

CASE No.

4840

Application,

Transcripts,

Small Exhibits

ETC.



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87301

GOVERNOR
BRUCE KING
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

October 10, 1972

Mr. Tom Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: Case No. 4840
Order No. _____
Applicant: R-4417
Continental Oil Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC _____
Aztec OCC _____

Other State Engineer Office

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. 4840
Order No. R-4417

APPLICATION OF CONTINENTAL OIL
COMPANY FOR A WATERFLOOD PROJECT,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 4, 1972, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 10th day of October, 1972, 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, Continental Oil Company, seeks authority to institute a waterflood project in the Langlie Lynn (Queen) Unit Area, Langlie-Mattix Pool, by the injection of water into the Seven Rivers and Queen formations through nine injection wells in Sections 22, 23, 26 and 27, Township 23 South, Range 36 East, NMPM, Lea County, New Mexico.

(3) That the wells in the project area are in an advanced state of depletion and should properly be classified as "stripper" wells.

(4) That the proposed waterflood project should result in the recovery of otherwise unrecoverable oil, thereby preventing waste.

(5) That the subject application should be approved and the project should be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations.

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Case No. 4840
Order No. R-4417

IT IS THEREFORE ORDERED:

(1) That the applicant, Continental Oil Company, is hereby authorized to institute a waterflood project in the Langlie Lynn (Queen) Unit Area, Langlie-Mattix Pool, by the injection of water into the Seven Rivers and Queen formations through the following-described wells in Township 23 South, Range 36 East, NMPM, Lea County, New Mexico:

<u>Well Name</u>	<u>Unit</u>	<u>Section</u>
Shell Oil Company State "JK" Well No. 4	O	22
Gackle Oil Company Sinclair "A" State Well No. 7	O	23
Gackle Oil Company Sinclair "A" State Well No. 3	L	23
Continental Oil Company Lynn B-1 Well No. 15	L	26
Continental Oil Company Lynn B-1 Well No. 12	G	26
Continental Oil Company Lynn B-1 Well No. 11	K	26
Continental Oil Company Lynn B-1 Well No. 10	E	26
Continental Oil Company Lynn B-1 Well No. 9	B	26
Continental Oil Company Lynn B-1 Well No. 8	A	27

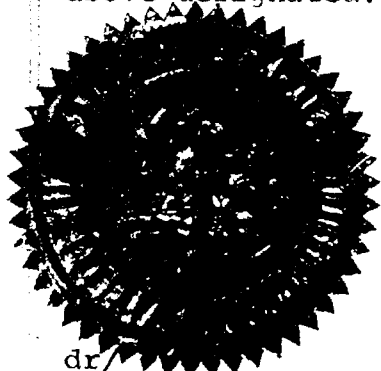
(2) That the subject waterflood project is hereby designated the Continental Langlie Lynn Waterflood Project and shall be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations.

(3) That monthly progress reports of the waterflood project herein authorized shall be submitted to the Commission in accordance with Rules 704 and 1120 of the Commission Rules and Regulations.

(4) 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


BRUCE KING, Chairman

ALEX. J. ARMISTO, Member

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

dr/

Case 4840

Heard 10-7-72

Rec. 10-5-72

Grant Court. permission to
convert ~~the~~ wells to Water Injection.
All locations noted on exhibit
4 A thru I.

Grant Admin procedure for
expansion of unit, & the
conversion of other injection
wells.

Grant

Docket No. 22-72

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 4, 1972

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

The following cases will be heard before Richard L. Stamets, Examiner, or Elvis A. Utz, Alternate Examiner:

CASE 4808: (Continued from the September 13, 1972, Examiner Hearing)

Application of Skelly Oil Company for a waterflood expansion and dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to expand its Grayburg-Jackson Skelly Unit Waterflood Project, Grayburg-Jackson Pool, Eddy County, New Mexico, by the injection of water through its Unit Well No. 114 located in Unit D of Section 14, Township 17 South, Range 31 East. Said Well No. 114 to be completed as a dual completion in such a manner as to permit the production of oil from the Fren-Seven Rivers Pool and the injection of water into the Grayburg-Jackson Pool.

CASE 4608: (Reopened)

In the matter of Case 4608 being reopened pursuant to the provisions of Order No. R-4213 which order established special rules and regulations for the Haystack Siluro-Devonian Pool, Chaves County, New Mexico, including a provision for 80-acre spacing units. All interested persons may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 4612: (Reopened)
In the matter of Case 4612 being reopened pursuant to Order No. R-4218 which order established special rules and regulations for the Cuerno Largo-Pennsylvanian Pool, Lea County, New Mexico, including provisions for 160-acre spacing units and an 80-acre proportional factor of 4.77 for allowable purposes. All interested persons may appear and show cause why said pool should not be developed on less than 160-acre spacing units and why the 80-acre proportional factor of 4.77 should or should not be retained.

CASE 4837: Application of Amoco Production Company for an unorthodox location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a well at an unorthodox location 1980 feet from the South line and 660 feet from the East line of Section 18, Township 5 South, Range 33 East, Peterson-Pennsylvanian Gas Pool, Roosevelt County, New Mexico, with the S/2 of said Section 18 to be dedicated to the well.

CASE 4838: In the matter of the application of the Oil Conservation Commission of New Mexico on the motion of Hanagan Petroleum Corporation for the abolishment and extension of certain pools in Eddy County, New Mexico. Under consideration will be a proposal to:

(a) Abolish the Golden Eagle-Morrow Gas Pool in Eddy County, New Mexico, described as:

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM
SECTION 11: All

(b) Abolish the Avalon-Middle Morrow Gas Pool in Eddy County, New Mexico, described as:

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM
SECTION 1: All

(c) Extend the Catclaw Draw Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM
SECTION 1: All
SECTIONS 11 and 12: All
SECTIONS 13 and 14: All
SECTION 25: All
SECTION 36: All

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
SECTION 18: All

CASE 4839: Application of Continental Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Langlie-Lynn (Queen) Unit Area comprising 760 acres, more or less, of State and Federal lands in Township 23 South, Range 36 East, Lea County, New Mexico.

CASE 4840: Application of Continental Oil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Seven Rivers and Queen formations through nine wells located in Sections 22, 23, 26, and 27, Township 23 South, Range 36 East, Langlie-Mattix Pool, Lea County, New Mexico.

Examiner Hearing - October 4, 1972
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Docket No. 22-72

CASE 4841: Application of Texaco Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation in the open hole interval from 10,600 to 10,780 feet in its New Mexico 'B0' State Well No. 3, located in Unit D of Section 24, Township 11 South, Range 32 East, Moore-Devonian Pool, Lea County, New Mexico.

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE LANGLEY LYNN (QUEEN) UNIT
LEA COUNTY, NEW MEXICO

4839-9390
estimated 1916
Oct 4, 1912

UNIT AGREEMENT

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CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. Secs. 181, et seq., and delegated to the Oil and Gas Supervisor of the Geological Survey (33 F.R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the LANGLEY LYNN (QUEEN) UNIT AREA, County of Lea, State of New Mexico.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated _____

Oil and Gas Supervisor,
United States Geological Survey

Contract Number _____

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
LANGLIE LYNN (QUEEN) UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

1 THIS AGREEMENT, entered into as of the 1 day of July,
2 1972, by and between the parties subscribing, ratifying or
3 consenting hereto, and herein referred to as the "parties hereto",

4 W I T N E S S E T H:

5 WHEREAS, the parties hereto are the owners of working,
6 royalty, or other oil interests in the Unit Area subject to this
7 Agreement; and

8 WHEREAS, the term "Working Interest" as used herein
9 shall mean the interest held in Unitized Substances or in lands
10 containing Unitized Substances by virtue of a lease, operating
11 agreement, fee title, or otherwise, which is chargeable with and
12 obligated to pay or bear all or a portion of the costs of drill-
13 ing, developing, producing, and operating the land under the unit
14 or cooperative agreement. "Royalty Interest" as used herein shall
15 mean a right to or interest in any portion of the Unitized Sub-
16 stances or proceeds thereof other than a Working Interest; and

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

1 WHEREAS, the Commissioner of Public Lands of the State
2 of New Mexico hereinafter referred to as "Commissioner", is authorized
3 by an Act of the Legislature (Sec. 1, Chap. 88, Laws of 1943 as amended
4 by Sec. 1 of Chap. 176, Laws of 1961, Chap. 7 Art. 11, Section 39,
5 N.M.S. 1953 anno) to consent to or approve this Agreement on behalf
6 of the State of New Mexico, insofar as it covers and includes lands
7 and mineral interests of the State of New Mexico; and

8 WHEREAS, the Commissioner of Public Lands of the State of
9 New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap.
10 88, Laws of 1943 as amended by Sec. 1 of Chap. 176, Laws of 1961, Chap. 7
11 Art. 11, Section 39, N.M.S. 1953 anno) to amend with the approval of
12 the lessee, any oil and gas lease embracing State lands so that the
13 length of the term of said lease may coincide with the term of such
14 unitized development and operation of State lands; and

15 WHEREAS, the Oil Conservation Commission of the State of
16 New Mexico hereinafter referred to as "Commission" is authorized by
17 law (Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of 1937,
18 Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949, Chap. 65, Art.
19 3, Sec. 14, N.M.S., 1953 anno) to approve this Agreement, and the
20 conservation provisions hereof, and

21 WHEREAS, the parties hereto hold sufficient interests in
22 the Langlie Lynn (Queen) Unit Area covering the land hereinafter des-
23 cribed to give reasonably effective control of operations herein; and

24 WHEREAS, it is the purpose of the parties hereto to con-
25 serve natural resources, prevent waste, and secure other benefits
26 obtainable through development and operation of the Area subject
27 to this Agreement under the terms, conditions and limitations herein
28 set forth;

29 NOW THEREFORE, in consideration of the premises and the
30 promises herein contained, the parties hereto commit to this agree-
31 ment their respective interests in the below-defined Unit Area, and
32 agree severally among themselves as to their

1 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing
2 Act of February 25, 1920, as amended, supra, and all valid, per-
3 tinent regulations, including operating and unit plan regulations
4 heretofore issued thereunder, or valid, pertinent and reasonable
5 regulations hereafter issued thereunder, are accepted and made a
6 part of this Agreement as to Federal lands, provided such regu-
7 lations are not inconsistent with the terms of this Agreement;
8 and as to non-Federal lands, the oil and gas operating regulations
9 in effect as of the effective date hereof governing drilling and
10 producing operations, not inconsistent with the terms hereof or the
11 laws of the State in which the non-Federal land is located, are
12 hereby accepted and made a part of this Agreement.

13 2. UNIT AREA. The area specified on the plat attached
14 hereto marked Exhibit "A" is hereby designated and recognized as
15 constituting the Unit Area, containing 760 acres, more or less.

16 Exhibit "A" shows, in addition to the boundary of the Unit
17 Area, the boundaries and identity of tracts and leases in said
18 Area to the extent known to the Unit Operator. Exhibit "B" attached
19 hereto is a schedule showing to the extent known to the Unit Operator
20 the acreage, percentage and kind of ownership of oil interests
21 in all land in the Unit Area. Exhibit "C" attached hereto, is a
22 schedule showing the percentage of participation credited to each
23 Tract in the Unit Area based upon a presumed one hundred percent
24 (100%) commitment. (Tract means each parcel of land described as
25 such and given a Tract Number in Exhibit "B".) However, nothing
26 herein or in said schedule or map shall be construed as a repre-
27 sentation by any party as to the ownership of any interest other
28 than such interest or interests as are shown in said map or schedule
29 as owned by such party. Exhibits "A" and "B" shall be revised by
30 the Unit Operator whenever changes in the Unit Area render such
31 revision necessary, or when requested by the Commissioner or by the

Supervisor, hereinafter referred to as "Supervisor",
six (6) copies of the revised exhibits shall be
Supervisor and at least two copies shall be filed
.

EXPANSION OF UNIT AREA. It is recognized that at some
In the future it might be desirable and beneficial
the Unit Area to include therein additional Tracts of
The Unit Area may, therefore, with the approval of the Commissioner,
and the Director of the United States Geological Survey, hereinafter
referred to as "Director", be expanded to include therein any additional
Tract or Tracts, whenever such expansion is necessary or advisable
to conform with the purposes of this Agreement, and Unit Operator,
acting on behalf of the Working Interest Owners collectively, after
being duly authorized by them as provided for in the Unit Operating
Agreement, has negotiated an agreement or agreements with the owners
of such Tract or Tracts fixing the tract participation of each such
Tract and committing such owners to this Agreement and to the Unit
Operating Agreement. Whenever the Unit Area is enlarged so as to
admit additional land qualified for participation, Exhibit "C" shall
be revised as set forth in Section 12, Participation and Allocation
of Production. Any such expansion shall be effected in the following
manner:

- (a) Unit Operator, on its own motion, after preliminary
concurrence by the Director and Commissioner, shall prepare
a notice of proposed expansion describing the contemplated
changes in the boundaries of the Unit Area, the reasons
therefore, and the proposed effective date thereof, pre-
ferably the first day of a month subsequent to the date
of notice.
- (b) Said notice shall be delivered to the Supervisor and
Commissioner, and copies thereof mailed to the last known

of each Working Interest Owner, Lessee, and Lessor
interests are affected, advising that thirty (30)
days are allowed for submission to the Unit Operator
objections.
Expiration of the thirty (30) day period pro-
ceeding Item (b) hereof, Unit Operator shall
submit to Supervisor and Commissioner evidence of mailing
notice of expansion and a copy of any objections
which have been filed with the Unit Operator,
application in sufficient number, for approval
and with appropriate joinders.
Consideration of all pertinent information,
shall, upon approval by the Supervisor and
Commissioner become effective as of the date prescribed
in the notice thereof.

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16 4. UNITIZED LAND AND UNITIZED SUBSTANCES. All land com-
17 mitted to this Agreement as provided in Section 5, Tracts Qualified
18 for Participation, as to the Unitized formation defined immediately
19 below, shall constitute land referred to herein as "Unitized Land"
20 or "land subject to this agreement". All oil, gas, gaseous substances,
21 sulphur contained in gas, condensate, and all associated and constituent
22 liquid or liquefiable hydrocarbons in the Unitized Formation are
23 unitized under the terms of this Agreement and herein is called
24 "Unitized Substances".

25 "Unitized Formation" is defined as the interval between the
26 top of the Penrose (Queen) formation to a point 100 feet above the
27 top of the Queen formation. The top of the Queen formation and the
28 top of the Penrose (Queen) formation are shown at the depths of 3548'
29 and 3710' respectively, on the Gamma-Ray-Sonic log run in the Albert
30 Gackle-Sinclair "A" State No. 6 located 660' from the South line and
31 1980 feet from the West line of Section 23, Township 23 South Range
32 36 East, N.M.P.M.

TRACTS QUALIFIED FOR PARTICIPATION Inasmuch as the Unit Agreement is to have lands in the Unit Area to participate under the terms hereof, no landowner has entered a commitment to this Unit Agreement unless the land is qualified under this Section. On or after the date of the Unit Agreement, the Tracts within the Unit Area which shall be included in the production of Unitized Substances shall be those Tracts within the Unit Area more particularly described in the Unit Agreement and are qualified as follows (for the purpose of this Section, record interest shall replace the royalty interest):

(a) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have signed or ratified this Agreement and the Unit Operating Agreement, and Royalty Owners owning seventy-five percent (75%) or more of the royalty created by the basic leases have signed or ratified this Agreement;

(b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have signed or ratified this Agreement and the Unit Operating Agreement, and Royalty Owners owning less than seventy-five percent (75%) of the royalty interests created by the basic leases have signed or ratified this agreement, and as to which

(1) all Working Interest Owners in such Tract join in a request for inclusion of such Tract in Unit Participation upon the basis of such commitment status, and further as to which the seventy-five percent (75%) or more of the combined voting interest of Working Interest Owners in all Tracts which are included in the Unit Agreement vote in favor of the inclusion of such Tract as qualified. For the purpose of this request, from 51%, the voting interest of each

Interest Owner shall be equal to the ratio (expressed
(b) which the total of such Working interest
percentage participation in all Tracts which qualify
Subsection 5(a), bears to the total percentage parti-
cipation of all Working Interest Owners in all Tracts which
qualify under said Subsection 5(a) as such percentages are
expressed in "C";

as to which Working Interest Owners owning
one hundred percent (100%) of the Working Interest
have ratified this Agreement and the Unit Operating
Agreement, regardless of the percentage of royalty interest

therein that is committed hereto, and as to which (1) the
Working Interest Owners who operate the Tract and all of the
other subscribing Working Interest Owners in such Tract have
joined in a request for inclusion of such Tract in Unit

participation upon the basis of such commitment status and
have tendered and executed and delivered an indemnity agree-
ment, indemnifying and agreeing to hold the owners of the

working interests in the other qualified Tracts harmless
from and against any and all claims and demands that may be
made by the non-subscribing Working Interest Owners in such

Tract on account of the inclusion of the same in Unit parti-
cipation, and further as to which (2) seventy-five percent
(75%) or more of the combined voting interests of the Working

Interest Owners in all Tracts which meet the requirements
of Subsections 5(a) and 5(b) above, vote in favor of the
inclusion of such Tract. For the purpose of this Subsection

5(c), the voting interest of each Working Interest Owner
shall be equal to the ratio (expressed in percentage) which
the total of such Working Interest Owner's percentage parti-

cipation attributed to Tracts which qualify under Subsections
5(a) and 5(b) bears to the total percentage participation of
all Working Interest Owners in all Tracts which qualify under
said Subsections 5(a) and 5(b) as such percentages are
expressed in "C";

(b) bears to the total percentage of all Working
interests attributed to all Tracts which qualify under
5(a) and 5(b), as such percentages are set out

UNIT OPERATOR. Continental Oil Company is hereby designated
by signature hereto as Unit Operator agrees and
assumes the duties and obligations of Unit Operator for the
management of Unitized Substances as herein provided.
When used herein to the Unit Operator, such reference
shall be to the Unit Operator acting in that capacity and not as an owner
of a Working Interest in Unitized Substances, and the term "Working Interest Owner"
when used herein shall include or refer to Unit Operator as the owner

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7. 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 that Operator's rights
as such for a period of six (6) months after notice of intention to
resign has been served by Unit Operator on all Working Interest Owners,
the Director and the Commissioner, and until all wells are placed in
a satisfactory condition for suspension or abandonment whichever is
required by the Supervisor, or the Commission, unless a new Unit Operator
shall have been selected and accepted and shall have taken over and
assumed the duties and obligations of Unit Operator prior to the
expiration of said period.

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

The Unit Operator may, upon default or failure in the per-
formance of its duties or obligations hereunder, be subject to removal
by an affirmative vote of the Working Interest Owners of at least

of the voting interest remaining after excluding
of the Unit Operator. Such removal shall be
notice thereof to the Director and the Commissioner.
In all such instances of resignation or removal, until a successor
Unit Operator is selected and accepted as hereinafter provided, the
Working Interest Owners shall be jointly responsible for performance
of the duties of Unit Operator and shall, not later than thirty (30)
days before such resignation or removal becomes effective, appoint a
common agent to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this Agree-
ment 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 wells, equipment,
materials and appurtenances used in conducting the Unit operations and
owned by the Working Interest Owners to the new duly qualified successor
Unit Operator or to the owners thereof if no such new Unit Operator is
elected, to be used for the purpose of conducting Unit operations
hereunder. Nothing herein shall be construed as authorizing removal
of any material, equipment and appurtenances needed for the preservation
of any wells.

8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator
shall tender his or its resignation as Unit Operator or shall be
removed as hereinabove provided, or a change of Unit Operator is
negotiated by Working Interest Owners, a successor Unit Operator
shall be selected by Working Interest Owners voting according to
their respective Tract participation in all unitized land by a
majority vote; provided, that, if a majority but less than 75
percent of the Working Interests qualified to vote are owned by
one party to this agreement, a concurring vote of one or more
additional Working Interest Owners shall be required to select a

1 new Operator. Such selection shall not become effective until:

2 (a) a Unit Operator so selected shall accept in writing
3 the duties and responsibilities of Unit Operator; and

4 (b) the selection shall have been approved by the
5 Supervisor and the Commissioner.

6 If no successor Unit Operator is selected and qualified as
7 herein provided, the Director or Commissioner at their election may
8 declare this Unit Agreement terminated.

9 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.

10 If the Unit Operator is not the sole owner of Working Interest, costs
11 and expenses incurred by Unit Operator in conducting Unit operations
12 hereunder shall be paid and apportioned among and borne by the owners
13 of Working Interests, all in accordance with the agreement or agree-
14 ments, whether one or more, separately or collectively, entered into
15 by and between the Unit Operator and the owners of Working Interests.
16 Any agreement or agreements, whether one or more, entered into between
17 the Working Interest Owners and the Unit Operator as provided in this
18 section are herein referred to as the "Unit Operating Agreement".

19 Such Unit Operating Agreement shall also set forth such
20 other rights and obligations as between Unit Operator and the Working
21 Interest Owners as may be agreed upon by Unit Operator and the Working
22 Interest Owners; however, no such Unit Operating Agreement shall be
23 deemed either to modify any of the terms and conditions of this Unit
24 Agreement or to relieve the Unit Operator of any right or obligation
25 established under this Unit Agreement, and in case of any inconsistency
26 or conflict between the Unit Agreement and the Unit Operating Agreement,
27 this Unit Agreement shall prevail. Three (3) true copies of any Unit
28 Operating Agreement executed pursuant to this section shall be filed
29 with the Supervisor prior to approval of this Unit Agreement, and
30 thereafter promptly after any revision or amendment.

31 10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as

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

16 11. PLAN OF OPERATION. It is recognized and agreed by
17 the parties hereto that the Unit Area is developed and productive,
18 and only such drilling as is incidental to a secondary recovery or
19 pressure maintenance program is contemplated.

20 Inasmuch as the primary purpose of this Unit Agreement is
21 to permit the institution and consummation of a secondary recovery
22 or pressure maintenance program for the maximum economic production
23 of Unitized Substances consistent with good engineering and conservation
24 practices, Unit Operator, concurrently with the filing of the Unit
25 Agreement for final approval shall submit to the Supervisor and
26 Commissioner, a plan of operation for the Unitized Land, and upon
27 approval thereof such plan shall constitute the future operating
28 obligations of the Unit Operator under this Unit Agreement for the
29 period specified therein. Thereafter, from time to time before the
30 expiration of any existing plan, the Unit Operator shall submit for
31 like approval a plan for an additional specified period of operation;

modified or supplemented when neces-
sary, or to protect the interest of
the Unit. Reasonable diligence shall be
exercised in the performance of the obligations of any approved plan

The Unit Operator shall have the right to inject into the
reservoir for secondary recovery or pres-
sure maintenance in accordance with a plan of operation
approved by the Board of Supervisors and Commissioner, including the right to
drill and operate wells on the Unitized Land and completed
wells on the Unitized Formation, and to use abandoned well or wells produc-

ing from the Unitized Formation for said purpose, and the parties
hereto, to the extent of their rights and interests, hereby grant
to the Unit Operator the right to use as much of the surface of the
land within the Unit Area as may be reasonably necessary for the
operation and the development of the Unit Area hereunder. Unit
Operator shall have free use of water from the Unitized Land for
operations hereunder and for operations on adjacent lands except
water from surface owner's and Royalty Owner's fresh water wells,
private lakes, ponds or irrigation ditches.

12. PARTICIPATION AND ALLOCATION OF PRODUCTION. On
the effective date hereof, the Tract Participation of each Tract
shall be based upon the following factors and formula as represented
and shown on the tabulation prepared by the Lannette Lynn (Queen) Unit
Engineering Committee report (Table No. 5) as revised April 21, 1970.

$$30\% \frac{\text{Tract Estimated Ultimate Primary Recovery}}{\text{Estimated Ultimate Primary Recovery-Unit Area}}$$

$$15\% \frac{\text{Tract Current Revenue}}{\text{Current Revenue-Unit Area}}$$

$$5\% \frac{\text{Tract Current Oil Production Rate}}{\text{Current Oil Production Rate-Unit Area}}$$

The figure set forth opposite each tract in Exhibit "C"
represents the Tract Participation to which such tract is entitled
if all said tracts are completed herein and qualified as of the effective

approval of the Unit Agreement, if all Tracts
Unit Operator shall revise Exhibit "C" to
participation under this Agreement by
Tract a revised Tract Participation
calculated by using the same Tract factors
used to arrive at the Tract Participation of
set out in the original Exhibit "C" but applying the
to those Tracts which are qualified for participation as
of the effective date of this Unit Agreement. Said revised Exhibit
"C" shall be subject to approval by the Supervisor and Commissioner
and shall be effective as of the effective date of this Unit Agreement.

If after the effective date of this Agreement any Tract or
Tracts are subsequently committed hereto because of expansion of the
Unit under Section 3, Expansion of Unit Area, under the provisions
of Section 30, Subsequent Joinder, or if any Tract is eliminated
from the Unit Agreement as provided in Section 29, Loss of Title,
the schedule of participation as shown in Exhibit "C" shall be
revised by the Unit Operator to show the new Tract Participations
of all the then qualified Tracts, and the revised Exhibit "C",
upon approval by the Commissioner and by the Supervisor, shall
govern the allocation of production from the effective date thereof
until a new schedule is so approved. In any such revised Exhibit
"C", pursuant to this paragraph, the Tract Participation of the
previously qualified Tracts shall remain in the same ratio one
to the other.

On the effective date of this Agreement, and thereafter,
all Unitized Substances required hereunder (except any part thereof
used in conformity with well operating practices for drilling,

1 operating, camp and other production or development purposes, for
2 pressure maintenance or secondary recovery operations in accordance
3 with a plan of operation approved by the Supervisor and Commissioner,
4 or unavoidably lost), shall be deemed to be produced from the several
5 Tracts of Unitized Land, and for the purpose of determining any benefits
6 accruing under this Agreement each such Tract shall have allocated
7 to it that percentage of said production equal to its Tract Partici-
8 pation effective hereunder during the respective period such Unitized
9 Substances were produced, as set out in Exhibit "C".

10 The amount of Unitized Substances allocated to each Tract
11 shall be deemed to be produced from such Tract irrespective of the
12 location of the wells from which the same is produced and regardless
13 of depletion of wells or Tracts. In the absence of a controlling
14 contract or agreement to the contrary, when two or more leases, or
15 part or parts thereof, have been combined into a single Tract, the
16 percentage participation assigned to such Tract shall for all purposes
17 be divided among the separate leases, or part or parts thereof
18 which has been put into such Tract, in proportion to the number of
19 surface acres of the lease, or part parts thereof contained in
20 such Tract, to the total surface acres contained in said Tract.

21 13. ROYALTY SETTLEMENT. The State of New Mexico, the
22 United States and all Royalty Owners who, under existing contract,
23 are entitled to take in kind a share of the substances now unitized
24 hereunder produced from any tract, shall hereafter be entitled to the
25 right to take in kind their share of the Unitized Substances allocated
26 to such tract, and Unit Operator shall make deliveries of such
27 royalty share taken in kind in conformity with the applicable con-
28 tracts, laws and regulations. Settlement for Royalty interest not
29 taken in kind shall be made by Working Interest Owners responsible
30 therefore under existing contracts, laws and regulations on or before
31 the last day of each month for Unitized Substances produced during

1 the preceding calendar month; provided, however, that nothing
2 herein contained shall operate to relieve the lessees of any land
3 from their respective lease obligations for the payment of any
4 royalties due under their leases.

5 If gas obtained from lands or formations not subject to
6 this Agreement is introduced into the Unitized Formation hereunder,
7 for use in repressuring, stimulation of production, or increasing
8 ultimate recovery, which shall be in conformity with a plan first
9 approved by the Supervisor, a like amount of gas less appropriate
10 deduction for loss or depletion from any cause, may be withdrawn
11 from the Unitized Formation, royalty free as to dry gas, but not as
12 to the products extracted therefrom: provided that such withdrawal
13 shall be at such time as may be provided in the approved Plan of Opera-
14 tions or as may otherwise be consented to by the Supervisor and Com-
15 mission as conforming to good petroleum engineering practice: and pro-
16 vided further, that such right of withdrawal shall terminate on the
17 termination of this Unit Agreement.

18 If natural gasoline, liquid petroleum gas fractions or
19 other liquid hydrocarbon substances (herein collectively called
20 "LPG's") which were not extracted from gas produced from the Unitized
21 Formation are injected into the Unitized Formation, which shall be
22 in conformity with a plan of operation first approved as provided
23 above, Working Interest Owners shall be entitled to recover, royalty
24 free, part or all of such "LPG's" pursuant to such conditions and
25 formulas as may be prescribed or approved by the Supervisor and Commission.

26 Royalty due the United States shall be computed as pro-
27 vided in the operating regulations and paid in value or delivered
28 in kind as to all Unitized Substances on the basis of the amounts
29 thereof allocated to unitized Federal land as provided herein at
30 the rates specified in the respective Federal leases, or at such
31 lower rates as may be authorized by law or regulation: provided

royalty rate depends on the daily
said average production shall be deter-
operating regulations as though the
were a single consolidated lease.

Royalty due the State of New Mexico shall be computed and
paid on the basis of the amounts allocated to Unitized State Land as
provided herein at the rate specified in the State Oil and Gas Lease.

Each Royalty Owner (other than the State of New Mexico and
the United States of America) that executes this Agreement represents
that it is the owner of a Royalty Interest in the Tract or Tracts
within the Unit Area as its interest appears in Exhibit "B" attached
hereto. If any Royalty Interest in a Tract or Tracts should be lost
by title failure or otherwise, in whole or in part, during the term
of this Agreement, then the Royalty Interest of the party representing
himself to be the owner thereof shall be reduced proportionately and
the interest of all parties in the affected Tract or Tracts shall be
adjusted accordingly.

14. RENTAL SETTLEMENT. Rental or minimum royalties due on
leases committed hereto shall be paid by Working Interest Owners
responsible therefore 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. Rental and minimum royalty for
lands of the United States subject to this Agreement shall be paid
at the rate specified in the respective leases from the United States
unless such rental or minimum royalty is waived, suspended or reduced
by law or by approval of the Secretary of the Interior of the United
States hereinafter referred to as "Secretary", or his duly authorized

1 representative.

2 15. CONSERVATION. Operations hereunder and production of
3 Unitized Substances shall be conducted to provide for the most eco-
4 nomical and efficient recovery of said substances without waste, as
5 defined by or pursuant to State or Federal law or regulation.

6 16. DRAINAGE. The Unit Operator shall take appropriate
7 and adequate measures to prevent drainage of Unitized Substances
8 from Unitized Land by wells on land not subject to this Agreement
9 or, with prior consent of the Director pursuant to applicable
10 regulations, pay a fair and reasonable compensatory royalty as
11 determined by the Supervisor. In the event compensatory royalty is
12 so paid, it shall be treated in the same manner as Unitized Substances.

13 17. GAUGE OF MERCHANTABLE OIL. Unit Operator shall make a
14 proper and timely gauge of all leases and other tanks within the Unit
15 Area and associated with the operation of Unitized Land in order
16 to ascertain the amount of merchantable oil above the pipeline
17 connections in such tanks at 7:00 a.m. on the effective date hereof.
18 All such oil shall be and remain the property of the parties entitled
19 thereto the same as if the Unit had not been formed; and such parties
20 shall promptly remove said oil from said tanks. Any such oil not
21 so removed shall be sold by Unit Operator for the account of parties
22 entitled thereto, subject to the payment of all royalties, overriding
23 royalties, production payments, and all other payments under the terms
24 and provisions of the applicable lease, leases, or other contracts.
25 If, as of the effective date hereof, any Tract of Unitized Land is
26 overproduced with respect to the allowable of the wells on such Tract
27 and the amount of overproduction has been sold or otherwise disposed
28 of, such overproduction shall be regarded as a part of the Unitized
29 Substances produced after the effective date hereof and shall be charged
30 to such Tract as having been delivered to the parties entitled to
31 Unitized Substances allocated to such Tract.

1 18 LEASE AND CONTRACTS CONFORMED AND EXTENDED. The terms,
2 conditions, and provisions of all leases, subleases, and other con-
3 tracts relating to exploration, drilling, development, or operation
4 for oil or gas of lands committed to this Agreement are hereby ex-
5 pressly modified and amended to the extent necessary to make the same
6 conform to the provisions hereof, but otherwise to remain in full
7 force and effect; and the parties hereto hereby consent that the
8 Secretary shall and by his approval hereof, or by the approval hereof
9 by his duly authorized representative, does hereby establish, alter,
10 change, or revoke the drilling, producing rental, minimum royalty,
11 and royalty requirements of Federal leases committed hereto and the
12 regulations in respect thereto to conform said requirements to the
13 provisions of this Agreement. Without limiting the generality of
14 the foregoing, all leases, subleases, and contracts are particularly
15 modified in accordance with the following:

16 (a) The development and operation of lands subject to
17 this Agreement under the terms hereof shall be deemed
18 full performance of all obligations for development and
19 operation with respect to each and every part or separately
20 owned Tract subject to this Agreement, regardless of whether
21 there is any development of any particular part or Tract
22 of the Unitized Land, notwithstanding anything to the
23 contrary in any lease, operating agreement or other contract
24 by and between the parties hereto, or their respective pre-
25 decessors in interest, or any of them.

26 (b) Drilling and producing operations performed here-
27 under upon any Tract of Unitized Land will be accepted
28 and deemed to be performed upon and for the benefit of
29 each and every Tract of Unitized Land, and no lease shall
30 be deemed to expire by reason of failure to drill or pro-
31 duce wells situated on the land therein embraced.

1 (c) Suspension of drilling or producing operations on all
2 Unitized Land pursuant to direction or consent of the
3 Secretary or his duly authorized representative shall be
4 deemed to constitute such suspension pursuant to such
5 direction or consent as to each and every Tract of Unitized
6 Land.

7 (d) Each lease, sublease or contract relating to the
8 exploration, drilling, development or operation for oil
9 or gas of lands committed to this Agreement which, by
10 its terms might expire prior to the termination of this
11 Agreement, is hereby extended beyond any such term so
12 provided therein so that it shall be continued in full
13 force and effect for and during the term of this Agreement.

14 (e) Termination of this Agreement shall not affect any lease
15 which, pursuant to the terms thereof or any applicable
16 laws, shall continue in force and effect thereafter.

17 (f) Any lease embracing lands of the State of New Mexico
18 which is made subject to this Agreement shall continue in
19 force beyond the term provided therein as to the lands
20 committed hereto until the termination hereof.

21 (g) Any lease embracing lands of the State of New Mexico
22 having only a portion of its land committed hereto shall be
23 segregated as to that portion committed and that not committed,
24 and the terms of such lease shall apply separately to such
25 segregated portions commencing as of the effective date hereof.

26 It is further provided, however, that notwithstanding any
27 of the provisions of this Agreement to the contrary, such
28 lease shall continue in full force and effect beyond the
29 terms provided therein as to all lands embraced in such
30 lease if oil or gas is, or has heretofore been, discovered
31 in paying quantities on some part of the lands embraced in

1 such lease committed to this Agreement or, so long as a
2 portion of the Unitized Substances produced from the Unit
3 Area is, under the terms of this Agreement, allocated to the
4 portion of the lands covered by such lease committed to this
5 Agreement, or, at any time during the term hereof, as to any
6 lease that is then valid and subsisting and upon which the
7 lessee or the Unit Operator is then engaged in bona fide
8 drilling, reworking, or secondary recovery operations on any
9 part of the lands embraced in such lease; then the same,
10 as to all lands embraced therein, shall remain in full force
11 and effect so long as such operations are diligently prosecuted,
12 and, if they result in the production of oil or gas, said lease
13 shall continue in full force and effect as to all of the lands
14 embraced therein so long thereafter as oil or gas in paying
15 quantities is being produced from any portion of said lands.
16 (h) The segregation of any Federal lease committed to this
17 Agreement is governed by the following provision in the fourth
18 paragraph of Section 17 (j) of the Mineral Leasing Act, as
19 amended by the act of September 2, 1960, (74 Stat. 781-784):
20 "Any (federal) lease heretofore or hereafter committed to any
21 such (unit) plan embracing lands that are in part within and
22 in part outside of the area covered by any such plan shall
23 be segregated into separate leases as to the lands committed
24 and the lands not committed as of the effective date of
25 unitization; Provided, however, that any such lease as to the
26 non-unitized portion shall continue in force and effect for
27 the term thereof but for not less than two years from the
28 date of such segregation and so long thereafter as oil or gas
29 is produced in paying quantities."
30 19. COVENANTS RUN WITH LAND. The covenants herein shall be
31 construed to be covenants running with the land with respect to the interest

successors in interest until this
grant, transfer, or conveyance, of
subject hereto shall be and hereby is
the assumption of all privileges and obligations
hereunder by the grantee, transferee, or other successor in interest.

No assignment or transfer of any Working Interest shall be binding
upon Unit Operator nor shall any transfer of any Royalty Interest or
other interest be binding on the Working Interest Owners responsible
for payment or settlement thereof, until the first day of the calendar
month after Unit Operator or the responsible Working Interest Owner,
as the case may be, is furnished with the original, photostat or
certified copy of the instrument of transfer.

20. 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 shall become effective as
of 7:00 a.m. on the first day of the calendar month next following the
approval of this Agreement by the Commission, Commissioner and the
Secretary or his duly authorized delegate; and provided further, that
if the Unit Agreement is not filed for final approval on or before
January 1, 1973, 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 whose voting interest
as provided in Section 4.3.1 of the Unit Operating Agreement aggregate at
least sixty percent (60%) and Working Interest Owners whose voting
interests as above defined aggregate at least sixty percent (60%)
of the Unit Area then committed to this Agreement have voted to
extend such expiration date for a period not to exceed six (6) months.
If said expiration date is so extended and this Unit Agreement is
not filed for approval by the Supervisor on or before said extended
expiration date this agreement shall ipso facto expire and thereafter
be of no further force or effect.

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

6 21. TERM. The term of this Agreement shall be for and during
7 the time that Unitized Substances can be produced in quantities sufficient
8 to pay for the cost of producing same from wells on Unitized Land and
9 for as long thereafter as drilling, reworking or other operations are
10 prosecuted on Unitized Land without cessation of more than ninety (90)
11 consecutive days, and so long thereafter as Unitized Substances can be
12 produced as aforesaid, unless sooner terminated by Working Interest
13 Owners, the Commissioner, or by the Director as provided in Section 8,
14 Successor Unit Operator, and Section 22, Termination by Working Interest
15 Owners.

16 22. TERMINATION BY WORKING INTEREST OWNERS. This Agreement
17 may be terminated at any time by Working Interest Owners owning ninety
18 percent (90%) or more of the participation percentage in the Unitized
19 Land with the approval of the Supervisor and Commissioner. Notice of any
20 such termination shall be given by the Unit Operator to all parties
21 hereto.

22 Upon termination of this Agreement, the parties hereto shall
23 be governed by the terms and provisions of the leases and contracts
24 affecting the separate Tracts.

25 If not specified otherwise by the leases unitized under this
26 Agreement, basic Royalty Owners hereby grant Working Interest Owners
27 a period of six (6) months after termination of this Agreement in which
28 to salvage, sell, distribute or otherwise dispose of the personal
29 property and facilities used in connection with Unit operations.

30 Unit Operator shall, within thirty (30) days after the ter-
31 mination of this Agreement has been determined, pursuant to Section 8

1 and 22 hereof, file for record in the office or offices where
2 a counterpart of this Agreement is recorded, a certificate
3 setting forth the fact of such termination and the date thereof.

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

28 Powers in this section vested in the Director and Commissioner
29 shall only be exercised after notice to Unit Operator and opportunity
30 for hearing to be held no less than fifteen (15) days from notice.

31 24. APPEARANCES. Unit Operator shall, after notice to

1 other parties affected, have the right to appear for and on be-
2 half of any and all interests affected hereby before the Department
3 of the Interior and to appeal from orders issued under the regulations
4 of said Department or to apply for relief from any of said regulations
5 or in any proceedings relative to operations before the Department
6 of the Interior or any other legally constituted authority; provided,
7 however, that any other interested party shall also have the right
8 at his own expense to be heard in any such proceeding.

9 25. NOTICES. All notices, demands or statements required
10 hereunder to be given or rendered to the parties hereto shall be
11 deemed fully given, if given in writing or personally delivered
12 to the party or sent by postpaid registered or certified mail,
13 addressed to such party at the address such party has furnished to
14 the party sending the notice, demand or statement.

15 26. NO WAIVER OF CERTAIN RIGHTS. Nothing in this Agreement
16 contained shall be construed as a waiver by any party hereto of the
17 right to assert any legal or constitutional right or defense as to
18 the validity or invalidity of any law of the State of New Mexico,
19 or of the United States, or regulations issued thereunder in any way
20 affecting such party, or as a waiver by any such party of any right
21 beyond his or its authority to waive; provided, however, each party
22 hereto except the United States covenants that during the existence
23 of this Agreement, such party shall not resort to any action at law
24 or in equity to partition the Unitized Land or the facilities used in
25 the development or operation thereof and to that extent waives the
26 benefits of all laws authorizing such partition.

27 27. UNAVOIDABLE DELAY. All obligations under this Agreement,
28 except the payment of money, shall be suspended while, but only so
29 long as, the Unit Operator despite the exercise of due care and
30 diligence is prevented from complying with such obligations, in whole
31 or in part, by strikes, acts of God, Federal, State or municipal law

1 or agencies, unavoidable accidents, uncontrollable delays in
2 transportation, inability to obtain necessary materials in open
3 market, or other matters beyond the reasonable control of the Unit
4 Operator whether similar to matters herein enumerated or not.

5 28. NON-DISCRIMINATION. In connection with the performance
6 of work under this Agreement, the Unit Operator agrees to comply
7 with all the provisions of Section 202(1) to (7) inclusive, of
8 Executive Order 11246, 30 F.R. 12319, which are hereby incorporated
9 by reference in this Agreement.

10 29. LOSS OF TITLE. In the event title to a Tract of
11 Unitized Land shall fail so as to render the Tract inoperable under
12 this Agreement and the true owner cannot be induced to join this Unit
13 Agreement, such Tract shall be regarded automatically as not committed
14 hereto effective as of 7:00 a.m. on the first day of the calendar month
15 in which such title failure is determined, and there shall be such
16 readjustment of future costs and benefits as may be required on account
17 of the loss of such title. In the event of a dispute as to title as
18 to any Royalty, Working Interest or other interest subject thereto,
19 payment or delivery on account thereof may be withheld without
20 liability or interest until the dispute is finally settled: provided
21 that, as to State and Federal land or leases, no payment of funds due
22 the State of New Mexico or the United States of America shall be with-
23 held, but such funds shall be deposited as directed by the Commissioner
24 or the Supervisor, to be held as unearned money pending final settle-
25 ment of the title dispute, and then applied as earned or returned in
26 accordance with such final settlement.

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

29 30. SUBSEQUENT JOINDER. After the effective date of this
30 Agreement, the commitment of any interest in any Tract within the Unit
31 Area shall be upon such equitable terms as may be negotiated by Working

1 Interest Owners and the owner of such interest. After the effective
2 date hereof, Joinder by a Royalty Owner must be consented to in
3 writing by the Working Interest Owner committed hereto and res-
4 ponsible for the payment of any benefits that may accrue hereunder
5 in behalf of such Royalty interest. Joinder by any Royalty Owner
6 at any time must be accompanied or preceded by appropriate Joinder
7 by the Owner of the corresponding Working Interest in order for the
8 interest to be regarded as effectively committed. Joinder to the
9 Unit Agreement by a Working Interest Owner at any time must be
10 accompanied by appropriate Joinder to the Unit Operating Agreement
11 in order for the interest to be regarded as committed to this Unit
12 Agreement. Except as may otherwise herein be provided, subsequent
13 joinders to this Agreement shall be effective as of the first day of
14 the month following the filing with the Supervisor and Commissioner
15 of duly executed counterparts of all or any papers necessary to
16 establish commitment of any Tract to this Agreement unless objection
17 to such Joinder is made within sixty (60) days by the Supervisor or
18 Commissioner.

19 31. COUNTERPARTS. This Agreement may be executed in any
20 number of counterparts, no one of which needs to be executed by all
21 parties, or may be ratified or consented to by separate instrument
22 in writing specifically referring hereto and shall be binding upon
23 all those parties who have executed such a counterpart, ratification
24 or consent hereto with the same force and effect as if all such
25 parties had signed the same document and regardless of whether or
26 not it is executed by all other parties owning or claiming an interest
27 in the lands within the above-described Unit Area.

28 In the event any of the parties hereto own both Working
29 Interests and Royalty Interests, as such interests are shown on
30 Exhibit "B", it shall not be necessary for such party to execute
31 this Agreement in both capacities in order to commit both classes of

1 Interest. Execution hereof by any such party in one capacity shall
2 also constitute execution in the other capacity, provided said party
3 also executes the Unit Operating Agreement as a Working Interest Owner.

4 32. ROYALTY OWNERS TAXES. Each party hereto shall, for its own
5 account, render and pay its share of any taxes levied against or
6 measured by the amount or value of the Unitized Substances produced
7 from the Unitized Land; provided, however, that, if it is required
8 or if it be determined that the Unit Operator or the several Working
9 Interest Owners must pay or advance said taxes for the account of the
10 parties hereto, it is hereby expressly agreed that the parties so
11 paying or advancing said taxes shall be reimbursed therefore by the
12 parties hereto, including Royalty Owners, who may be responsible for
13 the taxes on their respective allocated share of said Unitized Substances.
14 No taxes shall be charged to the United States, the State of New Mexico,
15 or to any lessor who has a contract with a lessee which requires his
16 lessee to pay such taxes.

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

22 34. BORDER AGREEMENTS. Unit Operator, with concurrence of
23 Working Interest Owners having a combined Unit Participation of sixty-
24 five (65%) percent or more, may, subject to approval of the Supervisor,
25 and Commissioner, enter into an agreement or agreements with the Working
26 Interest Owners of adjacent lands with respect to the operations designed
27 to increase ultimate recovery, conserve natural resources and to protect
28 the parties and interest.

29 35. CORRECTION OF ERRORS. It is hereby agreed by all parties
30 to this Agreement that Unit Operator is empowered to correct any mathe-
31 matical or clerical errors which may exist in the pertinent exhibits

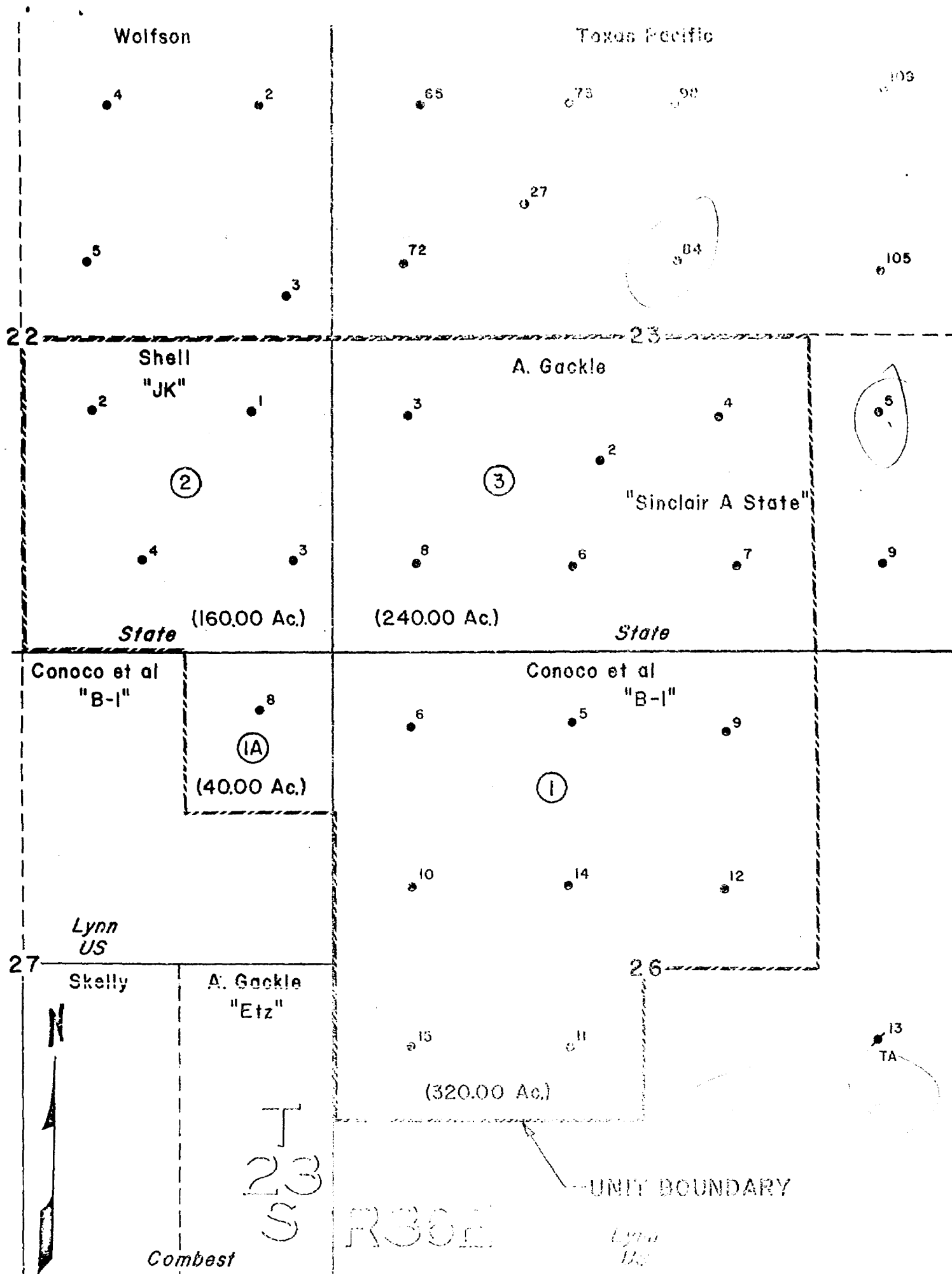
1 to this Agreement; provided, however, that correction of any error
2 other than mathematical or clerical shall be made by Unit Operator
3 only after first having obtained approval of Working Interest Owners,
4 the Commissioner and the Supervisor. If any such corrections are
5 made, Unit Operator shall file the required number of copies of the
6 corrected pages of this Agreement or of the Exhibits hereto with the
7 Supervisor and Commissioner. Unit Operator shall also provide, in
8 conformance with Section 25, Notices, such corrected pages to the
9 parties hereto.

10 IN WITNESS WHEREOF, the parties hereto have caused this
11 Agreement to be executed and have set opposite their respective
12 names the date of execution.

UNIT OPERATOR AND WORKING INTEREST OWNER

Date:

_____ BY _____



① TRACT NO.

COROCO	
PRODUCTION DEPARTMENT	HOBBBS DIVISION
LARGUE LYNN (QUEEN) AREA LINCOLN COUNTY, NEW MEXICO EXHIBIT "A" JOINT UNIT AGREEMENT	
SCALE 1" = 100'	

EXHIBIT "B"
TO UNIT AGREEMENT FOR LANGLEY LYNN (QUEEN) UNIT, LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND (ALL IN T-23S, R-36E)	NO. OF ACRES	SERIAL NUMBER AND EXP. DATE	BASIC ROYALTY & PERCENTAGE	RECORD LESSEE AND PERCENTAGE		OVERRIDING ROYALTY AND PERCENTAGE		WORKING INTEREST OWNER AND PERCENTAGE	
1	Sec. 26: NW/4, W/2 NE/4, N/2 SW/4	320.00	LC 030139(b) HBP	USA - All (Sched. "D")	J. Roger Lynn Patrick Lynn William R. Lynn Est./Theresa M. Lynn	25% 25% 25% 25%	None	Amoco Prod. Co. Atlantic Richfield Co. Chevron Oil Company Continental Oil Co.	25% 25% 25% 25%	
1(a)	Sec. 27: NE/4 NE/4	40.00	LC 030139(b) HBP	USA - All 12.5%	J. Roger Lynn Patrick Lynn William R. Lynn Est./Theresa M. Lynn	25% 25% 25% 25%	None	Amoco Prod. Co. Atlantic Richfield Co. Chevron Oil Company Continental Oil Co.	25% 25% 25% 25%	
2	Sec. 22: SE/4	160.00	B-1167 HBP	State of New Mexico - All	Shell Oil Company	None	None	Shell Oil Company	100%	
3	Sec. 23: SW/4, W/2 SE/4	240.00	B-1506 HBP	State of New Mexico - All	Atlantic Richfield Co.	None	Atlantic Richfield Co. Clay Trusts Margaret B. Clay Management Trust Co. Gackie Oil Co.	.50000 .14167 .14167 .05000 .16667		

TWO FEDERAL TRACTS CONTAINING 360.00 ACRES, OR 47.37% OF THE UNIT AREA
TWO STATE TRACTS CONTAINING 400.00 ACRES, OR 52.63% OF THE UNIT AREA

EXHIBIT "C" TO UNIT AGREEMENT
LANGLIE LYNN (QUEEN) UNIT
LEA COUNTY, NEW MEXICO

<u>TRACT NO.</u>	<u>DESCRIPTION</u>	<u>PARTICIPATION</u>
1	Section 26: NW/4, W/2 NE/4, N/2 SW/4	39.83201
1(a)	Section 27: NE/4 NE/4	4.40547
2	Section 22: SE/4	19.58633
3	Section 23: SW/4, W/2 SE/4	36.17619

SCHLUMBERGER

COUNTY FIELD or LOCATION WELL COMPANY	COMPANY	Other Surveys
	OPERATOR	Location of Well
	WELL	560' FROM 5/1
	FIELD	1980' FROM W/L
	LOCATION	
COUNTY	ELEVATION: K.B. 1115	
STATE	D.P. 1115	
	or G.L. 1115	

Log Depths Measured From: K.B. Ft. above

RUN No.	1	2	3	4	5	6	7	8	9	10
Date	11-15-62									
First Reading	27.5									
Last Reading	27.5									
Test Measured	27.5									
Csg. Sclm.	27.5									
Csg. Driller	27.5									
Depth Penched	27.5									
Pressure Differ.	27.5									
Fluid Test	27.5									
Depth Visc.	27.5									
Mud Resist.	27.5									
Res. BHE	27.5									
PH	27.5									
W/L Loss	27.5									
Emt.	27.5									
Bit Size	27.5									
Spacing	27.5									
T. F. R.	27.5									
T. P. R.	27.5									
Q. 1/2 Time	27.5									
Track No.	27.5									
Recorded By	27.5									
Witness	27.5									

Reproduced By
West Texas Electrical Log Service
Dallas 2, Texas

REFERENCE W2538H

6 COMPLETION RECORD



SPUD DATE

COMP DATE

DST RECORD

CASING RECORD

PERFORATING RECORD

10' 12' 3602, 3612, 3618, 3623, 3628, 3634, 3640, 3648, & 3652

ACID TRAC SHOT 750 gal. Acid

SE 2000 gal. + 20,000 gal. S.C.

12-11-2 B.S. 12-12-2 B.S.

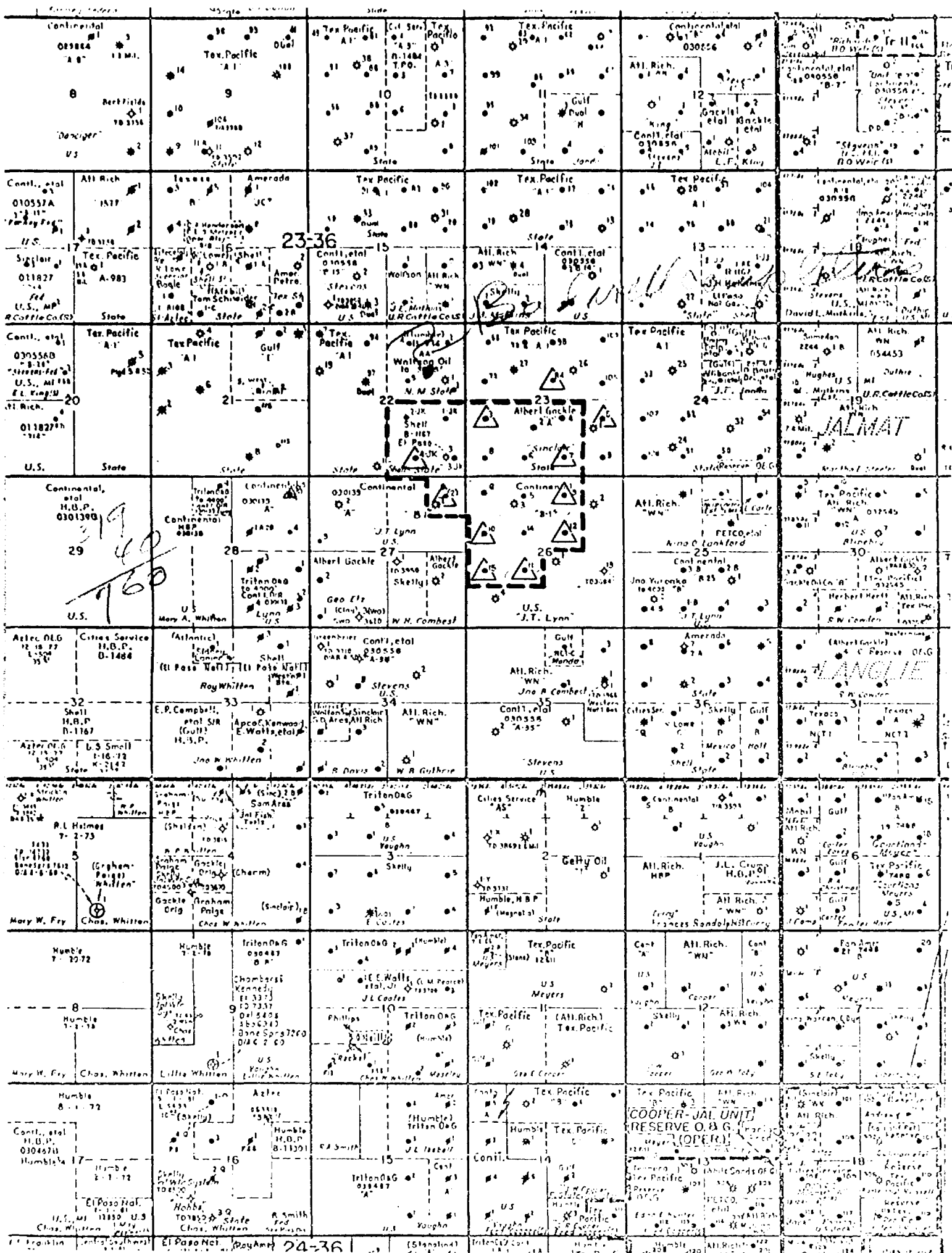
GOR


12-2-62 12-2-62

REMARKS

REMARKS

W.C. No. 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 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PRODUCTION DEPARTMENT HOBBS DIVISION

LEA COUNTY, NEW MEXICO

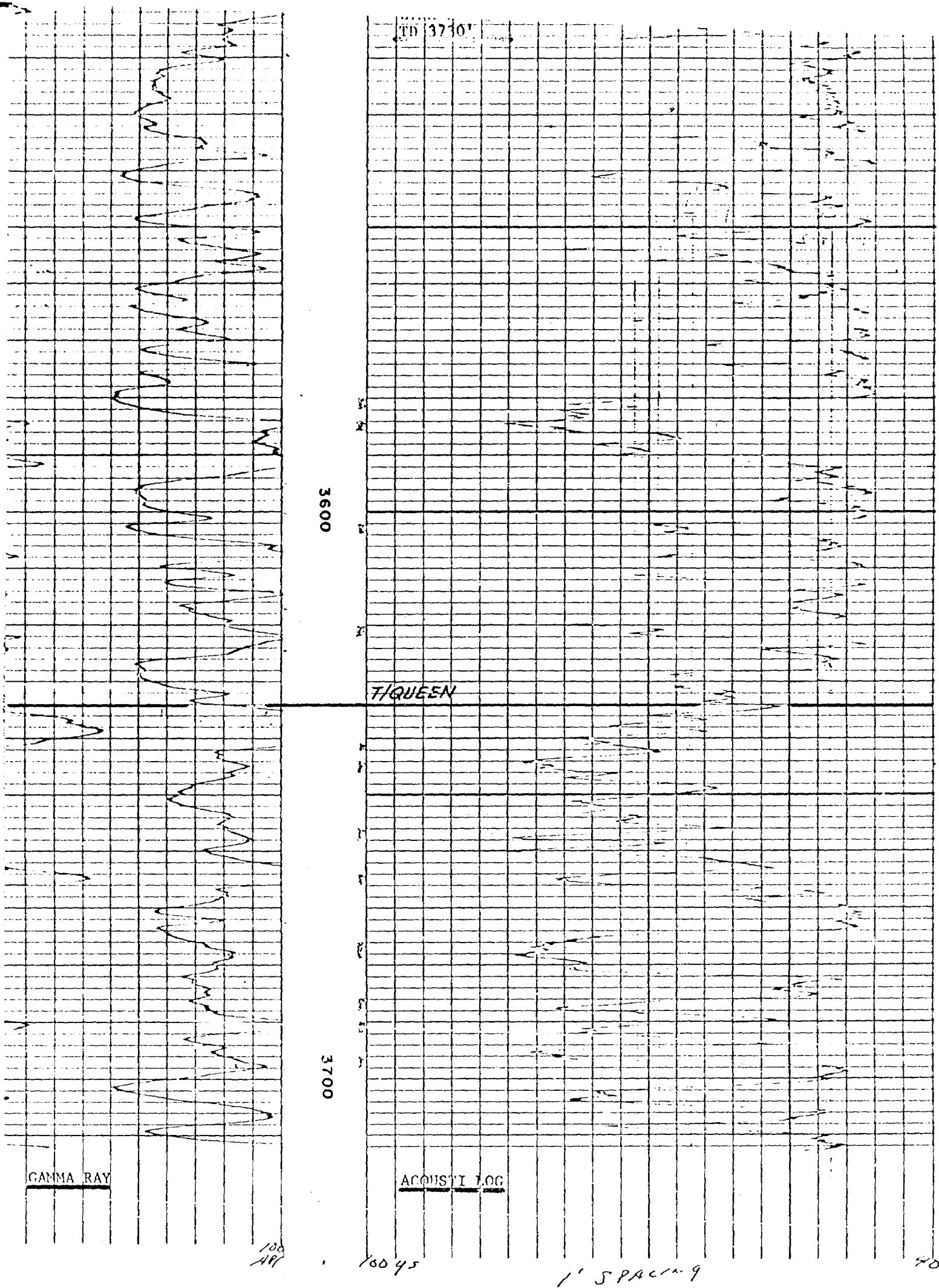
PROPOSED UNIT BOUNDARY

PROPOSED INJECTION PATTERN

LANGLIE MATTIX LYNN AREA

SCALE

0' 1000' 2000'



3-1
 4837-4840
 100
 Oct 11, 1971

LYNN T-1 #9
TD 3730'

T/QUEEN

3500

map p/ (130)

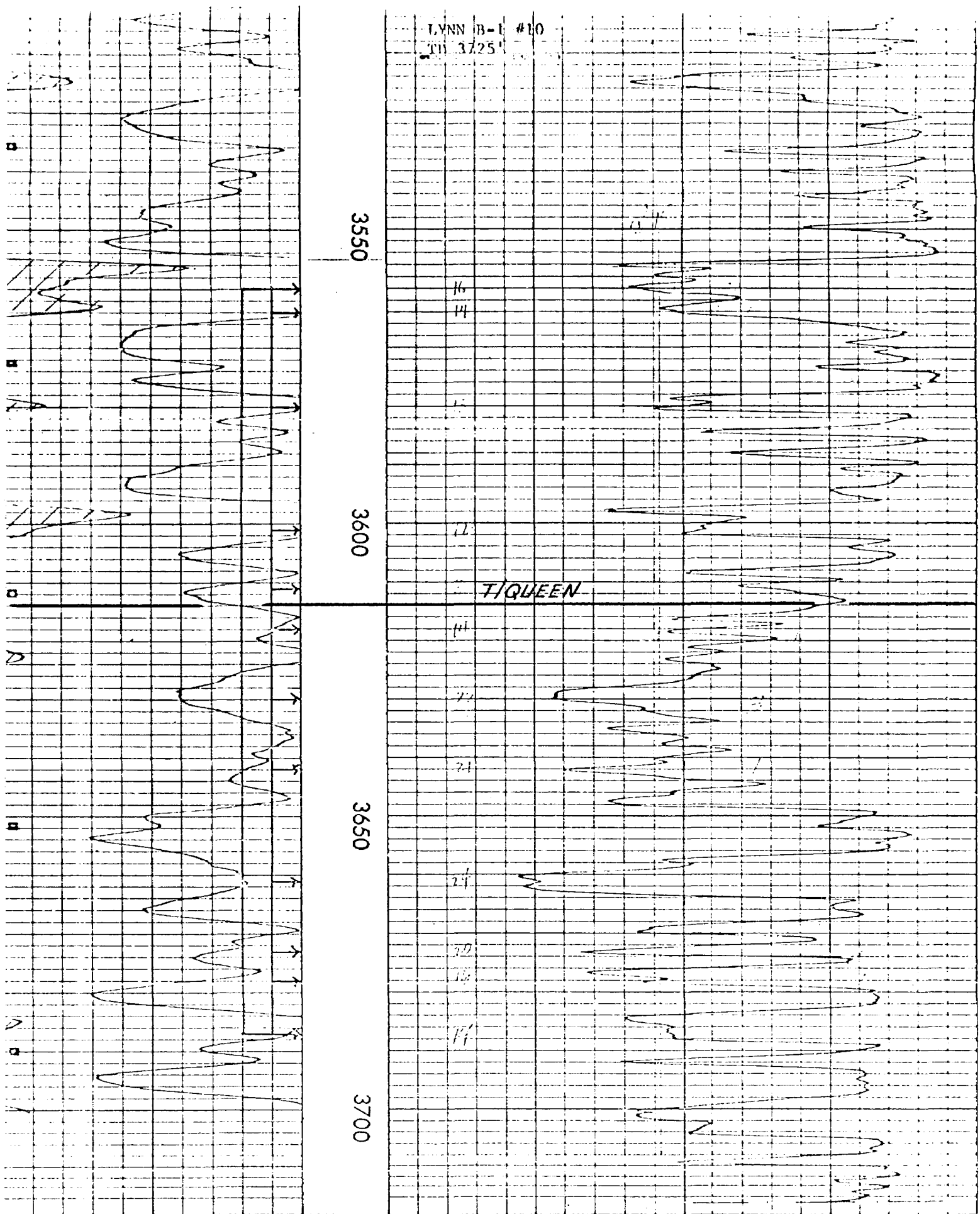
3600

3700

GAMMA RAY

SONIC LOG

EXHIBIT NO. 3-B



LYNN B-1 #11
TD 3725'

3500

T/QUEEN

3600

3700

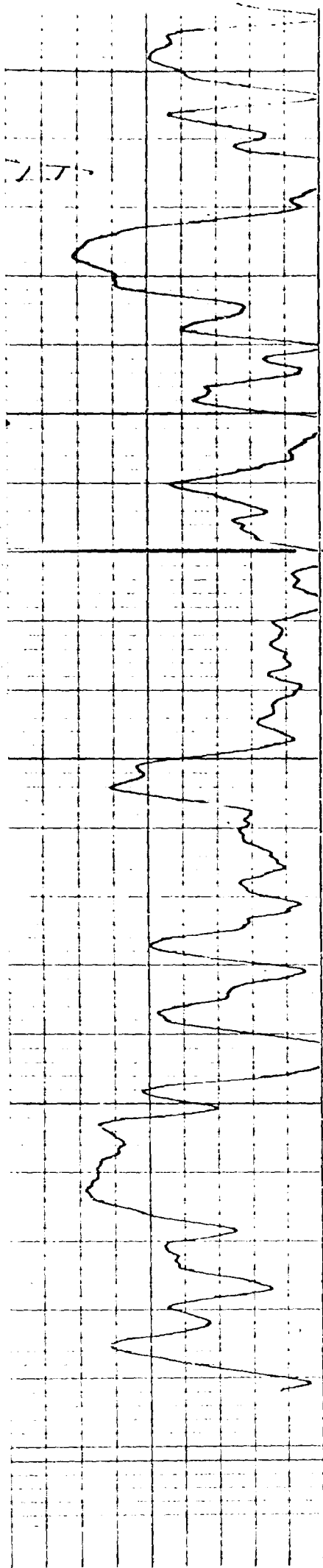
4-1/2"

4 1/2"

Csg. at 3725'

GAMMA RAY

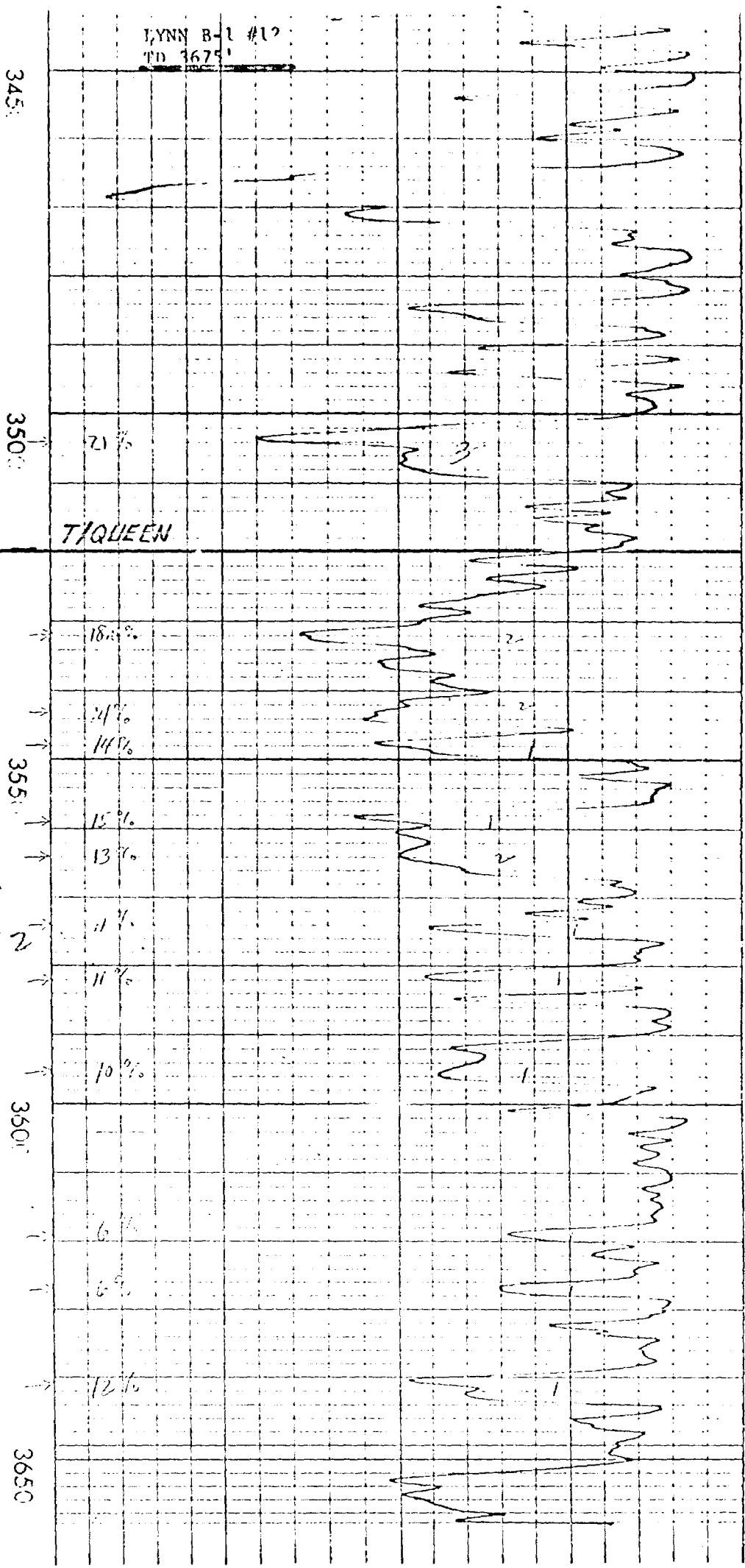
NEUTRON



GAMMA RAY

VELOCITY, BASED
100 FT/SEC.

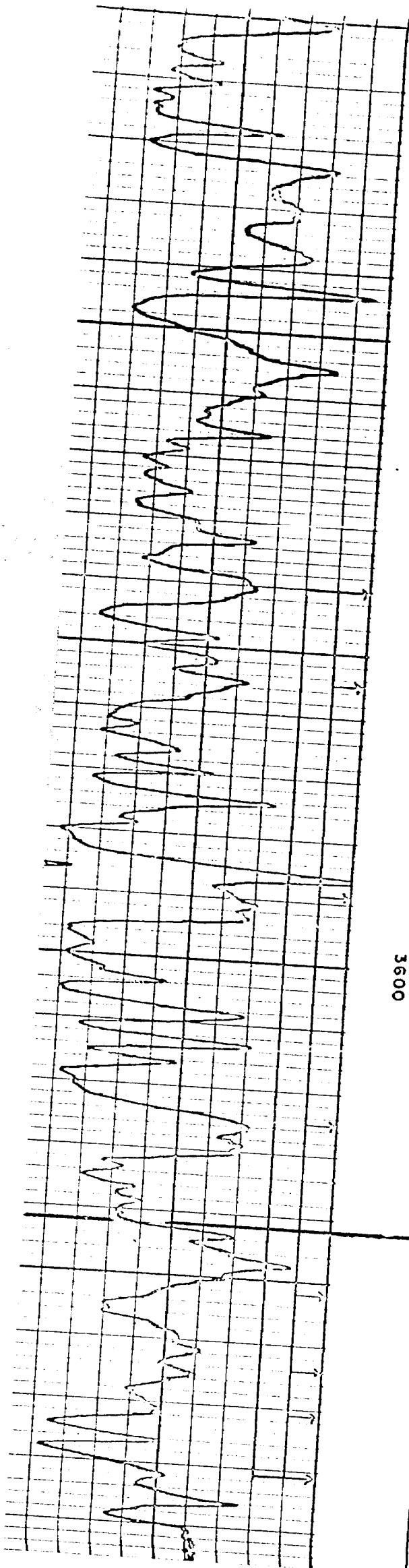
Dolomites {



ACOUSTIC LOG

LAPVLEKAA 06025





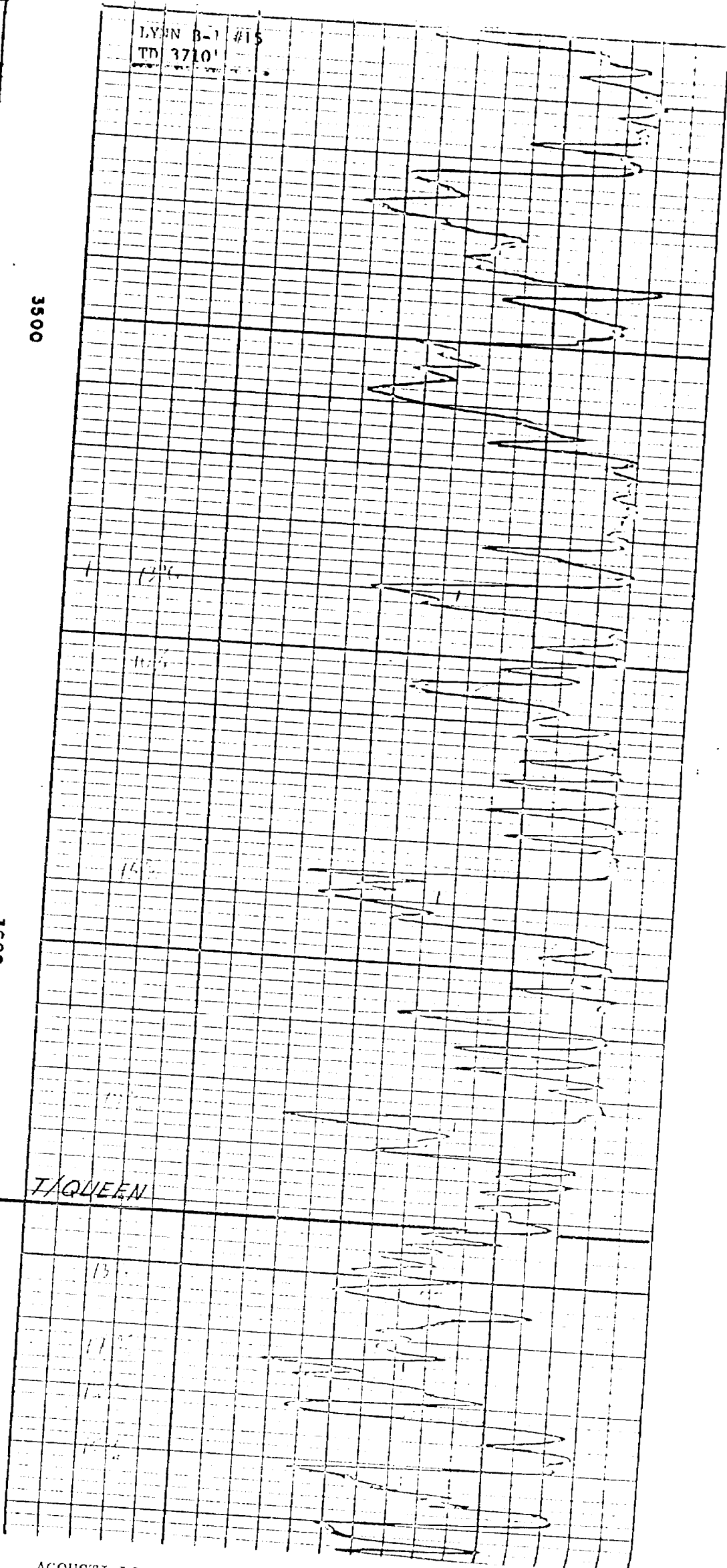
3500

3600

T/QUEEN

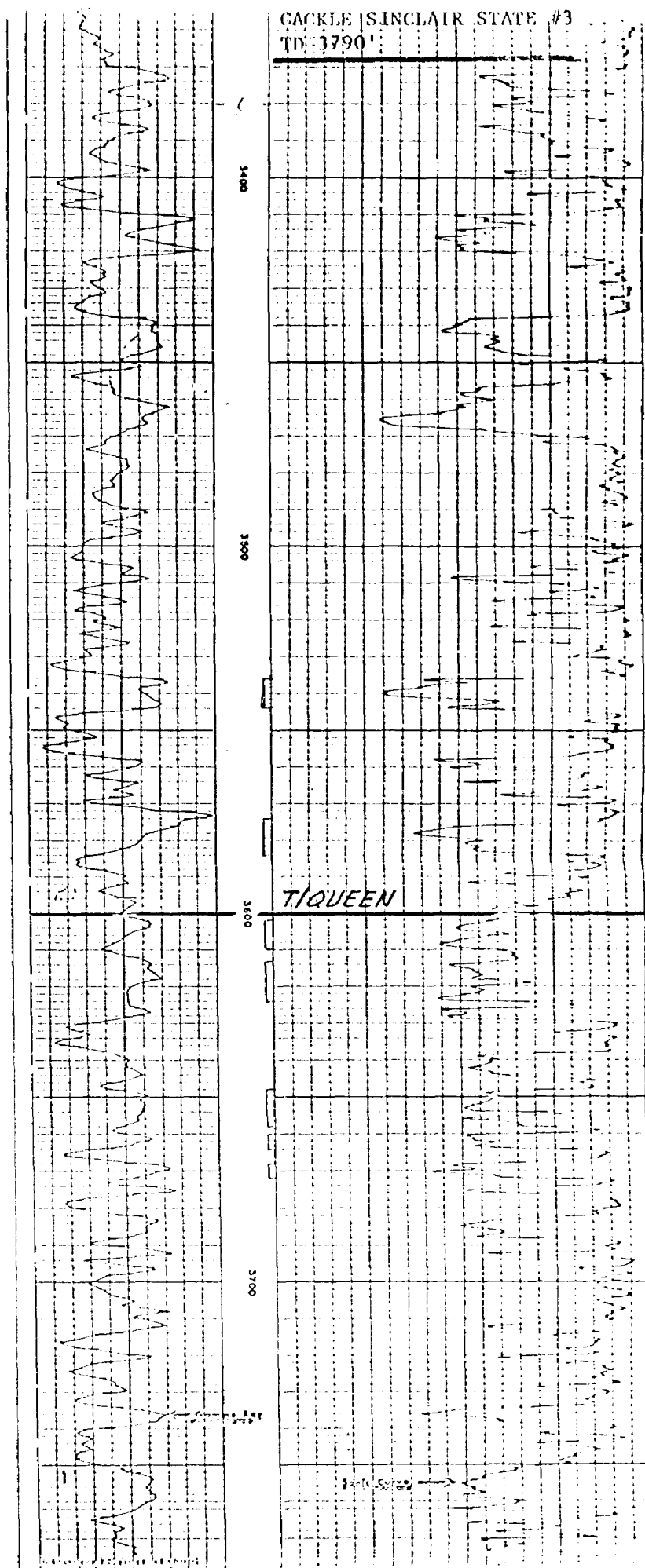
ACOUSTIC LOG

LYNN B-1 #15
TD 3710'



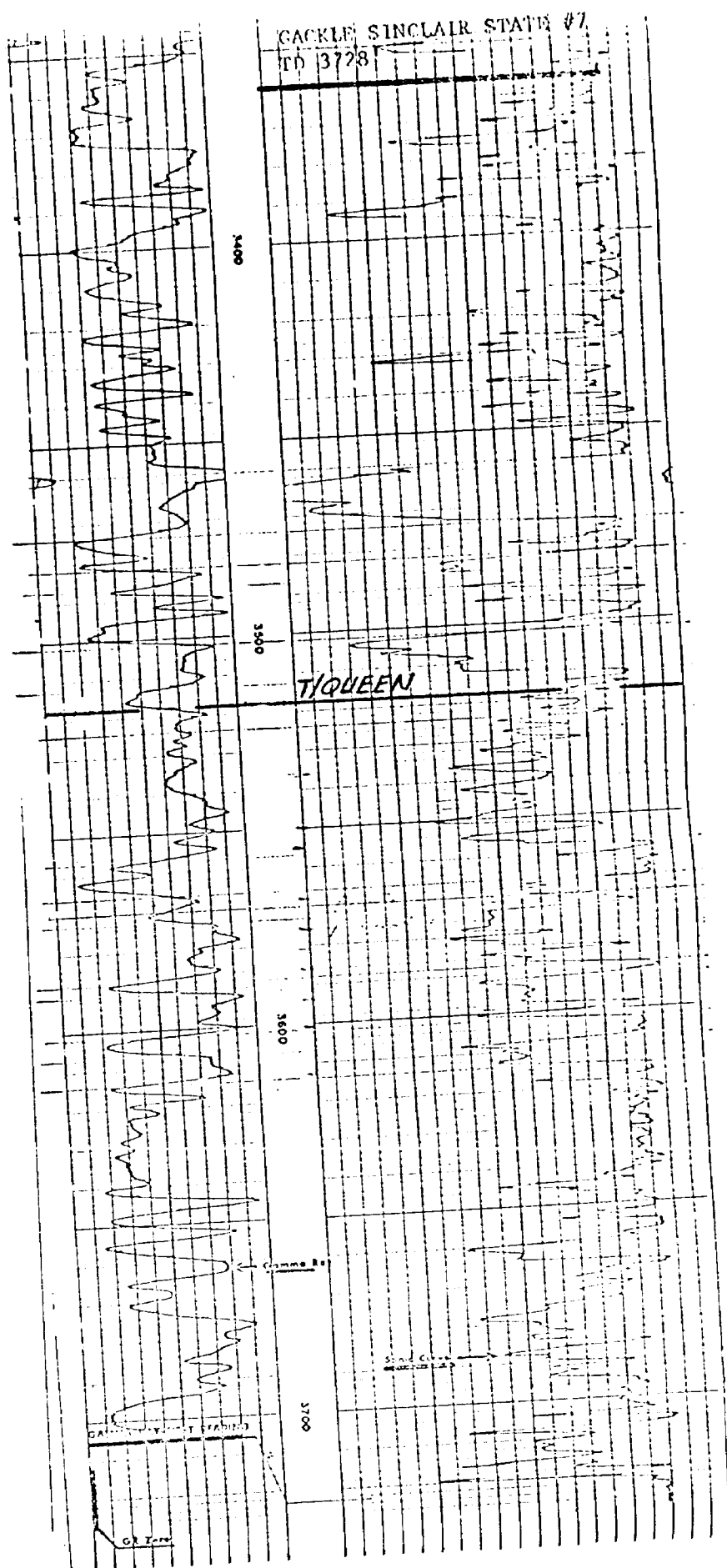
4839-4840
Concord
Oct 4, 1972

EXHIBIT NO. 3-G



OR. CCL. 3-14
 4837-4840
 Corolla
 Oct. 4, 1972

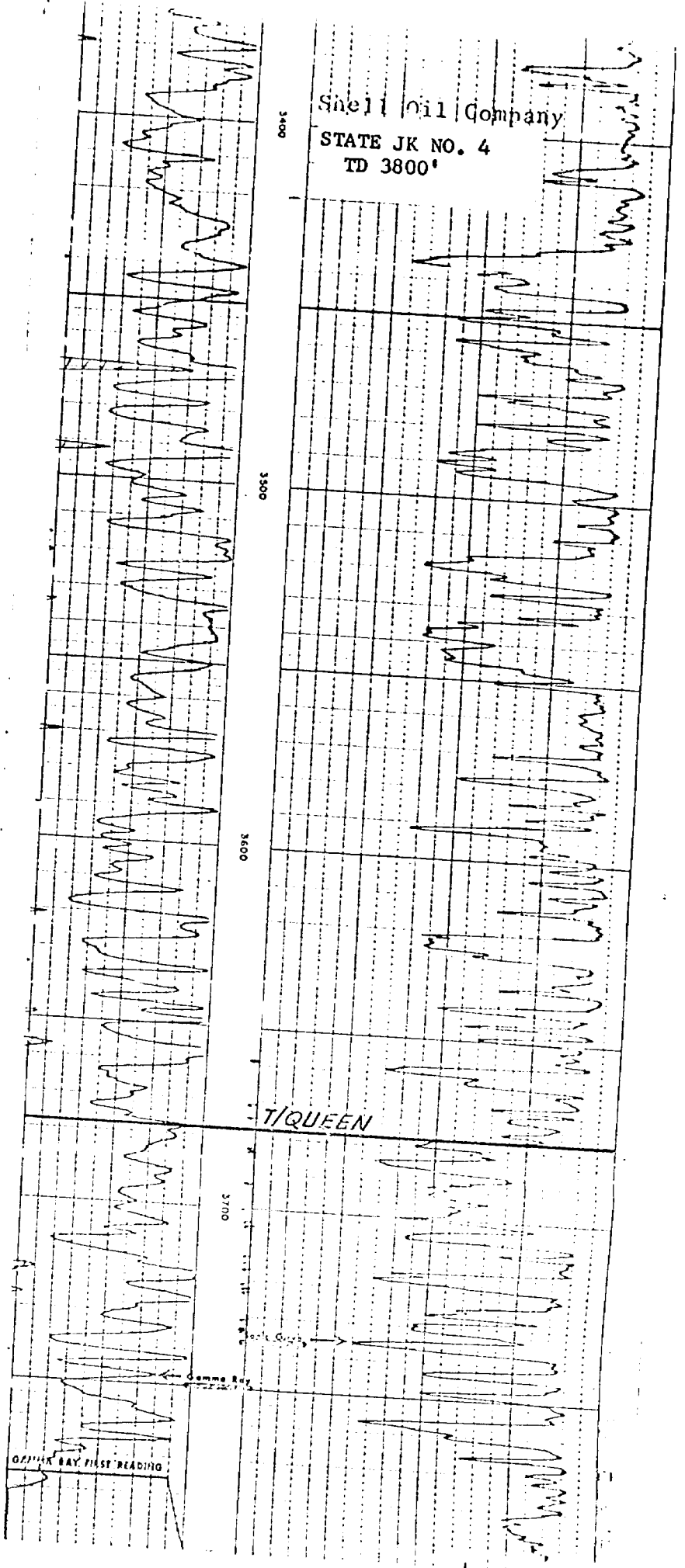
EXHIBIT NO. 3-H



STATE OF TEXAS
 COUNTY OF DALLAS
 DEED NO. 3-I
 4839-4840
 Canceled
 4, 1977

RECEIVED
 DEED
 4/11/77
 Deed Office
 Dallas, Texas

EXHIBIT NO. 3-I



Drill pipe

CONTINENTAL OIL COMPANY
LYNN B-1 NO. 8
EL: 3386 D.F.

NSM 9-11-72 erw

660/N & E 27

23-36

S.I.

7 5/8" CSG @ 323' W/200 SX

2" I.D. TBG. (CORROSION RESISTANT INTERNAL LINED)
W/TENSION PKR. @ 3530'

Shut pipe
Line

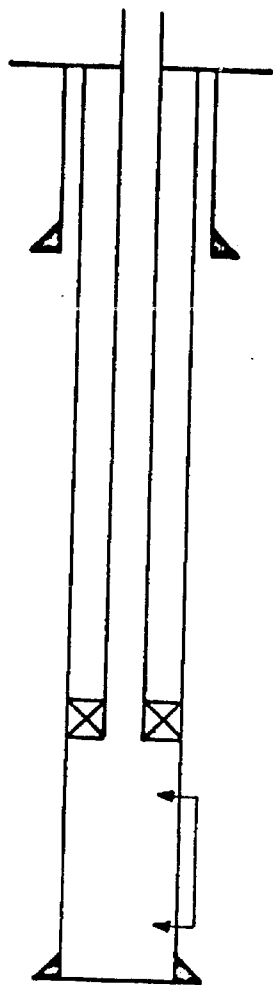
3580-82, 3584-86, 3602-04, 3620-22',
3641-42, 3644-46, 3656-58, 3664-66,
3676-79, 3686-88, 3690-92', 3696-98'
W/2 SPF

4 1/2" CSG @ 3730' W/250 SX
TD 3730'

NO REMEDIAL WORK DONE

4-A
4839-4840
Conoco
Oct. 4, 1972

EXHIBIT NO. 4-A



CONTINENTAL OIL COMPANY
LYNN B-1 NO. 9
EL: 3374' DF

660/N, 1980/E-26

NSM 9-11-72 erw

7 5/8" CSG @ 302' W/200 SX

2" I.D. TBG. (CORROSION RESISTANT INTERNAL LINED)
W/TENSION PKR @ 3500'

3550-52', 3558-60', 3569-71',
3584-86', 3620-22', 3634'-36',
3653-55' W/1 SPF

4 1/2" CSG. @ 3720' W/250 SX
T.D. 3720'

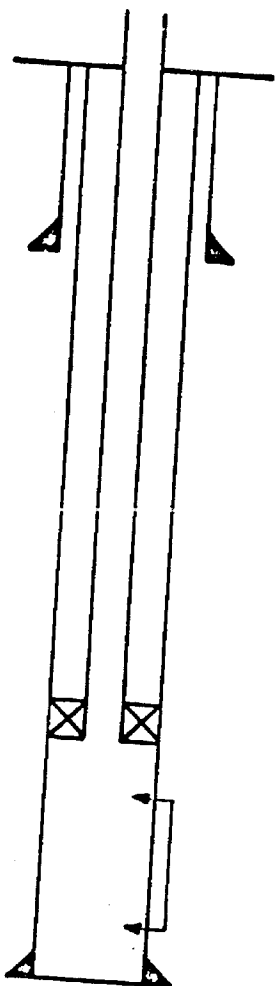
NO REMEDIAL WORK DONE.

CH. 4-13
NO. 4839-4840
London
Oct. 4, 1972

EXHIBIT NO. 4-B

CONTINENTAL OIL COMPANY
LYNN B-1 NO. 10
EL: 3377' K.B.
NSM 9-11-72 erw

1980/11/660/W-26



7 5/8" CSG @ 300' W/150 SX.

2" I.D. TBG. (CORROSION RESISTANT INTERNAL LINED)
W/TENSION PKR. @ 3510'

3560, 3564, 3580, 3601, 3611,
3618, 3630, 3642, 3661, 3673,
3678, 3687' W/1 SPF

4 1/2" CSG. @ 3725' W/120 SX
TD 3725'

EXHIBIT NO. 4-C
NO. 4839-4840
Conoco
Oct. 4, 1972

EXHIBIT NO. 4-C

CONTINENTAL OIL COMPANY
LYNN B-1 No. 11
EL: 3366' K.B.

1980/5/26 W. 26

NSM 9-11-72 erw

7 5/8" CSG @ 315' W/250 SX

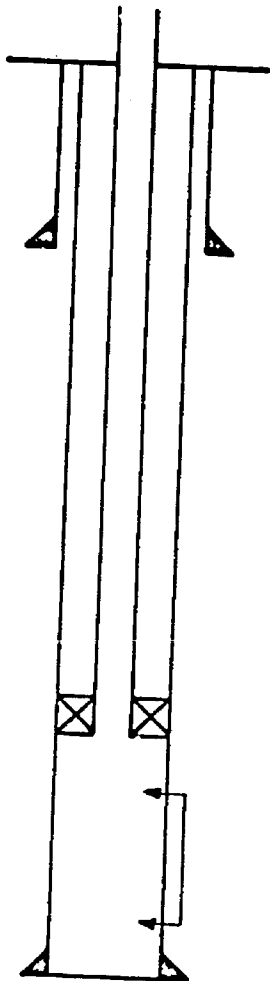
2" I.D. TBG (CORROSION RESISTANT INTERNAL
LINED W/TENSION PKR @ 3450'

3503, 3523, 3534, 3536, 3571,
3590, 3608, 3613, 3630, 3637,
3645, 3659 w/1 SPF

4 1/2" CSG @ 3725' W/225
TD 3725'

CH 130 4-D
4839-4840
Conoco
Oct. 4, 1972

EXHIBIT NO. 4-D



CONTINENTAL OIL COMPANY
LYNN B-1 NO. 12
EL: 3355' K.B.

NSM 9-11-72 erw

SI
1980/11/E-26

7 5/8" CSG @ 300' W/312 SX.

2" I.D. TBG (CORROSION RESISTANT INTERNAL
LINED W/TENSION PKR @ 3450'

3504, 3532, 3543, 3548, 3559, 3564, 3574,
3582, 3595, 3619, 3627, 3641, w/1 JSPF

4 1/2" CSG @ 3675' W/200 SX
T.D. 3675'

TO RD. 4-E
4837-4840
Conoco
Oct. 4, 1972

CONTINENTAL OIL COMPANY
LYNN B-1 NO. 15
EL: 3372' K.B

19805/668/w 24

NSM 9-11-72 erw

7 5/8" CSG. @ 312' w/98 SX.

2" I.D. TBG (CORROSION RESISTANT INTERNAL
LINED W/TENSION PKR @ 3490'

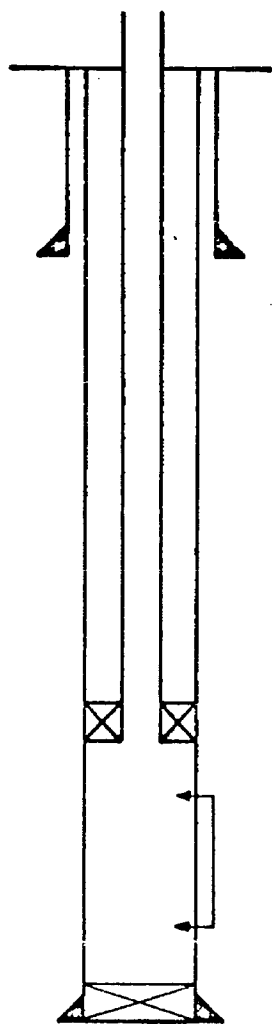
3540, 3555, 3589, 3625,
3652, 3664, 3671, 3681'

4 1/2" CSG @ 3710' w/100 SX.
T.D. 3710'

NO REMEDIAL WORK DONE.

EXHIBIT NO. 4-F
4839-4840
Cenoco
Oct. 4, 1972

EXHIBIT NO. 4-F



GACKLE OIL COMPANY
Sinclair "A" State No. 3
EL: 3380' D.F.

1950/S, 651/W. 23

NSM 9-11-72 erw

8 5/8" CSG @ 241' W/200 SX

2" I.D. TBG. (corrosion resistant
internal lined) W/TENSION PKR @ 3480'

3536-44', 3571-84', 3602-10',
3613-24', 3648-58, 3660-64',
3668'-72'

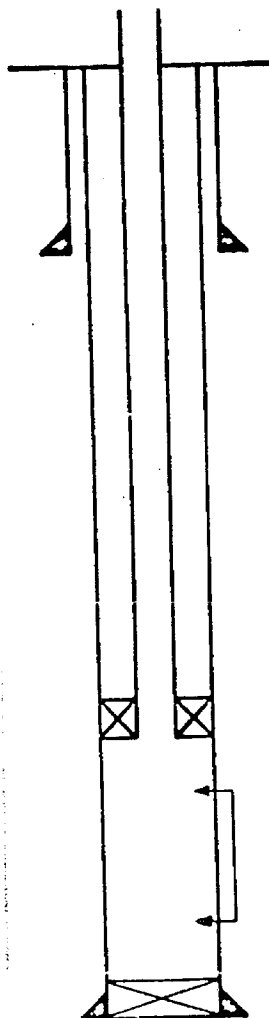
PB 3760'
4 1/2" CSG @ 3790' W/1100 SX.
TD 3790'

EXH NO. 4-G
4839-4840
Conoco
Oct. 11, 1972

GACKLE OIL COMPANY
Sinclair "A" State No. 7
EL: 3385' D.F.

NSM 9-11-72 erw

66 d/s, 1951 E-23



8 5/8" CSG @ 250' W/150 SX.

2" I.D. TBG (CORROSION RESISTANT INTERNAL
LINED) W/TENSION PKR @ 3500'

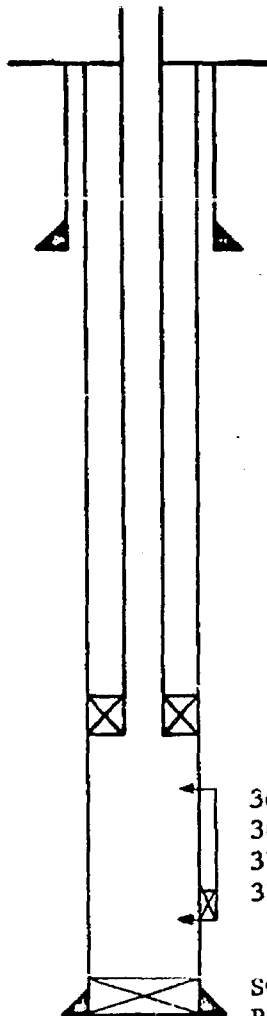
3550, 3555, 3568, 3576, 3581, 3586,
3594, 3601, 3611'

PB 3704'
4 1/2" CSG @ 3728' W/1400 SX
TD 3728'

4-11
4837-4840
Conoco
Oct. 4, 1972

SHELL OIL COMPANY
 STATE "JK" NO. 4
 Sec. 22, T-23S, R-36E
 Elev: 3400' D.F.
 NSM 9-17-72 erw

640/5/650/E-22



7 5/8" CSG. @ 307' W/225 SX.

2" I.D. TBG. (CORROSION RESISTANT INTERNAL LINED)
 W/TENSION PKR @ 3600'

3659, 3671, 3675, 3684, 3685
 3693, 3700, 3704, 3705, 3713,
 3715, 3717, 3721, 3722, 3723,
 3731, 3735, 3734'

SQUEEZED 3770' 3793'
 PB 3799'
 TD 3800' 4 1/2" CSG @ 3800' W/200 SX.

EXHIBIT NO. 4-I
 4839-4840
 Continental Oil Co
 Oct. 4, 1972

RESERVOIR DATA & VOLUMETRIC RESERVE CALCULATIONS

Primary Area (A_p)	760 acres
Floodable Area (A_{wf})	530 acres
Porosity (ϕ)	18.2%
Average NEP (h)	6.5 feet
Water Saturation (S_w)	35.7%
Initial Oil Formation Volume Factor (B_{oi})	1.23
Waterflood Formation Volume Factor (B_{owf})	1.09
Sweep Efficiency (S.E.)	70%
Estimated Total Primary Production (N_p)	633,000 BO

$$\begin{aligned} \text{Initial Oil-in-place (N)} &= (7758)(\phi)(h)(A_p)(1-S_w)(1/B_{oi}) \\ &= (7758)(.182)(6.5)(760)(.643)(1/1.23) \\ &= 3,646,000 \text{ BO} \end{aligned}$$

$$\begin{aligned} \text{Primary Recovery Percent} &= (N_p/N)(100) \\ &= (633,000/3,646,000)(100) \\ &= 17.4\% \end{aligned}$$

$$\begin{aligned} \text{Oil Saturation at Start of Flood (S}_{owf}) &= (1-N_p/N)(B_{owf}/B_{oi})(1-S_w)(100) \\ &= (.826)(.886)(.643)(100) \\ &= 47.1\% \end{aligned}$$

$$\begin{aligned} \text{Secondary Oil to be Recovered (N}_{wf}) &= (7758)(\phi)(h)(A_{wf})(S_{owf}-S_{or})(S.E.)(1/B_{owf}) \\ &= (7758)(.182)(6.5)(530)(.471-.300)(.70)(1/1.09) \\ &= 534,000 \text{ BO} \end{aligned}$$

$$\begin{aligned} \text{Secondary Percent of Primary} &= (N_{wf}/N_p)(100) \\ &= (534,000/633,000)(100) \\ &= 84.4\% \end{aligned}$$

$$\begin{aligned} \text{Secondary Percent of Initial Oil-in-place} &= (N_{wf}/N)(100) \\ &= (534,000/3,646,000)(100) \\ &= 14.6\% \end{aligned}$$

FIELD NO. 117
 OIL CONTROL NO. 117
 FIELD NO. 5
 RECORD 4839-4840
 Continental Oil Co.
 Oct. 4, 1972

EXHIBIT NO. 5

WEATHERED 10/15 1973-7751
AREA CODE 505

DE-TONE

UNITED CHEMICAL CORPORATION

OF NEW MEXICO

601 NORTH LEECH

HOBBS, NEW MEXICO 88240

P. O. BOX 1499

Company Continental Oil Company

Field _____

Lease Lynn A #1

Sampling Date 7-31-72

Type of Sample Disposal System

WATER ANALYSIS

IONIC FORM

(Calculated)

39.12

55.27

192.64

784

672

4,429

23.99

NOT
NOT

1,464

FOUND

FOUND

17.70

245.34

850

8700

7.4

68

Temp. at 100 °C

94.39

4,720

23.99

1,200

70.40

3,520

23.99

1,200

1.012

OIL CONTAMINATION DATA

TEST NO. 6

SEND NO. 4839-4840

SENT BY Continental Oil Co.

DATE Oct. 4, 1972

EXHIBIT NO. 6

DRAFT

GMH/dr

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. 4840

Order No. R- 4417

APPLICATION OF CONTINENTAL OIL COMPANY
FOR A WATERFLOOD PROJECT, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 4, 1972,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this day of October, 1972, 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, Continental Oil Company,
seeks authority to institute a waterflood project in the Langlie
Langlie-Lynn (Queen)
Mattix Pool Unit Area, Langlie-Mattix Pool,
by the injection of water into the Seven Rivers and Queen formations
through nine injection wells in Sections 22, 23, 26 and 27,
Township 23 XXXX, South, Range 36 XXXX, East,
NMPM, Lea County, New Mexico.

(3) That the wells in the project area are in an advanced
state of depletion and should properly be classified as "stripper"
wells.

(4) That the proposed waterflood project should result in
the recovery of otherwise unrecoverable oil, thereby preventing
waste.

(5) That the subject application should be approved and the project should be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations.

IT IS THEREFORE ORDERED:

(1) That the applicant, Continental Oil Company,

is hereby authorized to institute a waterflood project in the

Langlie Lynn (Queen) Unit Area, Langlie-Mattix Pool, ^{Queen} by the injection of water into the Seven Rivers and / formations

through the following-described wells in Township 23

~~North~~, South, Range 36 ~~West~~, East, NMPM, Lea

County, New Mexico:

<u>Well Name</u>	<u>unit</u>	<u>Section</u>
Shell Oil Company, State "JK" well No. 4 - O	-	22
Marble Oil Company, Sinclair "A" State well No. 7 - O	-	23
Marble Oil Company, Sinclair "A" State well No. 3 - L	-	23
Continental Oil Company, Lynn B-1 well No. 15 - L	-	26
Continental Oil Company, Lynn B-1 well No. 12 - G	-	26
Continental Oil Company, Lynn B-1 well No. 11 - K	-	26
Continental Oil Company, Lynn B-1 well No. 10 - E	-	26
Continental Oil Company, Lynn B-1 well No. 9 - B	-	26
Continental Oil Company, Lynn B-1 well No. 8 - A	-	27

(3) That monthly progress reports of the waterflood project herein authorized shall be submitted to the Commission in accordance with Rules 704 and 1120 of the Commission Rules and Regulations.

(4) 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.