that any mechanical miscalculation has been made, Unit Operator, with the approval of Working Interest Owners, may correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of an exhibit shall be effective at 7:00 a.m. on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Working Interest Owners and set forth in the revised exhibit.

2.5 Filing Revised Exhibits. If an exhibit is revised pursuant to this agreement, Unit Operator shall certify and file the revised exhibit with the Commissioner of Public Lands of the State of New Mexico for approval and for record in the County or Counties in which this agreement is filed.

## ARTICLE 3 CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized. Subject to the provisions of this agreement, all Oil and Gas Rights of Royalty Owners in and to the lands described in Exhibit B, and all Oil and Gas Rights of Working Interest Owners in and to said lands, are hereby unitized insofar as the respective Oil and Gas Rights pertain to the Unitized Formation, so that operations may be conducted as if the Unitized Formation had been included in a single lease executed by all Royalty Owners, as lessors, in favor of all Working Interest Owners, as lessees, and as if the lease had been subject to all of the provisions of this agreement.

3.2 Personal Property Excepted. All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners. The rights and interests therein as among Working Interest Owners are covered by the Unit Operating Agreement.

3.3 Amendment of Leases and Other Agreements. The provisions of the various leases, agreements, division and transfer orders, or other instruments covering the respective Tracts or the production therefrom are amended to the extent necessary to make them conform to the provisions of this agreement, but otherwise shall remain in effect.

3.4 Continuation of Leases and Term Royalties. Unit Operations conducted on any part of the Unit Area shall be considered with respect to leases and term royalties as follows:

3.4.1 Operations, including drilling operations, conducted with respect to the Unitized Formation on any part of the Unit Area, or production from any part of the Unitized Formation, except for the purpose of determining payments to Royalty Owners, shall be considered as operations upon or production from each Tract, and such operations or production shall continue in effect each lease or term royalty interest as to all lands covered thereby just as if such operations had been conducted and a well had been drilled on and was producing from each Tract.

3.4.2 Any lease embracing lands of the State of New Mexico which is made subject to this Agreement shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

3.4.3 Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to the portion committed and that portion not committed, and the terms of such lease shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease (whether within or without the Unit Area), (i) if, and for so long as Unitized Substances are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement, or (ii) if, and for so long as some part of the lands embraced in such State lease are allocated Unitized Substances; or (iii) if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein and for so long as such operations are being diligently prosecuted, and if they result in the production of Unitized Substances, said lease shall continue in full force and effect as to all of the lands embraced therein, as provided in (i) or (ii) above.

3.5 Titles Unaffected by Unitization. Nothing herein shall be construed to result in the transfer of title to the Oil and Gas Rights by any party hereto to any other party or to Unit Operator. The intention is to provide for the cooperative development and operation of the Tracts and for the sharing of Unitized Substances as herein provided.

3.6 Injection Rights. Royalty Owners hereby grant unto Working Interest Owners the right to inject into the Unitized Formation any substances in whatever amounts Working Interest Owners deem expedient for Unit Operations, including the right to drill and maintain injection wells on the Unit Area and to use producing or abandoned oil or gas wells for such purposes.

3.7 Development Obligation. Nothing herein shall relieve Working Interest Owners from the obligation to develop reasonably as a whole the lands and leases committed hereto.

3.8 Drainage. The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from unitized land by wells on land not subject to this agreement.

ARTICLE 4  
PLAN OF OPERATIONS

4.1 Unit Operator. Texaco Inc. is hereby designated as the initial Unit Operator and by signature hereto agrees and consents to accept the duties and obligations of Unit Operator for the operation, development, and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such an interest is owned by it.

4.2 Resignation or Removal of Unit Operator. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such unless a successor Unit Operator has been selected and approved in the manner provided for in Section 4.3 of this agreement. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator shall, upon default or failure in the performance of its duties or obligations hereunder, or for any other cause, be subject to removal by Working Interest Owners having in the aggregate seventy-five percent (75%) or more of the Unit Participation remaining after excluding the Unit Participation of the Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of Unit Operator under this agreement shall not terminate its rights, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, books, and records, materials, appurtenances and any other assets, used in connection with the unit operations and owned by the Working Interest Owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing the removal of any material, equipment and appurtenances needed for the preservation of any wells.

4.3 Successor Unit Operator. Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinbefore provided, the Working Interest Owners shall select a successor Unit Operator as herein provided. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been filed with and approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner, at his election, may declare this agreement terminated.

In selecting a successor Unit Operator the affirmative vote of two or more Working Interest Owners owning a total of sixty-five percent (65%) or more of the Unit Participation shall prevail, provided that if any one Working Interest Owner has a Unit Participation of more than thirty-five percent (35%), its negative vote or failure to vote shall not be regarded as sufficient unless supported by the vote of one (1) or more Working Interest Owners having a combined Unit Participation of at least five percent (5%). If the Unit Operator who is removed votes only to succeed itself or fails to vote, the successor Unit Operator may be selected by the affirmative vote of Working Interest Owners owning a total of at least fifty-one percent (51%) of the Unit Participation remaining after excluding the Unit Participation of Unit Operator so removed.

4.4 Plan of Operations. It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this Agreement is to formulate and to put into effect a secondary recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by



the Working Interest Owners, Commissioner and the Commission, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil and any one or more other substances or combination of substances, whether produced from the Unitized Formation or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. After commencement of secondary operations, Unit Operator shall furnish the Commissioner with monthly injection and production reports for each well in the Unit. The Working Interest Owners and the Commissioner shall be furnished periodic reports on the progress of the plan of operation and any revisions or changes thereto necessary to meet changed conditions or to protect the interests of all parties to this Agreement, which revisions and changes shall be subject to approval by the Commission and the Commissioner. Subject to like approval the Plan of Operation may be revised as conditions may warrant.

The initial plan of operation shall be filed for approval with the Commissioner and the Commission concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Commissioner and the Commission may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for like approval a plan for an additional specified period of operation.

4.5 Accounting Provisions and Unit Operating Agreement. Costs and expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Unit Agreement shall prevail. Two true copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Commissioner.

4.6 Rights and Obligations of Unit Operator. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Upon request acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this Agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating Agreement, it being understood that under this Agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

## ARTICLE 5 EASEMENTS OR USE OF SURFACE

5.1 Grant of Easements. The parties hereto, to the extent of their rights and interest, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may reasonably be necessary for unit operations, including the free use of water from the Unit Area for unit operations, insofar as such rights are granted by the oil and gas leases.

ARTICLE 6  
TRACT PARTICIPATION

6.1 Tract Participation. The Tract Participations of each Tract are shown in Exhibit "B", and have been computed in accordance with the following:

Tract Participation Percentage,  
equals  
percentage of surface acreage  
held by the parties hereto, within  
the unit area, as shown in Exhibit "A".

6.2 Adjustment for Committed Tracts. If less than all Tracts within the Unit Area are committed as of the Effective Date of this agreement, Unit Operator, as soon as practicable thereafter, shall file with the Commissioner schedules of committed Tracts as of said Effective Date, which said schedules shall be designated "Revised Exhibit A", and "Revised Exhibit B", and shall be considered for all purposes as a part of this agreement. Such Revised Exhibit "B" shall set forth opposite each such committed Tract the revised Tract Participation therefor which shall be calculated by using the same Tract factors and formulae that were used to arrive at the Tract Participations of each Tract as set out in Original Exhibit "B" attached hereto, by applying the same only to the committed Tracts. Such revised Exhibits shall supersede, effective as of the effective date hereof, the Tract Participations set forth in Exhibit "B" attached hereto until a further revision or revisions thereof is approved by the Commissioner. The Tract Participations shown on Exhibit "B" attached hereto, or as may be shown on revised Exhibit "B" as above provided, shall govern the allocation of Unitized Substances on and after the effective date of this Unit Agreement, as set forth in Section 17 hereof, and until the allocation schedule is revised pursuant to this agreement.

6.3 Relative Tract Participations. If the Unit Area is enlarged or reduced, the revised Tract Participations of the Tracts remaining in the Unit Area and which were within the Unit Area prior to the enlargement or reduction shall remain in the same ratio one to another.

ARTICLE 7  
ALLOCATION OF UNITIZED SUBSTANCES

7.1 Allocation to Tracts. All Unitized Substances produced and saved (less and except any part of such Unitized Substances used in conformity with good operating practices as concerns the Unitized Formation on Unitized land for drilling, operating, camp, and other production or development purposes and for pressure maintenance or unavoidable loss) shall be allocated to the several Tracts in accordance with the respective Tract Participations. The amount of Unitized Substances allocated to each Tract, regardless of whether it is more or less than the actual production of Unitized Substances from the well or wells, if any, on such Tract, shall be deemed for all purposes to have been produced from such Tract.

7.2 Distribution Within Tracts. The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the parties entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this agreement not been entered into, and with the same legal effect. If any Oil and Gas Rights in a Tract hereafter become divided and owned in severalty as to different parts of the Tract, the owners of the divided interests, in the absence of an agreement providing for a different division, shall share in the Unitized Substances allocated to the Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract.

No Tract committed to this Agreement and qualified for participation shall be subsequently excluded from participation hereunder because of depletion of Unitized Substances, and nothing herein shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any Tract.

7.3 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such parties shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided that they are so constructed, maintained, and operated as not to interfere with Unit Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the receiving party. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner whose Working Interest is subject to such Royalty Interest shall be entitled to take in kind such share of the Unitized Substances.

7.4 Failure to Take in Kind. In the event any Working Interest Owner shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unitized Formation currently as and when produced, then so long as such condition continues, Unit Operator, for the account and at the expense of the Working Interest Owner of the Tract or Tracts concerned, and in order to avoid curtailing the operation of the Unit Area, may sell or otherwise dispose of such production to itself or to others on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such Working Interest Owner shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owner of the Tract or Tracts concerned. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any Working Interest Owner's share of gas production without first giving such Working Interest Owner sixty (60) days' notice of such intended sale.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any Tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all Royalty due under the lease or leases covering the Tracts contributed by it and received into the Unit, and each such party shall hold each other party hereto harmless against all claims, demands and causes of action for such Royalty on the lease or leases and Tracts contributed by it to the Unit Area.

7.5 Royalty Settlement. The State of New Mexico and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances produced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interest not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

If the amount of production or the proceeds thereof accruing to any Royalty Owner in a tract depends upon the average production per well or the average pipeline run per well from such tract during any period of time, then such production shall be determined from and after the effective date hereof by dividing the quantity of Unitized Substances allocated hereunder to such tract during such period of time by the number of wells located thereon capable of producing Unitized Substances as of the effective date hereof.

All Royalty due the State of New Mexico and the other Royalty Owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective tract or tracts committed hereto, in lieu of actual production from such tract or tracts.

7.6 Responsibility for Royalty Settlements. Any party receiving in kind or separately disposing of all or part of the Unitized Substances allocated to any Tract or receiving the proceeds therefrom shall be responsible for the payment thereof to the persons entitled thereto, and shall indemnify all parties hereto, including Unit Operator, against any liability for all royalties, overriding royalties, production payments, and all other payments chargeable against or payable out of such Unitized Substances or the proceeds therefrom.

7.7 Royalty On Outside Substances. If any Outside Substances, consisting of natural gases, are injected into the Unitized Formation, fifty percent (50%) of any like substances contained in Unitized Substances subsequently produced and sold, or used for other than operations hereunder, shall be deemed to be Outside Substances until the aggregate of said fifty percent (50%) equals the accumulated volume of such natural gases injected into the Unitized Formation. If the Outside Substances injected be liquefied petroleum gases, or other hydrocarbons, as distinguished from natural gases then, beginning one (1) year after injection of such liquefied petroleum gases or other liquid hydrocarbons is commenced, ten percent (10%) of all Unitized Substances produced and sold from the Unitized Formation shall be deemed to be Outside Substances until the aggregate value of said ten percent (10%) equals the entire accumulated cost to the Working Interest Owners of such liquefied petroleum gases or other liquid hydrocarbons injected. No payments shall be due or payable to Royalty Owners on any substance which is classified hereby as an Outside Substance.

7.8 Rental Settlement. Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof, due under their leases. Rental for lands of the State of New Mexico subject to this Agreement shall be paid at the rate specified in the respective leases from the State of New Mexico.

#### ARTICLE 8 PRODUCTION AS OF THE EFFECTIVE DATE

8.1 Oil in Lease Tanks. Unit Operator shall gauge all lease and other tanks within the Unit Area to ascertain the amount of merchantable oil produced from the Unitized Formation in such tanks, above the pipe line connections, as of 7:00 a.m. on the effective date hereof. The oil that is a part of the prior allowable of the wells from which it was produced shall remain the property of the parties entitled thereto the same as if the Unit had not been formed. Any such oil not promptly removed may be sold by the Unit Operator for the account of the parties entitled thereto, subject to the payment of all royalties, overriding royalties, production payments, and all other payments under the provisions of the applicable lease or other contracts. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after the effective date hereof.

8.2 Overproduction. If, as of the effective date hereof, any Tract is overproduced with respect to the allowable of the wells on that Tract and the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as a part of the Unitized Substances produced after the effective date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

#### ARTICLE 9 USE OR LOSS OF UNITIZED SUBSTANCES

9.1 Use of Unitized Substances. Working Interest Owners may use as much of the Unitized Substances as they deem necessary for Unit Operations, including but not limited to the injection thereof into the Unitized Formation.

9.2 Royalty Payments. No royalty, overriding royalty, production or other payments shall be payable upon, or with respect to, Unitized Substances used or consumed in Unit Operations, or which otherwise may be lost or consumed in the production, handling, treating, transportation, or storing of Unitized Substances.

ARTICLE 10  
TRACTS TO BE INCLUDED IN UNIT

10.1 Qualification of Tracts. On and after the effective date hereof and until the enlargement or reduction thereof, the Tracts within the Unit Area which shall be entitled to participate in the production of Unitized Substances therefrom shall be those Tracts listed in Exhibit "B" that corner or have a common boundary (Tracts separated only by a public highway or a railroad right of way shall be considered to have a common boundary), and that otherwise qualify as follows:

10.1.1 Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement and as to which Royalty Owners owning seventy five percent (75%) or more of the Royalty Interest have become parties to this agreement.

10.1.2 Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement, and as to which Royalty Owners owning less than seventy five percent (75%) of the Royalty Interest have become parties to this agreement, and as to which (a) all Working Interest Owners in such Tract have joined in a request for the inclusion of such Tract in the Unit Area, and as to which (b) eighty five percent (85%) of the combined voting interests of Working Interest Owners in all Tracts that meet the requirements of Section 10.1.1 have voted in favor of the inclusion of such Tract. For the purpose of this Section 10.1.2, the voting interest of a Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Section 10.1.1 bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Section 10.1.1.

10.1.3 Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest have become parties to this agreement, regardless of the percentage of Royalty Interest therein that is committed hereto; and as to which (a) the Working Interest Owner who operates the Tract and all of the other Working Interest Owners in such Tract who have become parties to this agreement have joined in a request for inclusion of such Tract in the Unit Area, and have executed and delivered an indemnity agreement agreeing to indemnify and hold harmless the other Working Interest Owners in the Unit Area, their successors and assigns, against all claims and demands that may be made by the owners of Working Interests in such Tract who are not parties to this agreement, and which arise out of the inclusion of the Tract in the Unit Area; and as to which (b) eighty five percent (85%) of the combined voting interest of Working Interest Owners in all Tracts that meet the requirements of Section 10.1.1 and 10.1.2 have voted in favor of the inclusion of such Tract and to accept the indemnity agreement. For the purpose of this Section 10.1.3, the voting interest of each Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Sections 10.1.1 and 10.1.2 bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Sections 10.1.1 and 10.1.2. Upon the inclusion of such a Tract in the Unit Area, the Unit Participation that would have been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements, in proportion to their respective Working Interest in the Tract.

10.2 No Joinder Unless Tract Qualified. As the objective of this Unit Agreement is to have lands in the Unit Area operated and entitled to participation under the terms hereof, it is agreed that, notwithstanding anything else herein, no joinder shall be considered a commitment to this Unit Agreement unless the tract involved is qualified under Article 10 hereof.

ARTICLE 11  
TITLES

11.1 Removal of Tract from Unit Area. If a Tract ceases to have sufficient Working Interest Owners or Royalty Owners committed to this agreement to meet the conditions of Article 10 because of failure of title of any party hereto, such Tract shall be removed from the Unit Area effective as of the first day of the calendar month in which the failure of title is finally determined; however, the Tract shall not be removed from the Unit Area if, within ninety (90) days of the date of final determination of the failure of title, the Tract requalifies under a Section of Article 10.

11.2 Revision of Exhibits. If a Tract is removed from the Unit Area because of the failure of title, Unit Operator, subject to Section 6.3, shall recompute the Tract Participation of each of the Tracts remaining in the Unit Area and shall revise Exhibits "A" and "B" accordingly. The revised exhibits shall be effective as of the first day of the calendar month in which such failure of title is finally determined.

11.3 Working Interest Titles. If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of the failure of title shall be governed by the Unit Operating Agreement.

11.4 Royalty Owner Titles. If title to a Royalty Interest fails, but the Tract to which it relates is not removed from the Unit Area, the party whose title failed shall not be entitled to share hereunder with respect to such interest.

11.5 Production Where Title is in Dispute. In the event of a dispute as to title as to any royalty, working interest or other interest subject hereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State leases, no payments of funds due the State of New Mexico shall be withheld, but such funds shall be deposited as directed by the Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

11.6 Conflict of Supervision. Neither the Unit Operator nor the Working Interest Owners, nor any of them, shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the Working Interest Owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto and the Commission agree that all powers and authority vested in the Commission in and by any provisions of this agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

ARTICLE 12  
ENLARGEMENTS OF UNIT AREA

12.1 Enlargements of Unit Area. The Unit Area may when practicable be enlarged to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this Agreement. Such enlargement shall be effected in the following manner:

(a) The Working Interest Owner or Owners of a tract or tracts desiring to bring such tract or tracts into this Unit, shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed enlargement, setting out the basis for admission, the Tract participation to be assigned to such Tract or Tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise), if Working Interest Owners having in the aggregate at least eighty-five percent (85%) Unit Participation have agreed to such Tract or Tracts being brought into the Unit, then Unit Operator shall:

(1) After preliminary concurrence by the Commissioner prepare a notice of proposed enlargement describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the Participations to be assigned thereto and the proposed effective date thereof; and

(2) Deliver copies of said notice to the Commissioner, each Working Interest Owner and to the lessee and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above, with the Commissioner, the following: (a) Evidence of mailing or delivering copies of said notice of enlargement; (b) An application for such enlargement; (c) An instrument containing the appropriate joinders reflecting the qualifications of the new tract in the same manner required for the qualification of tracts under Section 10 hereof; and (d) Copies of any objections received.

The enlargement shall, after due consideration of all pertinent information and approval by the Commissioner and the Commission become effective as of the date prescribed in the notice thereof, preferably the first day of a month subsequent to the date of notice or on such other date as set by the Commissioner and the Commission in the order or instrument approving such enlargement. In any approved enlargement of the Unit Area, the revised Tract Participations of those Tracts which were committed prior to each such enlargement shall remain in the same ratio one to another.

#### ARTICLE 13 CHANGE OF TITLE

13.1 Covenant Running With the Land. This agreement shall extend to, be binding upon, and inure to the benefit of, the respective heirs, devisees, legal representatives, successors, and assigns of the parties hereto, and shall constitute a covenant running with the lands, leases, and interests covered hereby.

13.2 Notice of Transfer. Any conveyance of all or any part of any interest owned by any party hereto with respect to any Tract shall be made expressly subject to this agreement. No change of title shall be binding on the Unit Operator, or upon any party hereto other than the party so transferring, until the first day of the calendar month next succeeding the date of receipt by Unit Operator of a photocopy or a certified copy of the recorded instrument evidencing such change in ownership.

13.3 Waiver of Rights to Partition. Each party hereto covenants that during the existence of this agreement, it will not resort to any action to partition the Unit Area or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

#### ARTICLE 14 RELATIONSHIP OF PARTIES

14.1 No Partnership. The duties, obligations, and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create, and shall not be construed to create, an

association or trust, or to impose a partnership duty, obligation, or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

14.2 No Sharing of Market. This agreement is not intended to provide, and shall not be construed to provide, directly or indirectly, for any cooperative refining, joint sale, or marketing of Unitized Substances.

14.3 Royalty Owners Free of Costs. This agreement is not intended to impose, and shall not be construed to impose, upon any Royalty Owner any obligation to pay for Unit Expense unless such Royalty Owner is otherwise so obligated.

14.4 Information to Royalty Owners. Each Royalty Owner upon written request therefor shall be entitled to all information in possession of Unit Operator to which such Royalty Owner is entitled by an existing agreement with any Working Interest Owner.

14.5 Appearances. Unit Operator shall, after notice to the other parties affected, have the right to appear for or on behalf of any and all interests affected hereby before the Commissioner, the Department, and the Commission, and to appeal from any order issued under the rules and regulations of the Commissioner, the Department or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Commissioner, the Department or the Commission or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

14.6 Notices. All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

14.7 No Waiver of Certain Rights. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the United States or of the State of New Mexico or rules or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

#### ARTICLE 15 LAWS AND REGULATIONS

15.1 Laws and Regulations. This agreement shall be subject to the conservation laws of the State of New Mexico; to the valid rules, regulations, and orders of the Oil Conservation Commission of New Mexico; and to all other applicable federal, state, and municipal laws, rules, regulations, and orders.

#### ARTICLE 16 FORCE MAJEURE

16.1 Force Majeure. All obligations imposed by this agreement on each party, except for the payment of money, shall be suspended while compliance is prevented, in whole or in part, by a strike, fire, war, civil disturbance, act of God; by federal, state, or municipal laws; by any rule, regulation, or other cause or causes beyond reasonable control of the party. No party shall be required against its will to adjust or settle any labor dispute. Neither this agreement nor any lease or other instrument subject hereto shall be terminated by reason of suspension of Unit Operations due to any one or more of the causes set forth in this Article.

#### ARTICLE 17 EFFECTIVE DATE

17.1 Effective Date. This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification



by such party and, unless sooner terminated as herein provided, shall become effective as of 7:00 o'clock a.m. of the first day of the calendar month next following:

17.1.1 The execution or ratification of this Agreement and the Unit Operating Agreement by Working Interest Owners owning a combined Unit Participation of at least eighty-five percent (85%), and the execution or ratification of the Agreement by Royalty Owners owning a combined interest of at least sixty-five percent (65%) of the Royalty Interest, in said Unit Area; and

17.1.2 The approval of this Agreement by the Commissioner and the Commission; and

17.1.3 The filing of at least one counterpart of this Agreement for record in the office of the County Clerk of Lea County, New Mexico, by the Unit Operator; and provided, further, that if the requirements of Section 17.1 are not accomplished on or before September 1, 1970, this Agreement shall ipso facto expire on said date (hereinafter called "expiration date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined Unit Participation of at least seventy-five (75%), and the Working Interest Owners owning a combined Unit Participation of at least sixty-five percent (65%) committed to this Agreement have decided to extend said expiration date for a period not to exceed twelve (12) months (hereinafter called "extended expiration date"). If said expiration date is so extended and the requirements of Section 17.1 are not accomplished on or before said extended expiration date, this Agreement shall ipso facto expire on said extended expiration date and thereafter be of no further force and effect.

17.2 Certificate of Effectiveness. Unit Operator shall, within thirty (30) days after the effective date of this Agreement, file for record in the office where a counterpart of this Agreement is recorded, a certificate to the effect that this Agreement has become effective according to its terms and stating further the effective date.

#### ARTICLE 18 TERM

18.1 Term. The term of this agreement shall be for the time that Unitized Substances are produced in paying quantities and as long thereafter as Unit Operations are conducted without a cessation of more than one hundred eighty (180) consecutive days, unless sooner terminated by Working Interest Owners in the manner herein provided.

18.2 Termination by Working Interest Owners. This agreement may be terminated by Working Interest Owners having a combined Unit Participation of at least eighty five percent (85%) whenever such Working Interest Owners determine that Unit Operations are no longer profitable or feasible.

18.3 Effect of Termination. Upon termination of this agreement, the further development and operation of the Unitized Formation as a unit shall be abandoned, Unit Operations shall cease, and thereafter the parties shall be governed by the provisions of the leases and other instruments affecting the separate Tracts.

18.4 Salvaging Equipment Upon Termination. If not otherwise granted by the leases or other instruments affecting each Tract unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after the date of termination of this agreement within which to salvage and remove Unit Equipment.

ARTICLE 19  
EXECUTION

19.1 Original, Counterpart, or Other Instrument. A person may become a party to this agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof. The signing of any such instrument shall have the same effect as if all the parties had signed the same instrument.

19.2 Joinder in Dual Capacity. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests that may be owned or controlled by such party.

ARTICLE 20  
GENERAL

20.1 Amendments Affecting Working Interest Owners. Amendments hereto relating wholly to Working Interest Owners may be made if signed by all Working Interest Owners.

20.2 Border Agreements. Subject to the approval of the Commissioner, the Unit Operator, with concurrence of at least one other Working Interest Owner whose unit participation totals at least two per cent (2%), based upon the percentages of participation, may enter into a border protection agreement or agreements with the Working Interest Owners of adjacent lands along the boundaries of the unit area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

20.3 Action by Working Interest Owners. Any action or approval required by Working Interest Owners hereunder shall be in accordance with the provisions of the Unit Operating Agreement.

20.4 Lien of Unit Operator. Unit Operator shall have a lien upon the interests of Working Interest Owners in the Unit Area to the extent provided in the Unit Operating Agreement.

20.5 Creation of New Interest. If any Working Interest Owner shall, after executing this agreement, create any overriding royalty, production payment, or net profits or carried interest, or other similar interest, hereafter referred to as "New Interest", out of its interest subject to this agreement, such New Interest shall be subject to all the terms and provisions of this agreement and Section 11.5 of the Unit Operating Agreement.

IN WITNESS WHEREOF, The parties hereto have executed this agreement on the dates opposite their respective signatures.

TEXACO INC.

DATE: November 7, 1969

APPROVED AND  
witnessed by  
J.R.

By: [Signature]  
Attorney-in-Fact

Address: P. O. Box 3109  
Midland, Texas 79701

UNIT OPERATOR AND WORKING INTEREST OWNER

AMERADA HESS CORPORATION

DATE: \_\_\_\_\_

ATTEST: [Signature]  
Asst. Secretary

By: [Signature]  
Vice-President  
Amerada Division

ROYALTY OWNERS BY RATIFICATION

STATE OF Texas

COUNTY OF Midland

The foregoing instrument was acknowledged before me this 7th  
day of November, 1969 by V. F. Dullnig,  
Attorney-in-Fact of TEXACO INC., a Delaware Corporation, on behalf of said  
corporation.

My Comm. expires:  
6-1-71

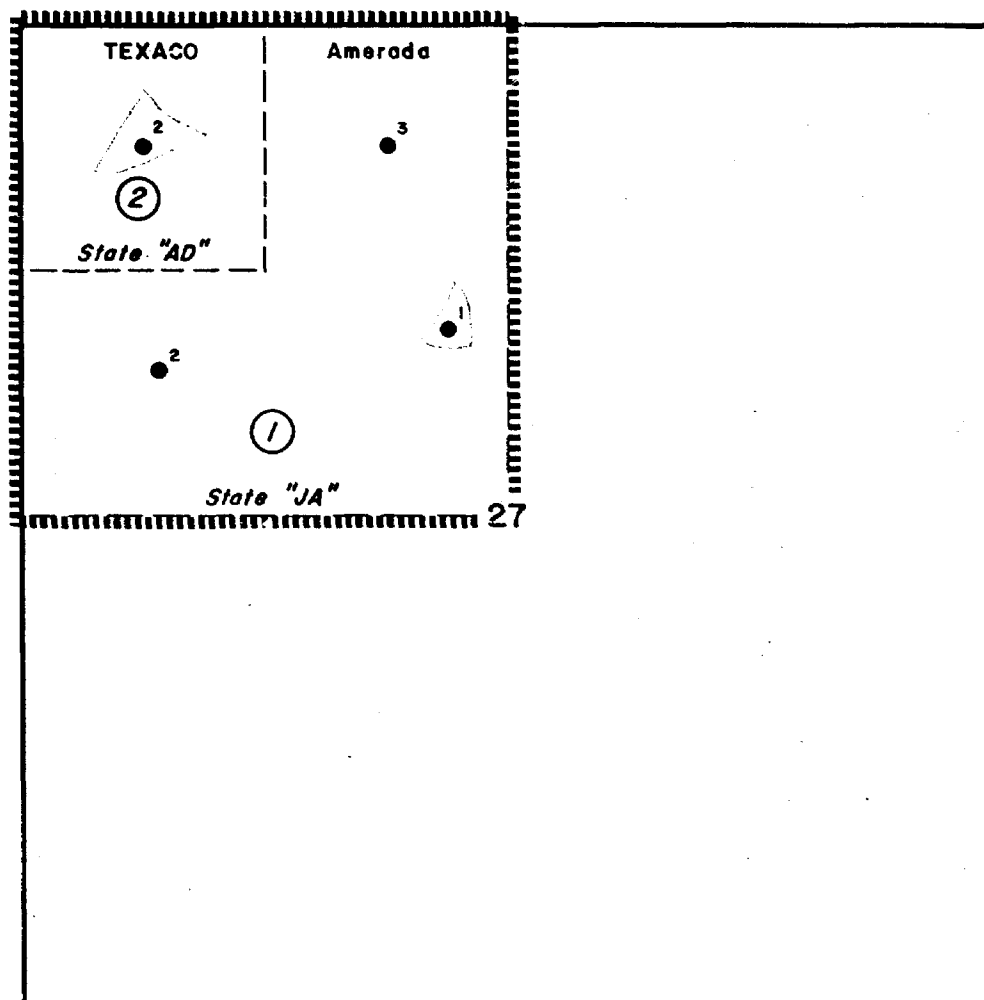
Elouise Lubmann  
Notary Public in and for Midland  
County, Texas

STATE OF Oklahoma

COUNTY OF LeFlore

The foregoing instrument was acknowledged before me this 26th  
day of September, 1969 by H. A. Nedom, Vice President  
~~Attorney-in-Fact of~~ AMERADA HESS CORPORATION Amerada Division,  
a corporation, on behalf of said corporation.

Lucille J. Carraway  
Notary Public in and for the State of Oklahoma  
County, \_\_\_\_\_



# LEGEND

UNIT OUTLINE

② TRACT NUMBER

## EXHIBIT "A"

STATE "JD" UNIT  
RHODES YATES FIELD  
LEA COUNTY, NEW MEXICO

T 26 S R 37 E

SCALE: 1" = 1000'

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
STATE "JD" UNIT AREA  
RPODES YATES FIELD  
STATE OF NEW MEXICO

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UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
STATE "JD" UNIT AREA  
LEA COUNTY, NEW MEXICO  
NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 1st day of September 1, 1969,  
by and between the parties subscribing, ratifying or consenting hereto, and herein  
referred to as the "parties hereto,"

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico  
is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as  
amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 32, N.M.  
Statutes 1953 Annot.), to consent to and approve the development or operation  
of State Lands under agreements made by lessees of State land jointly or severally  
with other lessees where such agreements provide for the unit operation or develop-  
ment of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico  
is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951,  
Chap. 7, Art. 11, Sec. 41 N. M. Statutes 1953 Annotated) to amend with the ap-  
proval of lessee, evidenced by the lessee's execution of such agreement or other-  
wise, any oil and gas lease embracing State lands so that the length of the term  
of said lease may coincide with the term of such agreements for the unit opera-  
tion and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico  
(Hereinafter referred to as the "Commission") is authorized by an Act of the  
Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N. M. Statutes 1953  
Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the State "JD"  
Unit Area covering the land hereinafter described to give reasonably effective  
control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural  
resources, prevent waste and secure other benefits obtainable through develop-  
ment and operation of the area subject to this agreement under the terms, condi-  
tions and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises here-  
in contained, the parties hereto commit to this agreement their respective in-  
terests in the below defined unit area, and agree severally among themselves as  
follows:

ARTICLE I  
DEFINITIONS

As used in this agreement, the terms herein contained shall have the  
following meaning:

1.1 Commissioner means the Commissioner of Public Lands of the State  
of New Mexico.

1.2 Commission means the Oil Conservation Commission of the State of  
New Mexico.

1.3 Unit Area means the lands described by tracts in Exhibit A and shown on Exhibit A or to which this agreement becomes effective or to which it may be extended as herein provided.

1.4 Unitized Formation means the area over which the oil is recovered between the depths of 1912 feet and 100 feet below the derrick floor elevation on the Lane 1011 well in its leg of the Spanish Petroleum Corporation State "JA" Well No. 2, located 165 feet from the west line and 1875 feet from the north line of Section 27, Township 26 South, Range 37 East, Lea County, New Mexico.

1.5 Unitized Substances means all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.

1.6 Working Interest means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, which interest is chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing, and operating the Unitized Formation. Any interest in Unitized Substances which is a Working Interest as of the date the owner thereof executes or ratifies this Agreement shall thereafter be treated as a Working Interest for all purposes of this Agreement.

1.7 Working Interest Owner means a party hereto who owns a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

1.8 Royalty Interest means a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.

1.9 Royalty Owner means a party hereto who owns a Royalty Interest.

1.10 Tract means each parcel of land described as such and given a Tract number in Exhibit B.

1.11 Unit Operating Agreement means the agreement entitled "Unit Operating Agreement, State "JA" Unit, Lea County, New Mexico" of the same effective date as the effective date of this agreement, and which is entered into by Working Interest Owners.

1.12 Unit Operator means the Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to develop and operate the Unitized Formation, acting as operator and not as a Working Interest Owner.

1.13 Tract Participation means the percentage shown on Exhibit B for allocating Unitized Substances to a Tract under this agreement.

1.14 Unit Participation of each Working Interest Owner means the one of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation of such Tract.

1.15 Water Injection means all substances obtained from a source other than the Unitized Formation and which are injected into the Unitized Formation.

1.16 Oil and Gas means the right to explore, develop, produce or lease lands with the right to use the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

1.17 Unit Operator means all persons who are authorized by the Unit Operating Agreement to explore, develop, produce or lease lands with the right to use the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.



3.3. The terms of this and other Agreements, the provisions of the various Leases, contracts, division orders, or other instruments covering the respective interests in the production therefrom shall to the extent necessary to make them conform to the provisions of this agreement, but otherwise shall remain in effect.

3.4. Continuation of Leases and Term Royalties. Unit operations conducted on any part of the Unit Area shall be considered with respect to leases and term royalties as follows:

3.4.1. Operations, including drilling operations, conducted with respect to the Unitized formation on any part of the Unit Area, or production from any part of the Unitized formation, except for the purpose of determining payments to Royalty Owners, shall be considered as operations upon or production from each Tract, and such operations or production shall continue in effect each lease or term royalty interest as to all lands covered thereby just as if such operations had been conducted and a well had been drilled on and was producing from each Tract.

3.4.2. Any lease embracing lands of the State of New Mexico which is made subject to this Agreement shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

3.4.3. Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to the portion committed and that portion not committed, and the terms of such lease shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease (whether within or without the Unit Area), (i) if, and for so long as Unitized Substances are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement, or (ii) if, and for so long as some part of the lands embraced in such State lease are allocated Unitized Substances; or (iii) if, at the expiration of the secondary term, the lease or the Unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein and for so long as such operations are being diligently prosecuted, and if they result in the production of Unitized Substances, said lease shall continue in full force and effect as to all of the lands embraced therein, as provided in (i) or (ii) above.

3.5. Title Unaffected by Unitization. Nothing herein shall be construed to result in the transfer of title to the Oil and Gas Rights by any party hereto to any other party, or to the Unit operator. The intention is to provide for the cooperative development and operation of the Tracts and for the sharing of Unitized Substances as herein provided.

3.6. Right to Drill. The Unit operator shall have the right to drill in the Unit Area for oil and gas, and to use producing or abandoned oil or gas wells for such purposes, including the right to drill or rework existing wells in the Unit Area and to use producing or abandoned oil or gas wells for such purposes.

3.7. Obligation to Develop. The Unit operator shall have the obligation to develop reasonably as to all the lands and leases committed hereto.

3.8. Land Not Subject to this Agreement. Any land not subject to this Agreement, or any land not subject to this Agreement, shall not be included in the Unit Area.

## PLAN OF OPERATIONS

All "Initiating Interest" shall be, in each instance, the interest that the owner of the "Initiating Interest" desires and intends to keep the duties and obligations of the "Initiating Interest" operation, the "Initiating Interest" and the "Initiating Interest" as herein provided. The term "Initiating Interest" shall mean the "Initiating Interest" in the "Initiating Interest", such as evidence being the "Initiating Interest" in that capacity and not as an owner of interests in "Initiating Interest", and the term "Working Interest" shall then and thereinafter include or refer to "Initiating Interest" as the owner of a "Working Interest" when such an interest is owned by it.

4.2. Resignation at Any Time of Unit Operator. Unit operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such unless a successor Unit Operator has been selected and approved in the manner provided for in Section 4.3 of this agreement. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator shall, upon default or failure in the performance of its duties or obligations hereunder, or for any other cause, be subject to removal by Working interest owners having in the aggregate seventy-five percent (75%) or more of the Unit Participation remaining after excluding the Unit Participation of the Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of Unit Operator under this agreement shall not terminate his rights, title or interest as the owner of a Working Interest or other interest in United Subal Seas, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, tools, and sundries, materials, appurtenances and any other assets, used in connection with the unit operations and owned by the Working Interest Owners to the now duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing the removal of any material, equipment and appurtenances needed for the preservation of any wells.

4.3 Successor Unit Operator. Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as heretofore provided, the Working Interest Owners shall select a successor Unit Operator as herein provided. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been filed with and approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner, at his election, may declare this Agreement terminated.

[illegible]

The initial plan of operation shall be filed for approval with the Commission and the Commission concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operation and all-revised as there-of shall be as complete and adequate as the Commission and the Commission may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for like approval a plan for an additional specified period of operation.

4.6. Title and Obligations of Unit Operator. Except as otherwise specifically provided herein, the Unit Operator shall have the right and duty of exercising any and all rights of the parties hereto which are now, hereafter or hereinafter for prospecting for, producing, storing, allocating and distributing the United States natural gas hereby allocated to it shall be exercised by the Unit Operator as herein provided. Upon receipt of reliable evidence of title to said rights shall be deposited with the Unit Operator, and together with this Agreement, shall constitute and define the title, interests and obligations of the Unit Operator. Nothing herein shall be construed to limit the title or interest or to create any expectation that shall be fully understood and agreed to by the Unit Operator, in its capacity as Unit Operator, shall exercise the rights and operation and use vested in the parties hereto only for the purposes herein specified.

ARTICLE 6  
TRACT PARTICIPATION

6.1. The Tract Participation Percentage of each Tract as shown in Exhibit "B", and have been computed in accordance with the following:

Tract Participation Percentage,  
equals  
percentage of surface area  
held by the parties hereto, within  
the unit area, as shown in Exhibit "A".

6.2. Adjusted Tract Participation. If less than 11 Tracts within the Unit Area are committed for the effective date of this Agreement, 10% thereafter, as soon as practicable thereafter, shall file with the Commission schedules of committed Tracts as of said effective date, which said schedules shall be designated "Revised Exhibit A", and "Revised Exhibit B", and shall be considered for all purposes as a part of this agreement. Such Revised Exhibit "B" shall set forth opposite each such committed Tract the revised Tract Participation therefor which shall be calculated by using the same Tract factors and formulae that were used to arrive at the Tract Participations of each Tract as set out in Original Exhibit "B" attached hereto, by applying the same only to the committed Tracts. Such revised Exhibits shall supersede, effective as of the effective date hereof, the Tract Participations set forth in Exhibit "B" attached hereto until a further revision or revisions thereof is approved by the Commission. The Tract Participations shown on Exhibit "B" attached hereto, or as may be shown on revised Exhibit "B" as above provided, shall govern the allocation of Unitized Substances on and after the effective date of this Unit Agreement, as set forth in Section 17 hereof, and until the allocation schedule is revised pursuant to this agreement.

6.3. Relative Tract Participation. If the Unit Area is enlarged or reduced, the revised Tract Participations of the Tracts remaining in the Unit Area and which were within the Unit Area prior to the enlargement or reduction shall remain in the same ratio one to another.

ARTICLE 7  
ALLOCATION OF UNITIZED SUBSTANCES

7.1. Allocation to Tracts. All Unitized Substances produced and saved (less and except for a part of such Unitized Substances used in connection with good operating practices or necessary the Unitized production of Unitized Substances for drilling, operating, casing, and other production or development purposes and for pressure maintenance or unavoidable loss) shall be allocated to the several Tracts in accordance with the relative Tract Participation. The amount of Unitized Substances allocated to each Tract, regardless of whether it is more or less than the actual production of Unitized Substances from the well or wells, if any, on such Tract, shall be deemed for all purposes to have been produced from such Tract.

7.2. Allocation of Unitized Substances. The Unitized Substances allocated to each Tract shall be allocated to the several parties who are entitled to share in the production of such Unitized Substances from the well or wells, if any, on such Tract, in proportion to their respective ownership interests in the production of such Unitized Substances from the well or wells, if any, on such Tract. The parties who are entitled to share in the production of such Unitized Substances from the well or wells, if any, on such Tract, shall be deemed for all purposes to have been produced from such Tract.

7.3. Allocation of Unitized Substances. The Unitized Substances allocated to each Tract shall be allocated to the several parties who are entitled to share in the production of such Unitized Substances from the well or wells, if any, on such Tract, in proportion to their respective ownership interests in the production of such Unitized Substances from the well or wells, if any, on such Tract. The parties who are entitled to share in the production of such Unitized Substances from the well or wells, if any, on such Tract, shall be deemed for all purposes to have been produced from such Tract.

Any party individually or jointly or separately disposing of all or any part of the United Indian or allotted lands, or receiving the proceeds therefrom, if the same is sold or purchased by him or her, shall be responsible for the payment of all Royalty due under the lease or leases covering the Tracts contributed by it and received into the Unit, and each such party shall hold each other party hereto harmless against all claims, demands and causes of action for such Royalty on the lease or leases and Tracts contributed by it to the Unit Area.

7.5. Regularly Paid Rent. The State of New Mexico and all Beneficial Units who, under an existing contract, are entitled to take in kind a share in the production produced by the leased oil and/or gas properties, shall continue to be entitled in such right to take in kind their share of the entitled production allocated to each level, and said ownership shall entitle delivery of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for a value interest not taken in kind shall be made by paying interest due to a reasonable degree under existing contracts, laws and regulations on a yearly basis on the last day of each month for the period of interest demanded during the preceding calendar month; provided, however, that in the event the lease contained a provision to require the lessee of any land and/or their representative lessee still alive, or the representative of any Beneficial Unit or their lessee, to take in kind such royalty shall be computed in accordance with the terms of this Unit Trust Agreement.



1. The term "liquid petroleum gas" shall mean the liquid portion of any petroleum or other hydrocarbon substance which is classified by the Bureau of Mines as a liquid petroleum gas, and which is in the liquid state at a pressure of 14.7 pounds per square inch absolute and at a temperature of 60 degrees Fahrenheit. It shall not include any substance which is classified by the Bureau of Mines as a solid petroleum product or as a solid hydrocarbon substance.

1. All ground siting, including all other expenses due on or on account of, shall be paid by the lessee, interest thereon being the rate and conditions contained in the leasehold, provided that nothing herein contained shall operate to reduce the burden of any lease and their respective lease obligations for the payment of any rental or other liability in lieu thereof, due under their leases. Rental on lands of the State of New Mexico subject to this Agreement shall be paid at the rate specified in the respective Leases from the State of New Mexico.

### APPENDIX B

#### PRODUCTION AS OF THE PRODUCTIVE UNIT

5.1. All bills, receipts, bills of exchange and all forms and other documents which are required to obtain the benefit of any such bill or other document, the billholder or other person to whom the bill or other document is payable, shall be presented to the bank on the day of the maturity of the bill or other document, and shall be duly stamped and signed by the person entitled thereto, and if the bill or other document is not duly stamped and signed, it shall be void by the Bank of England for all purposes, and the person entitled thereto, subject to the payment of all expenses, including interest, on the bill or other document, and all other payments and charges which may be payable by the bank or other person to whom the bill or other document is payable, shall be regarded as entitled to the same as if it were duly stamped and signed.

[illegible][illegible]

...the failure of title, the price of the title shall be paid to the party who has failed to provide title, and the party who has failed to provide title shall be liable for the same. ...

11.1. ...the failure of title, the price of the title shall be paid to the party who has failed to provide title, and the party who has failed to provide title shall be liable for the same. ...

11.2. ...the failure of title, the price of the title shall be paid to the party who has failed to provide title, and the party who has failed to provide title shall be liable for the same. ...

11.3. ...the failure of title, the price of the title shall be paid to the party who has failed to provide title, and the party who has failed to provide title shall be liable for the same. ...

11.4. ...the failure of title, the price of the title shall be paid to the party who has failed to provide title, and the party who has failed to provide title shall be liable for the same. ...

11.5. ...the failure of title, the price of the title shall be paid to the party who has failed to provide title, and the party who has failed to provide title shall be liable for the same. ...

11.6. ...the failure of title, the price of the title shall be paid to the party who has failed to provide title, and the party who has failed to provide title shall be liable for the same. ...



1. The contract shall be subject to the applicable federal, state, and local laws, rules, regulations, and orders.

and the said fifty-five percent (55%) of the Royalty interest, in said stock, 1931, 1932,

[illegible]

19

[illegible]

ARTICLE 19  
EXECUTION

19.1 Original, Counterpart, or Other Instrument. A person may become a party to this agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof. The signing of any such instrument shall have the same effect as if all the parties had signed the same instrument.

19.2 Joinder in Dual Capacity. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests that may be owned or controlled by such party.

ARTICLE 20  
GENERAL

20.1 Amendments Affecting Working Interest Owners. Amendments hereto relating wholly to Working Interest Owners may be made if signed by all Working Interest Owners.

20.2 Border Agreements. Subject to the approval of the Commissioner, the Unit Operator, with concurrence of at least one other Working Interest Owner whose unit participation totals at least two per cent (2%), based upon the percentages of participation, may enter into a border protection agreement or agreements with the Working Interest Owners of adjacent lands along the boundaries of the unit area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

20.3 Action by Working Interest Owners. Any action or approval required by Working Interest Owners hereunder shall be in accordance with the provisions of the Unit Operating Agreement.

20.4 Lien of Unit Operator. Unit Operator shall have a lien upon the interests of Working Interest Owners in the Unit Area to the extent provided in the Unit Operating Agreement.

20.5 Creation of New Interest. If any Working Interest Owner shall, after executing this agreement, create any overriding royalty, production payment, or net profits or carried interest, or other similar interest, hereafter referred to as "New Interest", out of its interest subject to this agreement, such New Interest shall be subject to all the terms and provisions of this agreement and Section 11.5 of the Unit Operating Agreement.

IN WITNESS WHEREOF, The parties hereto have executed this agreement on the dates opposite their respective signatures.

TEXACO INC.

DATE: November 7, 1969

W. D. Brown & N.  
Per: J. R.

By: [Signature]  
Attorney-in-Fact

Address: P. O. Box 3109  
Midland, Texas 79701

UNIT OPERATOR AND WORKING INTEREST OWNER

AMERADA HESS CORPORATION

DATE: \_\_\_\_\_

ATTEST: [Signature]  
Asst. Secretary

By: [Signature]  
Vice-President  
Amerada Division

ROYALTY OWNERS BY RATIFICATION

STATE OF Texas

COUNTY OF Midland

The foregoing instrument was acknowledged before me this 7th  
day of November, 1969 by V. F. Dullais,  
**Attorney-in-Fact of TEXACO INC., a Delaware Corporation, on behalf of said**  
**corporation.**

My Comm. expires:  
6-1-71

*Clarence Salas*  
Notary Public in and for Midland  
County, Texas

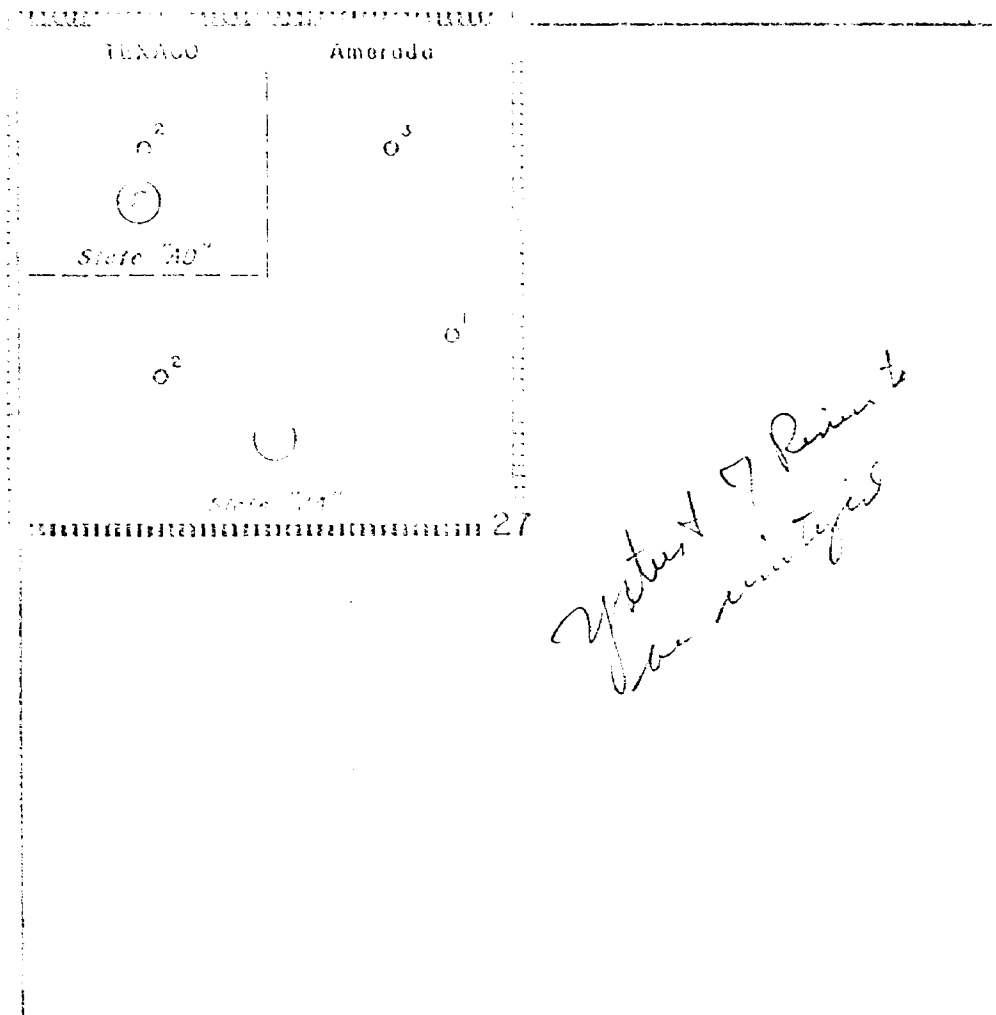
STATE OF Oklahoma

COUNTY OF Deer

The foregoing instrument was acknowledged before me this 7th  
day of September, 1969 by H. A. Haden, Vice President  
~~Attorney-in-Fact of~~ AMERICAN BEES CORPORATION Deerada, Texas,  
a corporation, on behalf of said corporation.

*Lucille L. Carson*  
Notary Public in and for the State of Oklahoma  
County, \_\_\_\_\_





TRACT BOUNDARY

TRACT BOUNDARY

[illegible][illegible]

NOTE: DUE TO THE THANKSGIVING HOLIDAY, THIS HEARING IS SCHEDULED FOR TUESDAY RATHER THAN WEDNESDAY AS CUSTOMARY.

Docket No. 32-69

DOCKET: EXAMINER HEARING - TUESDAY - NOVEMBER 25, 1969

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Elvis A. Utz, Alternate Examiner:

- CASE 4259: Application of Aztec Oil & Gas Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the perforated interval from 5112 feet to 5138 feet in its State "SS" Well No. 1 located in Unit F of Section 24, Township 17 South, Range 36 East, Spencer-San Andres Pool, Lea County, New Mexico.
- CASE 4260: Application of Tamarack Petroleum Company, Inc. for a water-flood expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Northeast Pearl Queen Unit Waterflood Project, Pearl-Queen Pool, by the conversion to water injection one additional injection well, its Unit Well No. 18, located in Unit L of Section 23, Township 19 South, Range 35 East, Lea County, New Mexico.
- CASE 4261: Application of Pennzoil United, Inc., for special pool rules and unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, including a provision for 320-acre spacing units. Applicant further seeks approval of the unorthodox location in said pool for its Mescalero Ridge Well No. 1 at a location 660 feet from the South line and 660 feet from the West line of Section 20, Township 19 South, Range 34 East.
- CASE 4262: Application of Plains Radio Broadcasting Company for an exception to Order No. R-3221, as amended, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico. Said exception would be for the applicant's White Ranch Well No. 1 located in Unit E of Section 34, Township 11 South, Range 29 East, White Ranch Siluro-Devonian Pool, Chaves County, New Mexico. Applicant seeks authority to dispose of salt

water produced by said well in an unlined surface pit located in the vicinity of said well. In the alternative, applicant seeks authority to dispose of said produced water into the Siluro-Devonian formation in the perforated interval from 8743 feet to 8750 feet in its White Ranch Well No. 3 located in Unit M of said Section 34.

CASE 4263: Application of Wynn & Brooks for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Federal "E" Well No. 3, to be located 590 feet from the South line and 1590 feet from the West line of Section 13, Township 27 North, Range 8 West, Blanco-Mesaverde and Basin-Dakota Pools, San Juan County, New Mexico.

CASE 4264: Application of Wynn & Brooks for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Federal "J" Well No. 1, to be located 2390 feet from the South line and 2410 feet from the East line of Section 11, Township 27 North, Range 8 West, Blanco-Mesaverde and Basin-Dakota Pools, San Juan County, New Mexico.

CASE 4265: Application of Union Oil Company of California for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Yates, San Andres and other formations in the open-hole interval from approximately 4450 feet to 5890 feet in its Midway State Well No. 3 located in Unit J, Section 12, Township 17 South, Range 36 East, Lovington Field Lea County, New Mexico.

CASE 4245: (Continued from the November 5, 1969, Examiner Hearing) Application of Texas Pacific Oil Company, Inc., for several non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the dedication and rededication of certain acreage and the establishment of the following non-standard gas proration units in Townships 22 and 23 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico:

(Case 4245 continued)

A 160-acre unit comprising the W/2 SE/4 and the E/2 SW/4 of Section 8, Township 22 South, Range 36 East, to be dedicated to the State "A" a/c-2 Well No. 56 located in Unit J of said Section 8;

A 200-acre unit comprising the NW/4 and the NW/4 SW/4 of Section 11, Township 22 South, Range 36 East, to be dedicated to the State "A" a/c-2 Well No. 42 located in Unit E of said Section 11;

A 280-acre unit comprising the SE/4, S/2 SW/4, and the NE/4 SW/4 of Section 11, Township 22 South, Range 36 East, to be dedicated to the State "A" a/c-2 Well No. 36 located in Unit M of said Section 11;

A 200-acre unit comprising the N/2 NE/4, the SE/4 NE/4, and the NE/4 NW/4 of Section 15 and the SE/4 SW/4 of Section 10, Township 23 South, Range 36 East, to be dedicated to the State "A" a/c-1 Well No. 31 located in Unit H of said Section 15;

A 160-acre unit comprising the S/2 NW/4, SW/4 NE/4 and the NW/4 NW/4 of Section 15, Township 23 South, Range 36 East, to be dedicated to the State "A" a/c-1 Well No. 33 located in Unit F of said Section 15;

A 240 acre unit comprising the SW/4 of Section 3, and the N/2 NW/4 of Section 10, Township 23 South, Range 36 East, to be dedicated to the State "A" a/c-1 Well No. 35 located in Unit I of said Section 3;

A 160-acre unit comprising the S/2 NW/4 and N/2 SW/4 of Section 10, Township 23 South, Range 36 East, to be dedicated to the State "A" a/c-1 Well No. 37 located in Unit F of said Section 10.

CASE 4266: Application of Texas Pacific Oil Company, Inc., for several non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the dedication and rededication of certain acreage and the establishment of the following non-standard gas proration units in Township 22 South, Range 36 East, Salmat Gas Pool, Lea County, New Mexico:

-4-

(Case 4266 continued)

A 280-acre unit comprising the SW/4 of Section 9 and the E/2 SE/4 and SW/4 SE/4 of Section 8 to be dedicated to the State "A" a/c-2 Well No. 38 located in Unit K of said Section 9;

A 160-acre unit comprising the E/2 SW/4, SW/4 SW/4 and NW/4 SE/4 of Section 8 to be dedicated to the State "A" a/c-2 Well No. 56 located in Unit J of said Section 8;

A 120-acre unit comprising the S/2 NW/4 and NW/4 SW/4 of Section 8 to be dedicated to the State "A" a/c-2 Well No. 51 located in Unit F of said Section 8;

A 160-acre unit comprising the SW/4 of Section 5 to be dedicated to the State "A" a/c-2 Well No. 41 located in Unit M of said Section 5;

A 160-acre unit comprising the NW/4 of Section 5 to be dedicated to the State "A" a/c-2 Well No. 44 located in Unit F of said Section 5;

A 160-acre unit comprising the SE/4 of Section 5 to be dedicated to the State "A" a/c-2 Well No. 27 located in Unit P of said Section 5.

CASE 4267: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Edward M. Kriss and all other interested parties to appear and show cause why the Edward M. Kriss Little Chama Valley Company Well No. 1, a wildcat well, located 545 feet from the North line and 1530 feet from the West line of Section 2, Township 1 North, Range 2 East, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 4268: Application of Texaco Inc., for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the State "JD" Unit Area comprising 160 acres, more or less, of State lands in the NW/4 of Section 27, Township 26 South, Range 37 East, Rhodes (Yates-Seven Rivers) Pool, Lea County, New Mexico.

- CASE 4269: Application of Texaco Inc. for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its State "JD" Unit Area by the injection of water into the Yates-Seven Rivers formations through two wells located in Unit D and Unit E of Section 27, Township 26 South, Range 37 East, Rhodes (Yates-Seven Rivers) Pool, Lea County, New Mexico.
- CASE 4270: Application of Byron McKnight for an exception to Order No. R-111-A, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the potash-oil area casing and cementing rules as set forth in Commission Order No. R-111-A. Applicant proposes to drill to a depth of approximately 3800 feet in the Yates formation two exploratory wells located in the SW/4 NE/4 and SE/4 NE/4 of Section 26, Township 19 South, Range 33 East, Lea County, New Mexico, in such a manner as to eliminate the necessity of running the salt protection string required by said Order No. R-111-A provided the production string would be cemented to the surface.
- CASE 4271: Application of Texaco Inc. for a waterflood expansion and amendment of Order No. R-2748, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its waterflood project in the Rhodes (Yates-Seven Rivers) Pool, authorized by Order No. R-2748, by the injection of water through four additional wells in Sections 22 and 27 of Township 26 South, Range 37 East, Lea County, New Mexico. Applicant further seeks amendment of said order to establish a procedure whereby additional injection wells as may be necessary to complete an efficient injection pattern may be approved administratively.
- CASE 4272: Application of Shell Oil Company for an unorthodox oil well location and to directionally drill. Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Sanger Well No. 6 at an unorthodox surface location in Unit E 1490 feet from the North line and 330 feet from the West line of Section 27, Township 18 South, Range 38 East, Hobbs (Grayburg-San Andres) Pool, Lea County, New Mexico. Applicant further seeks authority to directionally drill said well in such a manner as to bottom the well in the subject pool at a point in Unit D of said Section 27 approximately 200 feet north of said surface location. Applicant proposes to dedicate said Unit D to the well.

November 25, 1969 - Examiner Hearing

Bracket No. 32-69

-6-

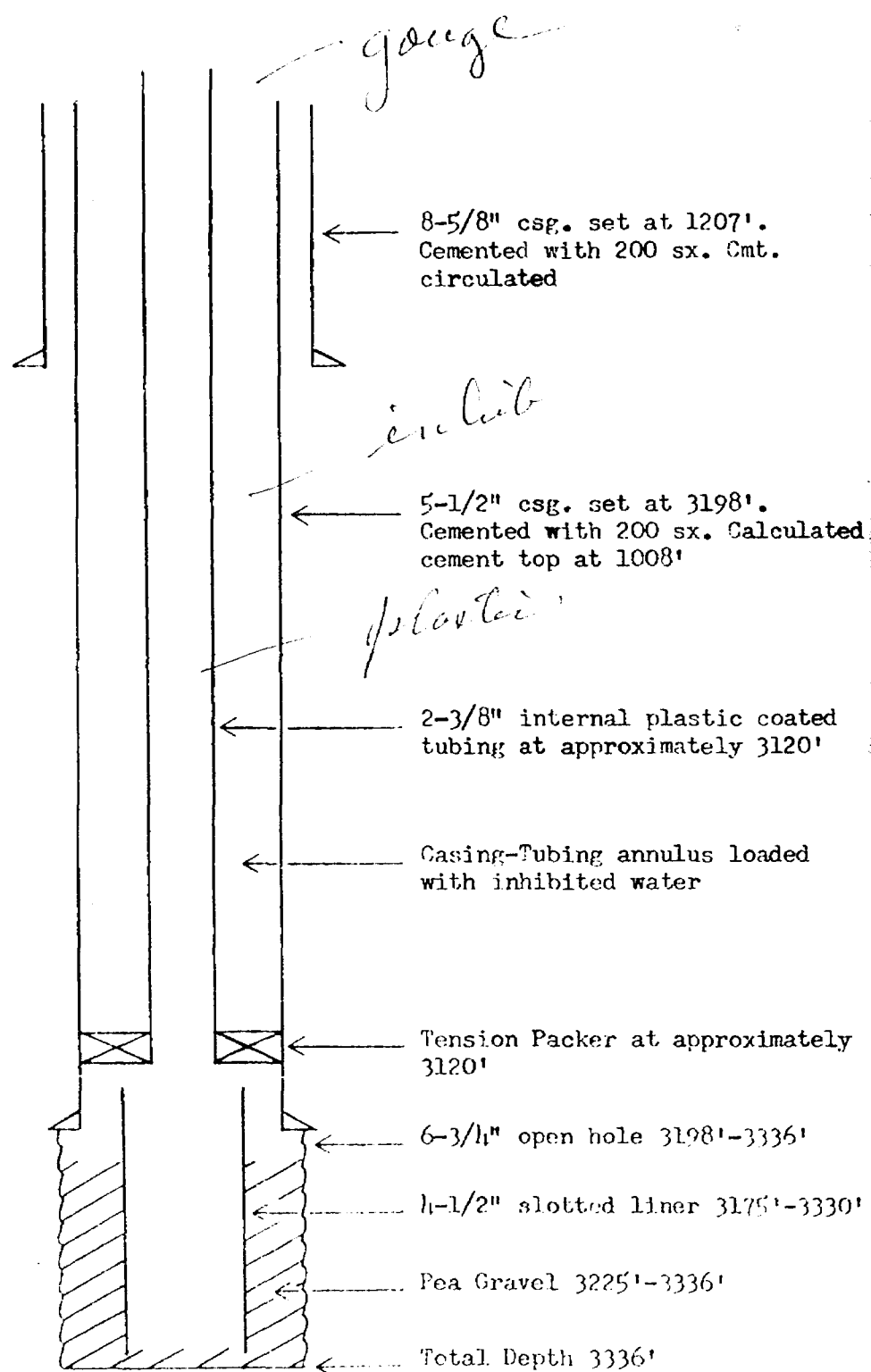
CASE 4273: Application of Tesoro Petroleum Corporation for an unorthodox oil well location and amendment of Order No. R-2807-A, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox oil well location of its Well No. 59, formerly classified as a water injection well, located 1430 feet from the South line and 2625 feet from the East line of Section 36, Township 18 North, Range 9 West, Hospah Upper Sand Oil Pool, McKinley County, New Mexico. Applicant further seeks the amendment of Order No. R-2807-A to permit a procedure whereby additional producing and injection wells in its Hospah Unit Area may be approved administratively.

CASE 4274: Application of Pan American Petroleum Corporation for an unorthodox oil well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Navajo Tribal "N" Well No. 11 at an unorthodox location 1150 feet from the West line and 560 feet from the North line of Section 17, Township 26 North, Range 18 West, Tooto Dome-Pennsylvanian "D" Oil Pool, San Juan County, New Mexico.



*typical injection  
Completion*

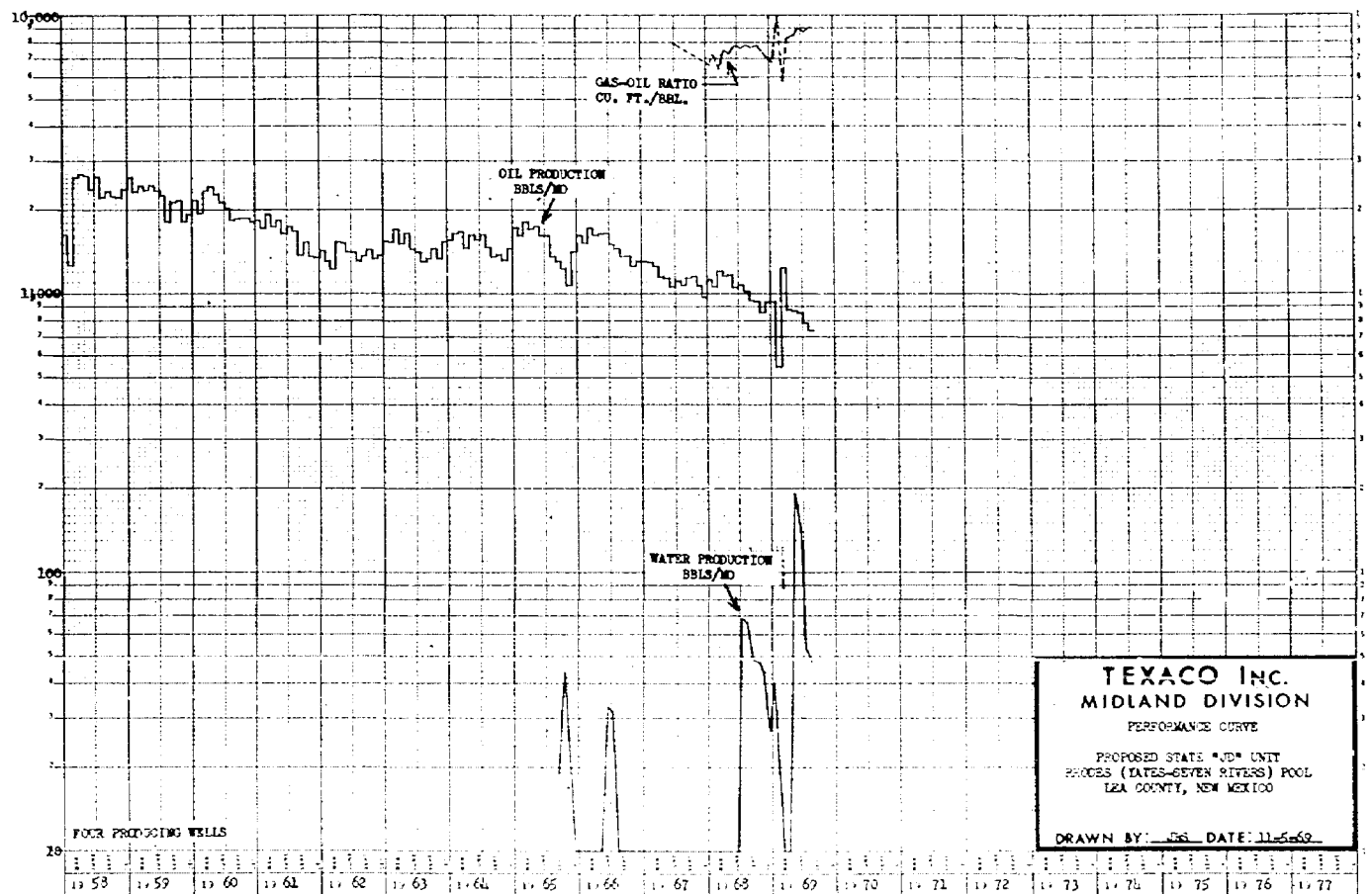
*5-00 BWD per  
well  
600 PSI  
1400-1500 PSI  
later -*



TEXACO INC.  
STATE OF NEW MEXICO "AD" WELL NO.2  
RHODES POOL  
LEA COUNTY, NEW MEXICO

Exh. 5

DIAGRAMATIC SKETCH OF TYPICAL INJECTION WELL



Exh 7

INJECTION WELL DATA

Well Name: New Mexico "AD" State No. 2  
Current Operator: TEXACO Inc.

Surface Casing: 8-5/8" @ 1,207'  
Cement: 200 Sx - Circulated

Intermediate Casing: None

Production Casing: 5-1/2" @ 3,198'  
Cement: 200 Sx - Top cement @ 979' (calculated)

Total Depth: 3,336'  
Injection Interval: 3,198' - 3,336'

Well Name: New Mexico "JA" State No. 1  
Current Operator: Amerada Petroleum Corporation

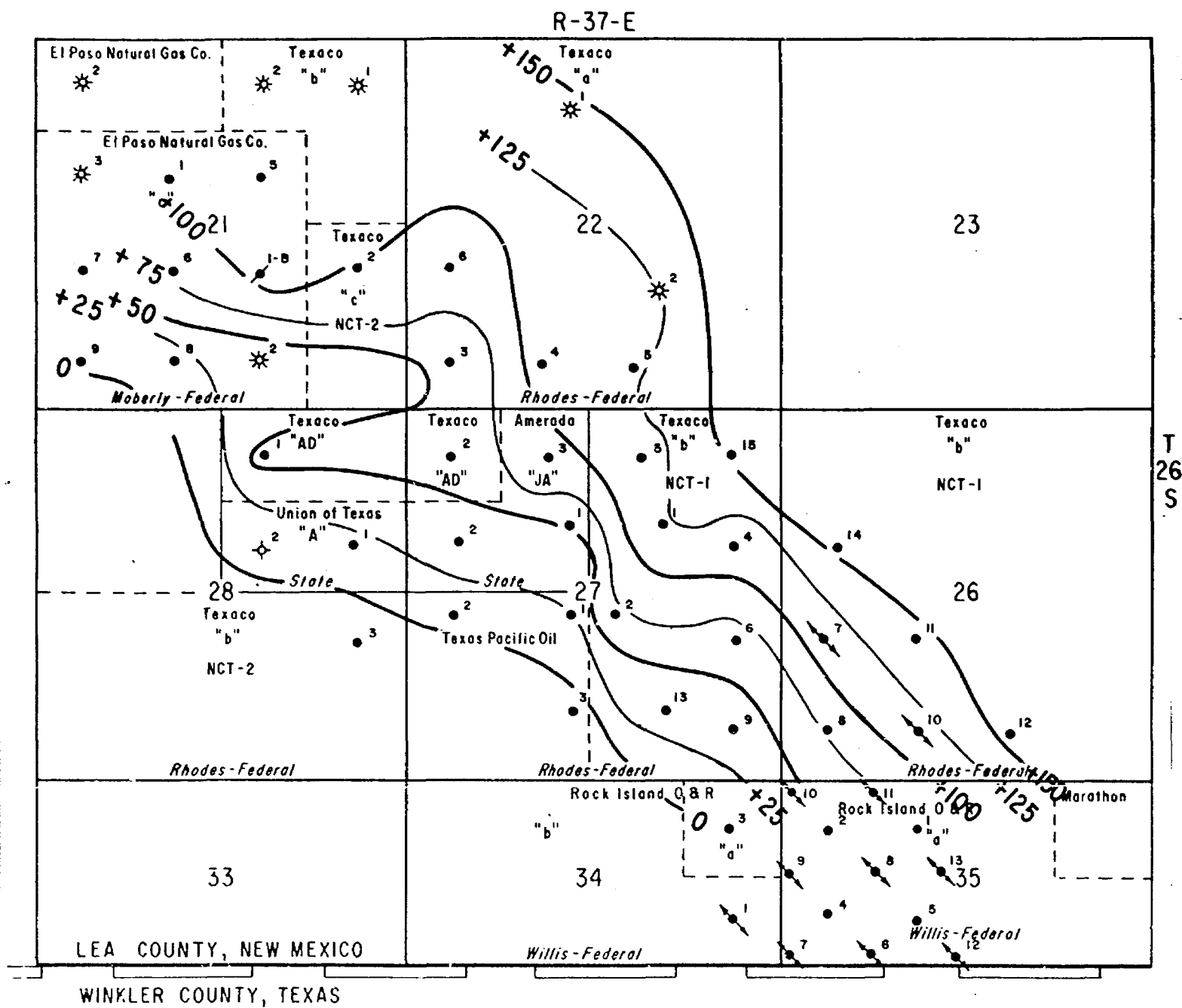
Surface Casing: 7-5/8" @ 676'  
Cement: 175 Sx - Circulated

Intermediate Casing: None

Production Casing: 5-1/2" @ 3,115'  
Cement: 200 Sx - Top cement @ 852' (calculated)

Total Depth: 3,279'  
Injection Interval: 3,115' - 3,279'

Exh 6



STRUCTURE MAP

CONTOURS ON  
TOP OF  
YATES

CONTOUR INTERVAL - 25'  
DLH 2-20-67

RHODES FIELD  
LEA COUNTY, NEW MEXICO  
SCALE: 1" = 2000'

Exh. 4

EXHIBIT "B"  
 SCHEDULE SHOWING TRACT PARTICIPATIONS AND PERCENTAGE AND KIND OF OWNERSHIP  
 OF ALL LANDS WITHIN THE STATE "JD" UNIT  
 TOWNSHIP 26 SOUTH, RANGE 37 EAST, LEA COUNTY, NEW MEXICO

<u>TRACT NO.</u>	<u>DESCRIPTION</u>	<u>SERIAL NO. &amp; DATE OF LEASE OR APPLICATION</u>	<u>BASIC ROYALTY &amp; PERCENTAGE</u>	<u>LESSEE OF RECORD</u>	<u>OVERRIDING ROYALTY &amp; PERCENTAGE</u>	<u>WORKING INTEREST &amp; PERCENTAGE</u>	<u>PERCENTAGE TRACT PARTICIPATION</u>
1	T26S - R37E Sec. 27; E/2 NW/4, SW/4 NW/4	B-1431 12-5-32	State of New Mexico 12.50 HBP	Amerada	None	100%	75%
2	T26S - R37E Sec. 27; NW/4 NW/4	B-8580 3-11-40 HBP	12.50	Texaco	None	100%	25%



PETROLEUM PRODUCTS

PRODUCING DEPARTMENT - UNITED STATES  
MIDLAND DIVISION

TEXACO INC.  
P. O. BOX 3109  
MIDLAND, TEXAS 79701

NOV 6 REC'D November 5, 1969

**REQUEST FOR HEARING  
PROPOSED STATE "JD" UNIT  
WATERFLOOD PROJECT  
RHODES YATES OIL POOL  
LEA COUNTY, NEW MEXICO**

*Case 4268*

Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr.

Gentlemen:

It is respectfully requested that a hearing be scheduled at Santa Fe, New Mexico, November 25, 1969 to consider the application of Texaco Inc., as proposed unit operator, for approval of the proposed State "JD" Unit and the Unit Agreement. The application will include a request for authority to conduct secondary recovery operations on the proposed unit by waterflooding.

The Unit Area will be comprised of the northwest quarter of Section 27, Township 26 South, Range 37 East, Lea County, New Mexico, containing a total of 160 acres. This area consists of Amerada Petroleum Corporation's 120-acre State "JA" Lease with three wells and Texaco Inc.'s 40-acre State "AD" Lease with one well. Amerada and Texaco are the only working interest owners and the State of New Mexico is the only royalty interest owner.

The four wells in the proposed unit produce from the Yates-Seven Rivers formation in the Rhodes Yates Oil Pool and this is the formation to be unitized and waterflooded. The two wells in the northwest and southeast quarters of the Unit Area will be injection wells and the two wells in the northeast and southwest quarters of the Unit Area will be producers. This unitized project will be operated in cooperation with adjacent waterflood projects.

Approximately 500 barrels of water will be injected into each of the two injection wells daily at an initial surface injection pressure estimated at 600 psi. The depth of the injection interval in the Yates-Seven Rivers formation is from approximately 2900 feet to approximately 3400 feet. The injection

DOCKET MAILED

Date 11-14-69

November 5, 1969

fluid is fresh water obtained from water wells in the southwest quarter of Section 9, Township 26 South, Range 37 East, Lea County, New Mexico, approximately two miles north of the proposed State "JD" Unit. Texaco is authorized to use 450 acre-feet per annum from this source by State Engineer Permits No. CP-452, CP-452-X, CP-452-X-2, CP-452-X-3, CP-452-X-4, CP-452-X-5, CP-452-X-6, and CP-452-X-7.

Included with this application for a hearing is a plat of the project area and a copy of the Unit Agreement. Following under separate cover is a larger map of the project area, a typical well log, and a diagrammatic sketch of one of the injection wells.

Offset operators to the proposed State "JD" Unit are Texaco Inc., Union Texas Petroleum Corporation, and Texas Pacific Oil Company, as shown below, each of whom is receiving a copy of this request for a hearing. Copies are also being mailed to the New Mexico State Land Commissioner and Amerada Petroleum Corporation.

Yours very truly,

Darrell Smith  
Division Manager

By \_\_\_\_\_  
C. L. Whigham  
Division Proration Engineer

CLW-MM  
Attachments

cc: Union Texas Petroleum Corp.  
Division of Allied Chemical  
1300 Wilco Bldg.  
Midland, Texas 79701

Texas Pacific Oil Company  
Box 4067  
Midland, Texas 79701

El Paso Natural Gas Co.

Texaco

21

Texaco

NCT-2

Morley - Federal

PROPOSED STATE "JD" UNIT

Union of Texas

State

28

Texaco

NCT-2

Rhodes - Federal

22

Texaco

23

Texaco

NCT-1

24

Texaco

NCT-1

25

Texaco

NCT-1

26

Texaco

NCT-1

27

Texaco

NCT-1

28

Texaco

NCT-2

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Texaco

NCT-1

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Texaco

NCT-1

31

Texaco

NCT-1

32

Texaco

NCT-1

33

Texaco

NCT-1

34

Texaco

NCT-1

35

Texaco

NCT-1

LEA COUNTY, NEW MEXICO

LEA COUNTY, NEW MEXICO  
WHEELER COUNTY, TEXAS

Proposed Injection Well

RHODES FIELD  
LEA COUNTY, NEW MEXICO  
SCALE: 1" = 2000'

Case 4268



DRAFT

GMH/esr

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

*ADP*  
CASE No. 4268

*blm*  
Order No. R-2886

APPLICATION OF TEXACO INC.  
FOR APPROVAL OF THE STATE "JD"  
UNIT AGREEMENT, LEA, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on  
November 25, 1969, at Santa Fe, New Mexico, before Examiner  
Elvis A. Utz.

NOW, on this Dec day of 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, Texaco Inc.,  
seeks approval of the State "JD" Unit Agreement  
covering 160 acres, more or less, of State lands  
~~and Fee~~  
described as follows:

LEA COUNTY, NEW MEXICO  
TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 27: NW/4 ✓

(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 \_\_\_\_\_ State "JD" \_\_\_\_\_ 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.

dearnley-meier

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS  
1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO



BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
November 25, 1969

EXAMINER HEARING

IN THE MATTER OF:

Application of Texaco, Inc. for a  
unit agreement, Lea County, New  
Mexico.

Application of Texaco, Inc. for a  
waterflood project, Lea County, New  
Mexico.

Case No. 4268

Case No. 4269

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Do you intend to consolidate Cases 4268 and 4269?

MR. WHITE: Yes, sir, if we may, please, sir.

MR. UTZ: Cases 4268 and 4269.

MR. HATCH: Case 4268. Application of Texaco, Inc., for a unit agreement, Lea County, New Mexico.

Case 4269. Application of Texaco, Inc., for a waterflood project, Lea County, New Mexico.

MR. UTZ: These cases will be consolidated for purposes of testimony and separate orders will be written.

You may proceed.

MR. WHITE: If the Examiner please, L. C. White, of Santa Fe, New Mexico, appearing on behalf of the Applicant. And, we have Mr. Henson to be sworn.

(Witness sworn).

(Whereupon, Applicant's Exhibits 1 through 7 were marked for identification.)

BILLY R. HENSON

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WHITE:

Q Mr. Henson, by whom are you employed and in what

capacity?

A I am employed with Texaco, Incorporated as a production engineer.

Q Are you familiar with the unit agreement pertaining to Case 4268?

A Yes, I am.

Q And are you familiar with the application of Case 4269?

A Yes, sir.

Q Have you previously testified before the Oil Conservation Commission and had your qualifications as a petroleum engineer been accepted as a matter of record?

A Yes, sir.

Q Referring to Case 4268, what is the purpose of the unit agreement?

A It's for secondary recovery.

Q Would you refer to Exhibit marked No. 1 and explain that insofar as it pertains to this case?

A This is a map of the area. You will notice that we have outlined in dotted blue lines the area of the "JD" Unit there in the northwest quarter of Section 27, Township 26 South, Range 36 East.

It shows the proposed injection wells and all of the offset operators and the lease names.

Q Who are the parties to this unit agreement?

A Amerada and Texaco.

Q Will you refer to Exhibit No. 2 and that is the unit agreement: is it not?

A Yes, it is the unit agreement.

Q And on what page is the description of the unit agreement referred to and described?

A Page -- Exhibit A, page seventeen is the outline of the unit.

Q What zones are to be unitized?

A It would be the Yates and the Seven Rivers.

Q And are they tied into the perforation points?

A Yes, sir, they are -- on the Amerada JA State, Well No. 2.

Q What is the depth zone?

A Unitized from twenty-nine twelve to thirty-four hundred feet on that particular well.

Q Do you have a log: is that your Exhibit 3?

A Yes, sir. That's Exhibit 3.

Q And are those points pointed out on the log?

A Yes, sir -- you will notice a black line -- a

dashed black line -- there at twenty-nine twelve, and at the bottom of the log, bottom of the unitized zone, at thirty-four hundred, which is the deeper than the TD of this well.

Q And did you give the name of that well?

A That's Amerada JA State Well No. 2.

Q What type of acreage is this federal state or field?

A State acreage.

Q And have you submitted this agreement to the State Land Office and have they given their preliminary approval?

A Yes, sir, they have.

Q What percent of the working interests are signed up?

A One hundred percent.

Q And all of the royalty is state?

A That's true.

Q And what are your unitized supplements?

A It would be all of the hydrocarbons, as set forth in Section 1.5 of the unit agreement, on page two.

Q And who are the operator --

A It would be Texaco, Incorporated.

Q Are you otherwise familiar with the terms of this unit agreement, and if so, is it the standard form in which the Oil Conservation Commission has previously approved?

A Yes, sir, it is the standard form that has been approved.

Q In your opinion, would the creation of this unit prevent waste by allowing you to produce hydrocarbons more efficiently?

A Yes, it would.

Q And does it protect the correlative rights?

A Yes, it does.

Q Is there any provision for the enlargement of the unit agreement, and if so, on what page does it appear?

A Yes, sir -- there is a provision on page eleven, article twelve.

Q And do you further request of the Commission to approve administratively and the enlargement of the unit without any response --

A Yes, we would.

Q Does that conclude your testimony as to Case 4268?

A Yes, sir, it does.



Q Now, will you refer to Case 4269 and state what Texaco seeks by this application?

A We seek approval to conduct a waterflood on the proposed State "JD" Unit.

Q Will you refer back to Exhibit No. 1 and point out what significant points there are on that exhibit in regard to this case?

A Exhibit 1 shows the proposed -- as I said earlier, the proposed "JD" Unit -- the triangles on the map indicate the proposed injection wells, and it's also color coated to show all of the producing zones, within at least a two-mile radius of the subject unit.

It shows the offset operators and the lease names.

Q Refer to Exhibit 4 and explain that, please.

A Exhibit 4 is a structure map of the Rhodes Yates Pool, contoured on top of the Yates. You notice that it's an anticline, trending northwest to the southeast, and it defines the productive limits of the pool.

Q Now, will you refer to Exhibit 5 and explain your diagrammatic sketch --

A Exhibit 5 is a diagrammatic sketch of the typical injection well in the unit, as we propose to equip it.

It shows the surface casing and the cemented

program and the cement circulated on the surface string. It also shows the production string, set at thirty-one hundred and ninety-eight feet, cemented with two hundred sacks, with calculated cement top at one thousand and eight feet.

Further, it shows the injection interval, and the proposed slaughtered liner, across the open hole interval. We are putting these liners in to prevent cavings and to insure that we get a good distribution of water.

Q Will your tubing be plastic coated?

A Yes, it will.

Q And will the annulus be filled with any corrosive inhibited fluid?

A Yes, it will.

Q And do you intend to have a pressure gauge on top of the surface to check against any leakage?

A Yes. We will equip the well with a pressure gauge on the surface.

Q Now, refer to Exhibit 6 and explain what that is, please.

A Exhibit 6 is an injection well data sheet on the two proposed injection wells in the unit. It shows the depth and size of the surface casing for each well --

a cementing program, the production size and depth for each well and the submitting program for it, plus the tops of the cement for both wells.

It also shows the total depths and the injection interval for each well.

Q Is there any fresh water in this area?

A Not to my knowledge.

Q Are there any other producing zones up structure from the perforated zones?

A No.

Q In your opinion, will this casing program effectively prevent migration?

A Yes, it will.

Q What will the source of your water be?

A We have a water source approximately two miles northwest of the proposed unit -- it's located in the southwest quarter of Section 9, Township 26, Range 37 East.

We have approved permits for four hundred and fifty acre feet per annum.

Q What amount of volume of water do you intend to inject into the well?

A Five hundred barrels per day per well.

Q What is the pressure?

A Initially, we estimate at six hundred feet PSI.

Q And what do you anticipate the leveling out volume and pressures to be?

A We aim to maintain a five hundred barrel per day injection rate, at an estimated pressure of fourteen hundred to fifteen hundred PSI.

Q Do you anticipate any problem of the zone not being able to absorb or accommodate this water?

A No, we don't.

Q Now, refer to Exhibit 7 and explain what that is, please.

A Exhibit 7 is a production performance curve of the proposed unit. This is production for four wells in the unit, showing the barrels of oil per month, the gas-oil ratio and the barrels of water produced per month.

You will notice that the water production is almost nil in the unit. Our current average production is approximately six barrels per day per well of oil and two to three barrels of water per day.

Q In your opinion, has this pool reached advance stage of depletion?

A Yes, it has.

Q How long would it take to get response from these injection wells: in your opinion?

A We estimate at twelve months.

Q And how much increased production do you anticipate?

A We think we will recover as much on secondary as we have on primary.

Q Is it your opinion in this case as well as the former, that you ask for administrative approval to expand the project, even though there is no response?

A Yes, sir. We would request that.

Q Would the granting of this application allow the recovery of hydrocarbons that would otherwise remain in place?

A Yes, sir, it sure would.

Q Were Exhibits 1 through 7 prepared by you or under your supervision?

A Yes, they were.

MR. WHITE: At this time Mr. Examiner, we offer Exhibits 1 through 7, and that completes our direct examination.

MR. UTZ: Without objection, Applicant's Exhibits 1 through 7 will be entered into the record of these cases,

4268 and 4269.

CROSS EXAMINATION

BY MR. UTZ:

Q Referring to Exhibit No. 7, did I interpret this graph to show that your GOR is around seven thousand?

A Yes, sir, that's right.

Q And you are still producing substantial quantities of gas in addition to the six or seven barrels of oil?

A Right.

Q Which would be around forty-two hundred a day per well: wouldn't it?

A I believe that's what it would figure.

Q Now, referring to Exhibit No. 5, does this show the manner in which you intend to complete both injection wells?

A Yes, sir. That's the program we will use in both wells.

Q Including the slaughter liner?

A Yes, sir. It will probably be Fiberglas in both wells.

Q Now, you don't show on your Exhibit No. 6 what the packer and tubing set will be: do you have that?

A It will be fifty to one hundred feet above the

top of the liner, which will be up into the casing there just a few feet.

Q Well, the casing shoe on the five and half, thirty-one fifteen: would you say the liner would go up into the casing, say, five feet?

A Probably fifteen or twenty feet up into the casing.

Q Well, that would be thirty-one hundred then, or less fifty to a hundred feet, would be where the packer would be?

A Yes, sir.

Q So, if we say approximately three thousand fifty feet, that would be pretty close --

A That is what I was going to say -- three thousand fifty feet, yes, sir.

Q Now, are these injection wells located in the performance of the offsetting conformity of the waterflood --

A Yes. That would be compatible with the other flood in the area that we are proposing.

Q Let me get clear in what you asked for administrative approval. Is that to put more injection wells on without benefit of response?

A Yes, sir. If we expand the unit.

MR. UTZ: Any further questions of the witness?

You may be excused.

(Witness excused).

MR. UTZ: Statements in this case? The case  
will be taken under advisement.



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I, CA FENLEY, Court Reporter in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

*Blair Furley*  
Court Reporter

I do hereby certify that the foregoing is  
a complete record of the hearing held at  
the Boarder hearing of Case No. 4268  
heard by me on Nov. 25, 1969.  
*[Signature]*  
New Mexico Oil Conservation Commission