

CASE 7311: AMOCO PRODUCTION COMPANY FOR  
APPROVAL OF THE BIG SINKS FEDERAL EX-  
PLORATORY UNIT AREA, EDDY COUNTY, NEW  
MEXICO

Case No.

7311

Application

Transcripts

Small Exhibits

ETC

Unit Name BIG SINKS UNIT-EXPLORATORY  
Operator AMOCO PRODUCTION COMPANY  
County EDDY

DATE	OCC CASE NO.	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	7311 OCC ORDER NO. R-6754							
Commissioner 1/7/82	Commission 8/7/81	December 1, 1981	3,520.00	960.00	2,560.00	-0-	-0-	Yes
USGS: 8/26/81								5 yrs

MODIFIED

UNIT AREA

TOWNSHIP 25 SOUTH, RANGE 31 EAST NMPM

Section 23: S/2  
Section 25: S/2  
Section 26: A11  
Section 27: E/2  
Section 34: E/2  
Section 35: A11  
Section 36: A11

TOWNSHIP 26 SOUTH, RANGE 31 EAST NMPM

Section 2: N/2

**TERMINATED**

APP: 9-29-83

EFF: 1-9-83

1<sup>st</sup> Well Non-Commercial

2<sup>nd</sup> Well Not Drilled on Time

Unit Name  
Operator  
County

BIG SINKS UNIT-EXPLORATORY  
AMOCO PRODUCTION COMPANY  
EDDY

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
6	LP-0876	C.S.	36	25S	31E		8/21/81	640.00		Amoco Production Co.
7	LG-690	C.S.	2	26S	31E		7/14/81	320.00		Yates Petroleum Corporation

TERMINATED

E.L.F. 1-9-83

APD 9-24-83

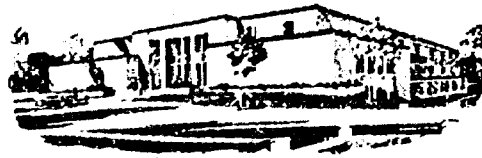
1<sup>st</sup> Well Non-Commence  
2<sup>nd</sup> Well Not Drilled on Time



#  
7311  
State of New Mexico



JIM BACA  
COMMISSIONER



Commissioner of Public Lands  
September 29, 1983

P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

Amoco Production Company (USA)  
P. O. Box 3092  
Houston, Texas 77253

Re: Termination of Big Sinks Unit  
Eddy County, New Mexico

ATTENTION: Mr. Richard E. Ogden

Gentlemen:

This office is in receipt of your letter dated August 31, 1983, wherein as unit operator of the Big Sinks Unit Agreement, Eddy County, New Mexico, you believe that the Big Sinks Unit Well No. 1 located in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ , Sec. 35, T. 25S., R. 31 E., is not capable of producing unitized substances in paying quantities from the Morrow formation.

According to the data submitted, this office concurs with your determination that the initial well is not capable of producing unitized substances in paying quantities from the Morrow formation. Our determination is subject to like concurrence by the Bureau of Land Management. Also, as per section 9 of the unit agreement, the second test well was due to begin on January 9, 1983, being six months from the completion of your initial well.

As per section 9 of the unit agreement, inasmuch as the required second well was not begun by January 9, 1983, the Big Sinks Unit is considered to be terminated as of January 9, 1983.

Please advise all interested parties of this action.

Very truly yours,

JIM BACA  
COMMISSIONER OF PUBLIC LANDS

BY:  
RAY D. GRAHAM, Director  
Oil and Gas Division  
AC 505/827-5744

JB/RDG/pm  
cc:

OCD-Santa Fe, New Mexico  
BLM-Albuquerque, New Mexico  
BLM-Roswell, New Mexico

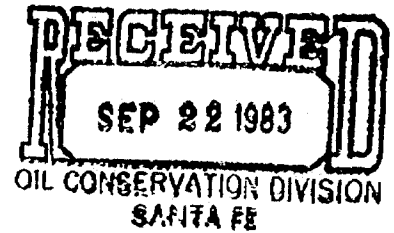


Amoco Production Company (USA)

501 WestLake Park Boulevard  
Post Office Box 3092  
Houston, Texas 77253

Richard E. Ogden  
Division Operations  
Superintendent

August 31, 1983



File: JWA-1375-UF

Re: Big Sinks Federal Unit  
Eddy County, New Mexico

United States Department of Interior  
Bureau of Land Management  
1717 West 2nd Street  
P. O. Box 1397  
Roswell, NM 88201

Attention: Mr. Richard Bastin

Gentlemen:

Reference your request dated July 29, 1983, concerning a commercial well determination for the Big Sinks Federal Unit No. 1. Due to a lack of sufficient performance data, recoverable reserves were estimated by pore volume calculation. Based on an 80 acre drainage radius, reserves were determined to be 1.1 BCF.

Economic calculations based on an initial potential of 645 MCFD, reserves of 1.1 BCF, and a total cost of \$7.45 MM for drilling and completion indicate the well would not payout. Economics based on a trouble-free drilling and completion cost of \$2.2 MM calculate payout of over 10 years, indicating an additional well is not capable of producing in paying quantities.

As discussed by telephone between Chris Raper of this office and Mr. Jim Gilliam of the BLM, it is understood that a non-commercial determination of the Initial Unit Well effectively terminates the Unit as of January 9, 1983. This date being six months following completion of the Initial Well. It is also our understanding that among other Federal leases contributed to the Unit, the leases which comprise the N/2 Section 35, T-25-S, R-31-E, Eddy County, New Mexico if in effect on the termination date will be extended two years from January 9, 1983. Shortly, a Communitization Agreement covering dry gas and associated

United States Department of Interior  
August 31, 1983  
Page 2

Liquid hydrocarbons producible from the Morrow, Atoka, Strawn, and Wolfcamp formations in the N/2 of said Section 35 will be prepared and provided to the lessees of record for their execution. Upon receipt, same will be furnished to you for your review and approval.

Yours very truly,



TCM/lep  
1231/Q

cc: Comm. P. L., OCD, all parties to C-100958

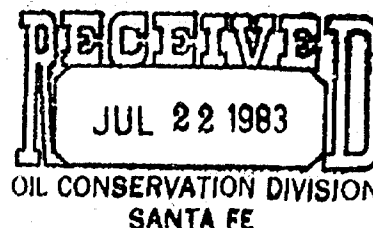


**Amoco Production Company (USA)**

Houston Region  
501 Westlake Park Boulevard  
Post Office Box 3092  
Houston, Texas 77263  
Southwest Texas-Eastern  
New Mexico Division

Richard E. Ogden  
Division Operations  
Superintendent

July 19, 1983



File: JWA-2211-UF

Re: Big Sinks Federal Unit  
Eddy County, New Mexico

# 7311

United States Department of Interior  
Bureau of Land Management  
1717 West 2nd Street  
P. O. Box 1397  
Roswell, NM 88201

Attention: Mr. Richard Bastin

Gentlemen:

Reference your letter dated July 8, 1983, requesting submittal of an initial commercial well determination and participating area for the Big Sinks Federal Unit. As you noted, the initial well was completed July 9, 1982.

At this time, the well is still awaiting a gas sales connection. El Paso is the only gas purchaser within 3 miles of the subject well and to our knowledge, has not offered any new gas contracts in New Mexico since August 1982. Because of the lack of market demand in the area, it is our opinion that this qualifies for an "uncontrollable delay in transportation" which is referenced in Section 25 of the Unit Agreement. This delay has prevented Amoco from obtaining performance data from which a reasonable determination of commercial productivity can be made.

Therefore, it is requested that a 6 month extension be granted from the time a gas contract is executed. This would give Amoco a reasonable amount of time to obtain production data to make a commercial well determination.

File: JWA-2211-UF  
July 19, 1983  
Page 2

We respectfully ask your approval of this extension through the designation of the aforementioned circumstances as an "Unavoidable Delay" in accordance with Section 25 of the Unit Agreement.

Original Signed By  
R. E. Ogden

TCM/cag  
1188/S

cc: Commissioner of Public Lands  
New Mexico State Land Office  
P. O. Box 1148  
Santa Fe, NM 87501

Director Oil and Gas Division  
New Mexico Oil Conservation Division  
P. O. Box 2088  
Santa Fe, NM 87501



STATE OF NEW MEXICO  
**ENERGY AND MINERALS DEPARTMENT**  
OIL CONSERVATION DIVISION

July 12, 1983

TONY ANAYA  
GOVERNOR

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-5800

Amoco Production Co.  
501 Westlake Park Blvd.  
P.O. Box 3092  
Houston, Texas 77253

Attention: R. E. Ogden

Re: 1983 Plan of Development  
Big Sinks Federal Unit  
Old Indian Draw Unit  
Eddy County, New Mexico

Dear Mr. Ogden:

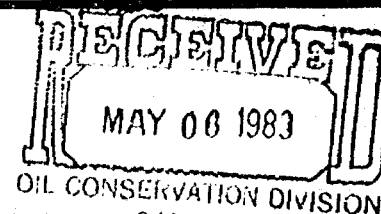
The above referenced submittals have been approved by the New Mexico Oil Conservation Division effective this date. Such approval is contingent upon like approval by the New Mexico Commissioner of Public Lands and the United States Minerals Management Service.

Sincerely,

ROY E. JOHNSON  
Petroleum Geologist

REJ/dp

cc: Commissioner of Public Lands - Santa Fe  
Minerals Management Service - Albuquerque  
OCD District Office - Artesia



Amoco Production Company (USA)

501 Westlake Park Boulevard  
Post Office Box 3092  
Houston, Texas 77253

April 25, 1983

# 7311

File: JLW-416-203

Re: 1983 Plan of Development  
Big Sinks Federal Unit  
Eddy County, New Mexico

Area Oil and Gas Supervisor  
United States Department of the Interior  
Geological Survey  
P. O. Drawer 1857  
Roswell, NM 88201

Commissioner of Public Lands  
State of New Mexico  
P. O. Drawer 1148  
Santa Fe, NM 87501

Director of Oil and Gas Division  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, NM 87501

Gentlemen:

Amoco Production Company, as Operator of the Big Sinks Federal Unit, respectfully requests that a 1983 Plan of Development be approved calling for no development drilling for the year.

Additional development of the Big Sinks Federal Unit is being evaluated pending natural gas market demand. As such, all locations with potential will be prudently developed.

We respectfully ask your approval of the foregoing plan.

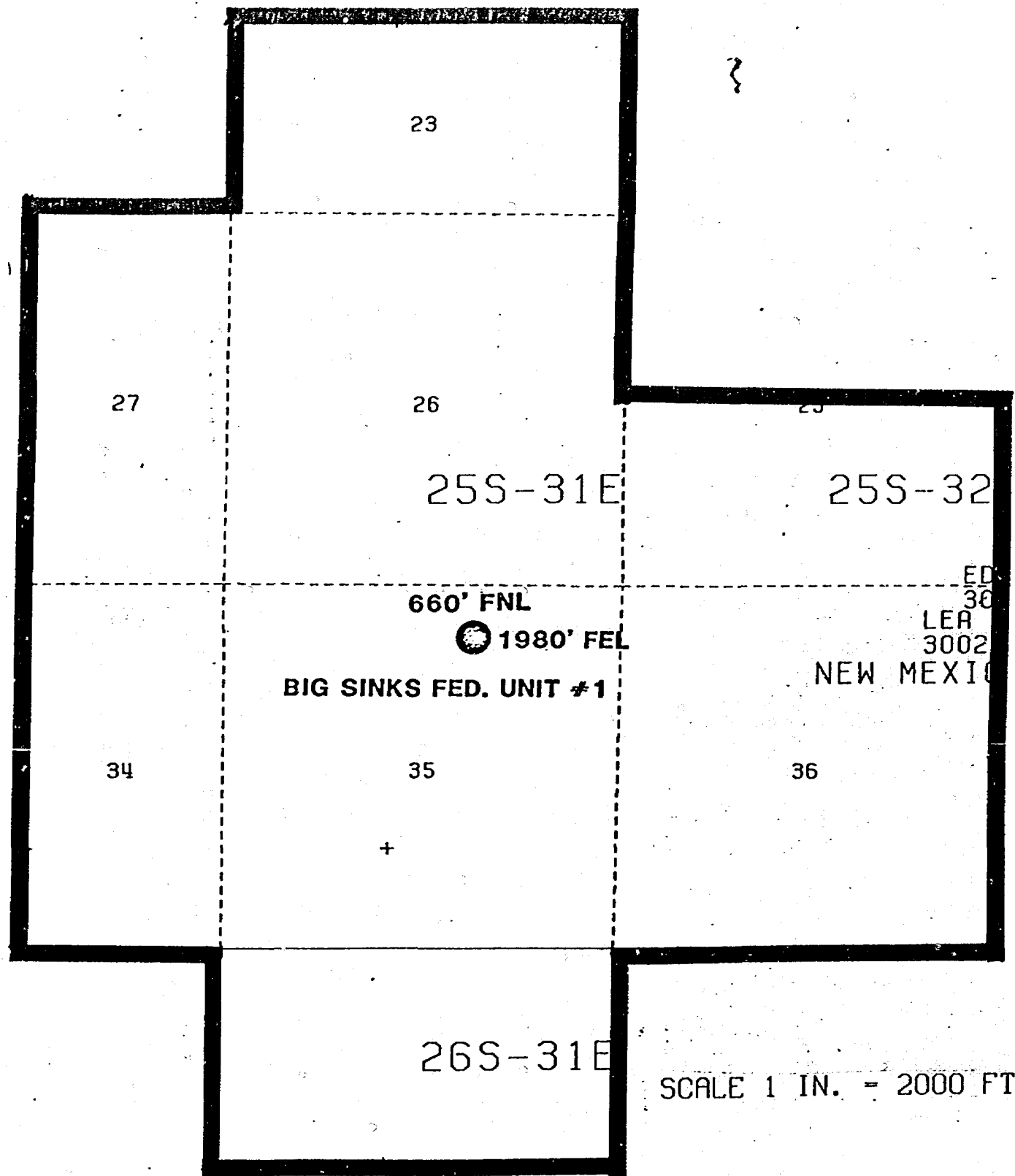
Yours very truly,

R. E. Ogden  
Division Operations Superintendent  
Southwest Texas - Eastern New Mexico Division

JWS/jtp  
132/AA

Attachment

BIG SINKS UNIT  
1983 PLAN OF DEVELOPMENT  
EDDY COUNTY, NEW MEXICO





Unit Name BIG SINKS UNIT-EXPLORATORY  
 Operator AMOCO PRODUCTION COMPANY  
 County EDDY

MODIFIED

DATE	OCC CASE NO.	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO. R-6754	DATE	ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
Commissioner 1/7/82	Commission 8/7/81	December 1, 1981	3,520.00	960.00	2,560.00	-0- -0-	Yes	5 yrs
USGS: 8/26/81								

UNIT AREA

TOWNSHIP 25 SOUTH, RANGE 31 EAST NMPM

- Section 23: S/2
- Section 25: S/2
- Section 26: A11
- Section 27: E/2
- Section 34: E/2
- Section 35: A11
- Section 36: A11

TOWNSHIP 26 SOUTH, RANGE 31 EAST NMPM

- Section 2: N/2

002

Unit Name  
Operator  
County

BIG SINKS UNIT-EXPLORATORY  
AMOCO PRODUCTION COMPANY  
EDDY

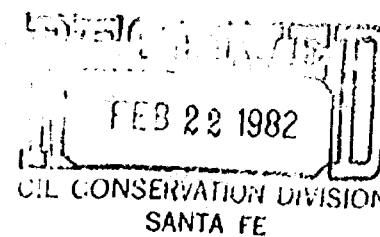
STATE TRACT NO.	LEASE NO.	INST. TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
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7	LG-690	C.S.	2	26S	31E	S/2	7/14/81	320.00		Yates Petroleum Corporation



February 9, 1982

Amoco Production Company (USA)  
500 Jefferson Building  
P.O. Box 3092  
Houston, Texas 77001

Re: EA 51,044  
Contract 100,958  
Big Sinks Federal Unit  
Eddy County, New Mexico



The United States Geologic Survey  
South Central Region  
P. O. Box 26124  
Albuquerque, NM 87125  
Attention: Mr. Joe Lara

The State of New Mexico  
Land Commissioner  
P. O. Box 1148  
Santa Fe, NM 87501  
Attention: Mr. Ray D. Graham

The New Mexico Oil Conservation Division  
P. O. Box 2088  
Santa Fe, NM 87501

Gentlemen:

Pursuant to Mr. Ray Graham's letter of January 7, 1982, enclosed are five (5) copies of revised Exhibits "A" and "B" to the Big Sinks Federal Unit which reflect Amoco's ownership of State of New Mexico lease LH-876. Please furnish Amoco evidence of your approval of the revised exhibits at your earliest convenience so that we can notify the interested parties.

If you have any questions in this regard or we need to meet other requirements, please advise.

Yours very truly,

Chris L. Raper  
Land Department

CLR/zb  
945/C

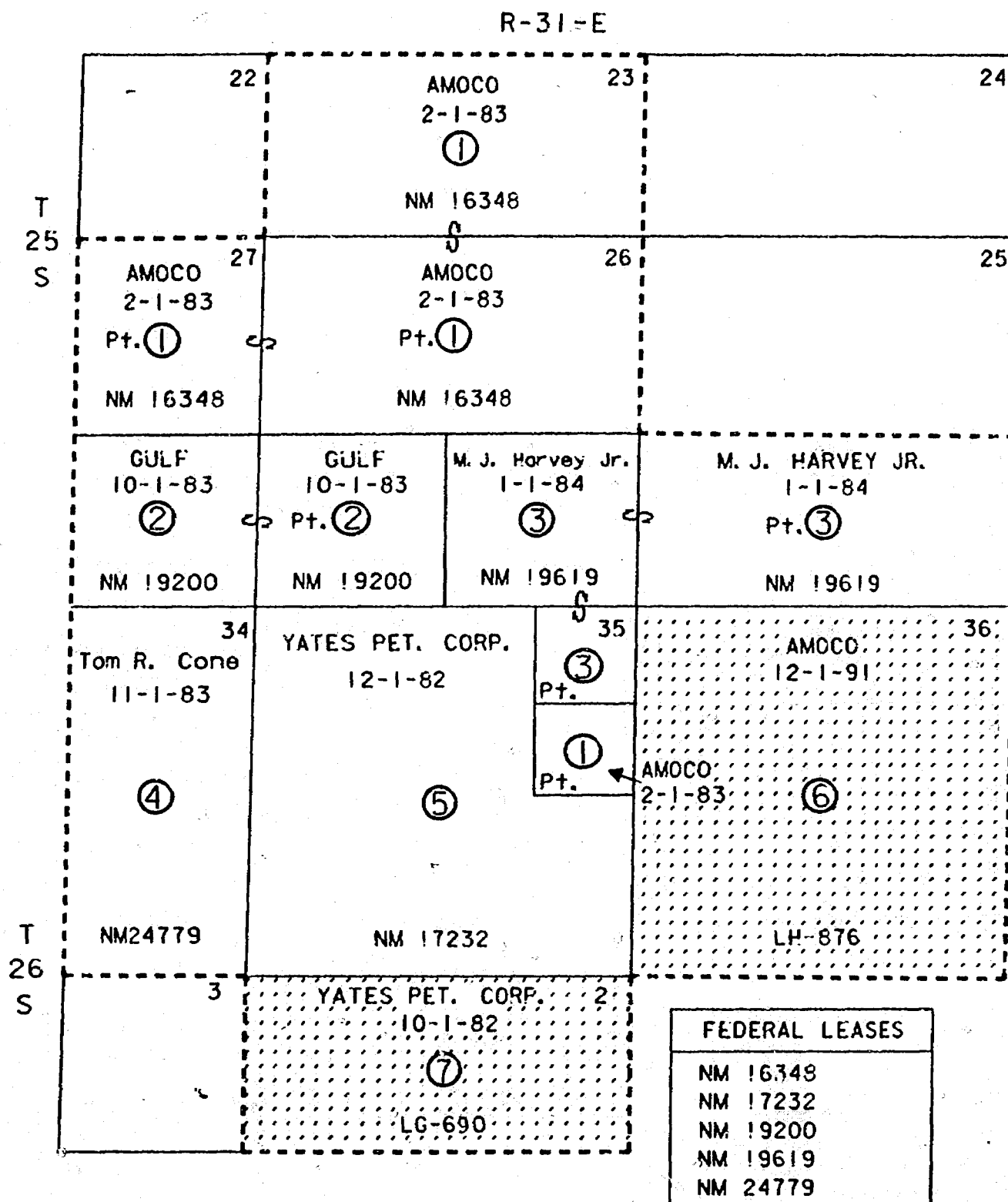
Enclosures

7311

# EXHIBIT A

## BIG SINKS UNIT AGREEMENT

### Eddy County, New Mexico



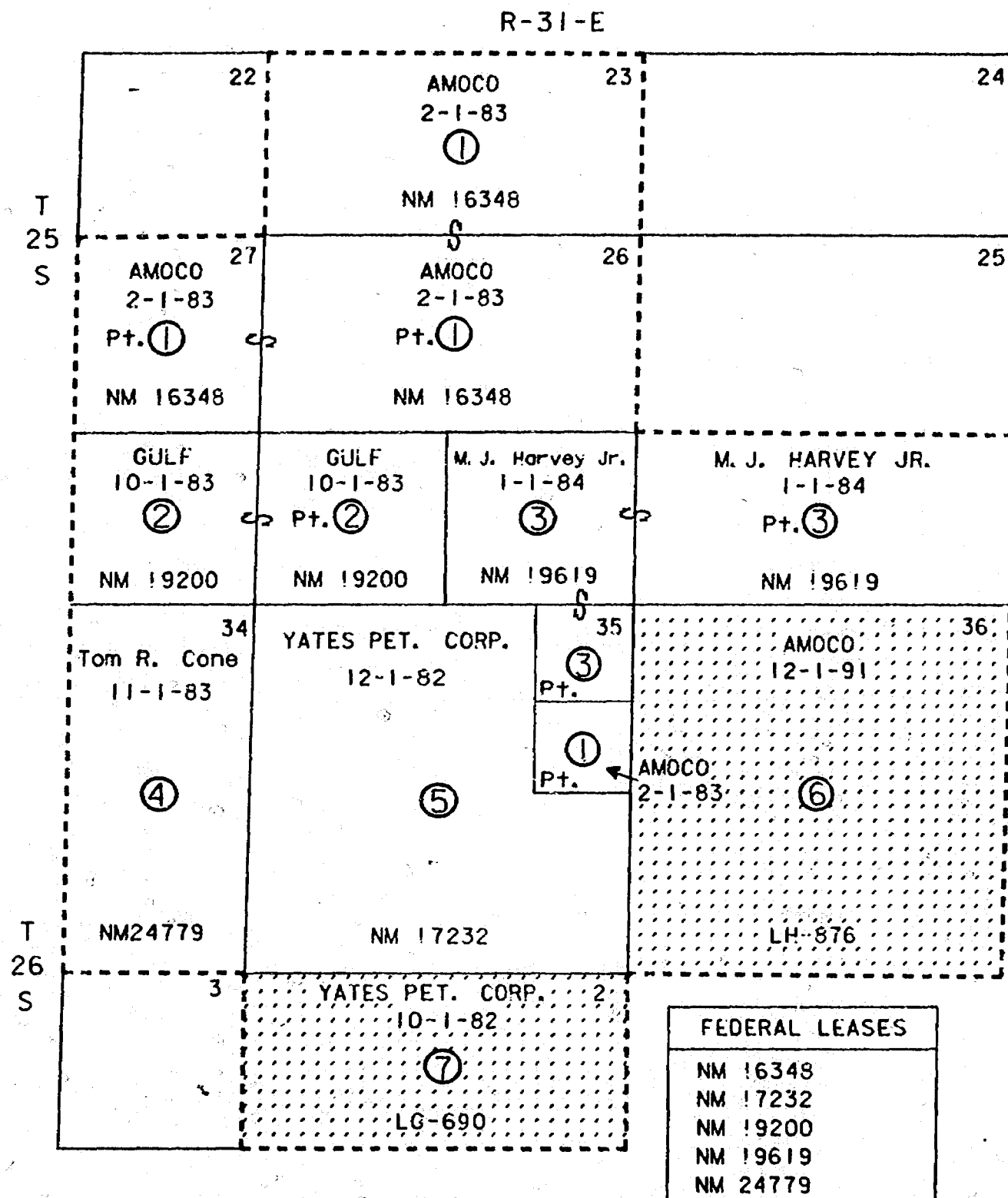
	UNIT BOUNDARY		
	FEDERAL LAND	2560 Ac.	72.72%
	STATE LAND	960 Ac.	27.28%
	TRACT NUMBER	3520 Ac.	100.00%

SCALE: 1" = 2000'

# EXHIBIT A

## BIG SINKS UNIT AGREEMENT

### Eddy County, New Mexico



UNIT BOUNDARY

FEDERAL LAND

STATE LAND

2560 Ac.	72.72%
960 Ac.	27.28%
3520 Ac.	100.00%

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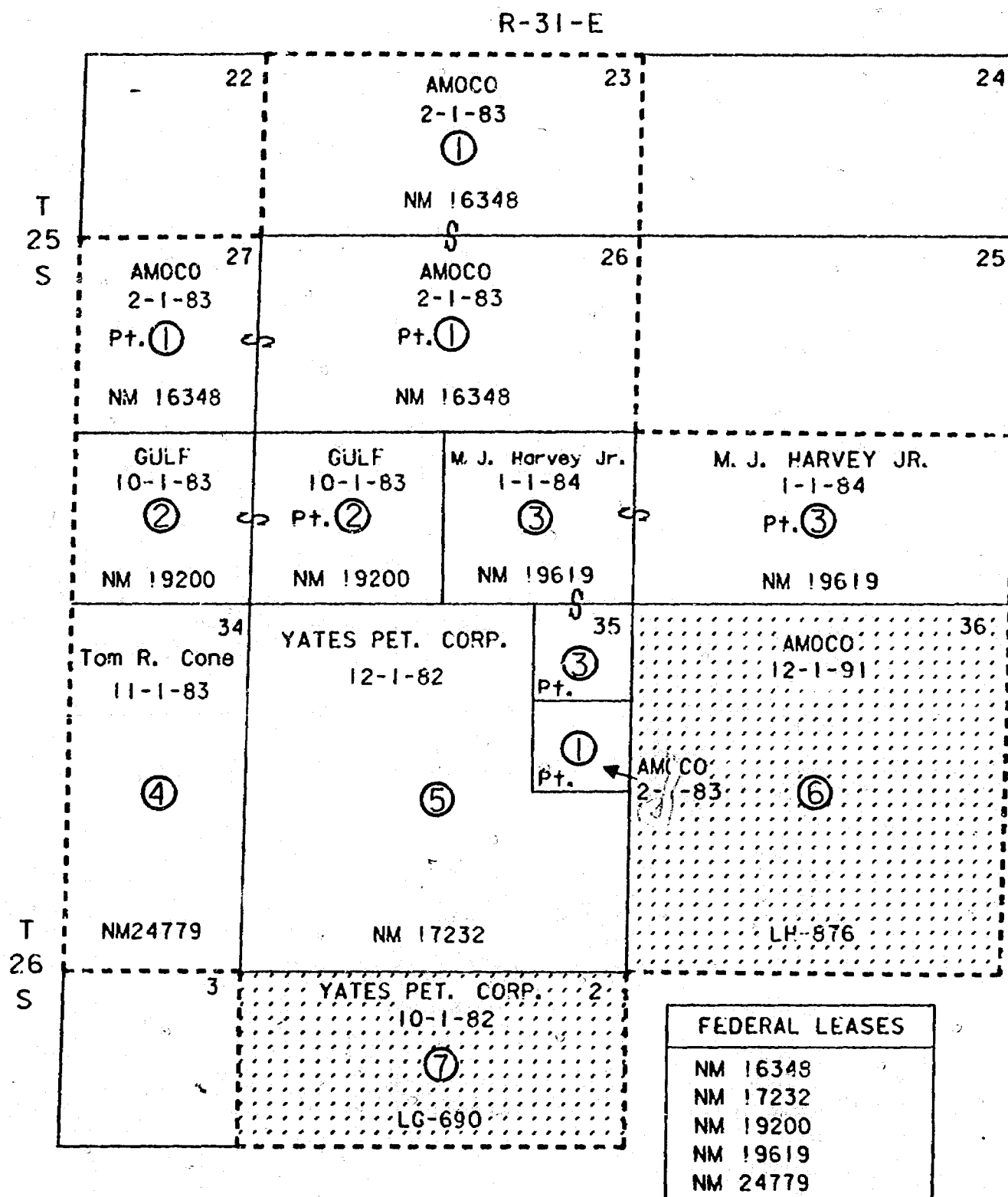
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TRACT NUMBER

# EXHIBIT A

## BIG SINKS UNIT AGREEMENT

### Eddy County, New Mexico



UNIT BOUNDARY  
FEDERAL LAND  
STATE LAND

2560 Ac.	72.72%
960 Ac.	27.28%
<b>3520 Ac.</b>	<b>100.00%</b>

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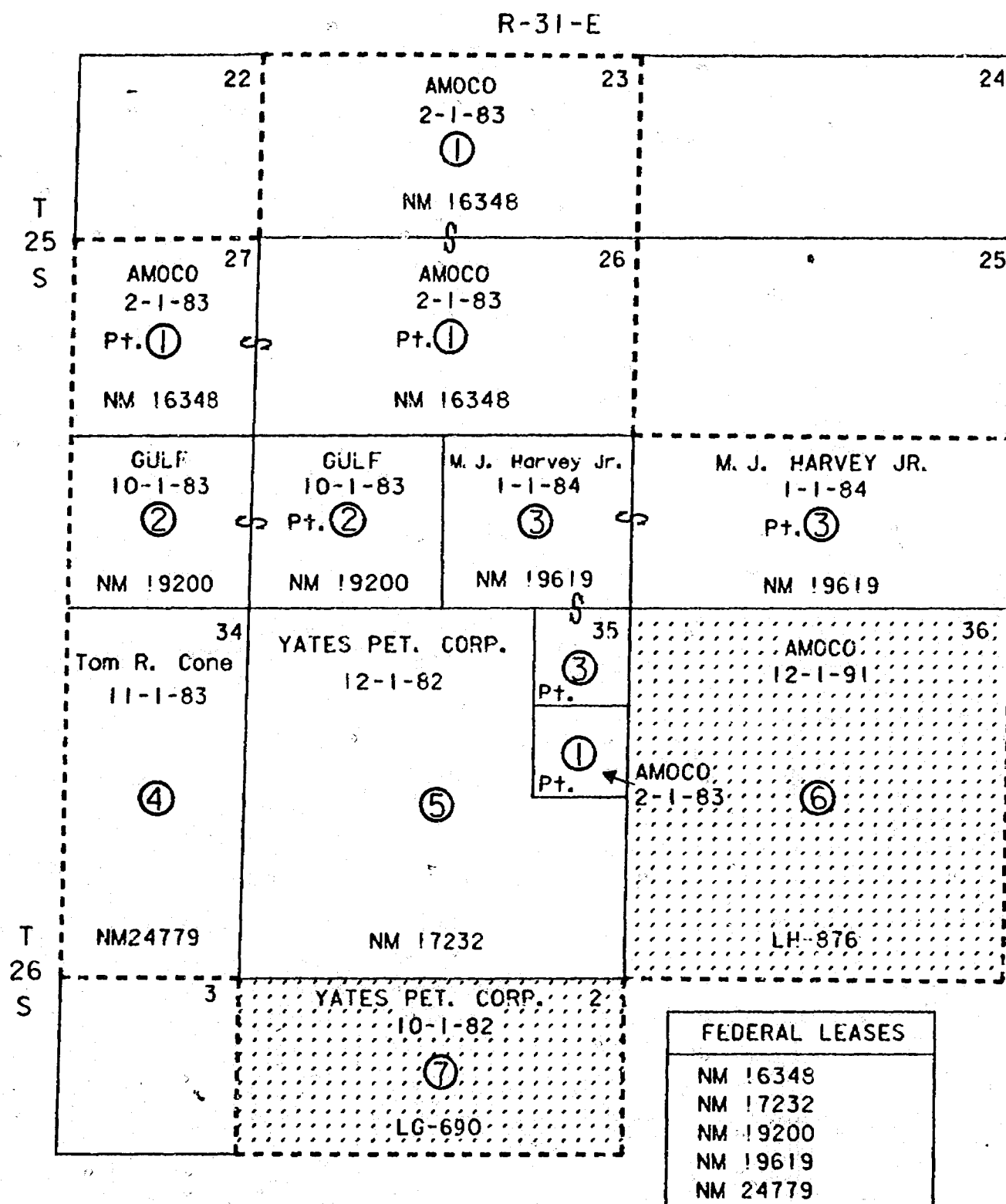
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TRACT NUMBER

# EXHIBIT A

## BIG SINKS UNIT AGREEMENT

### Eddy County, New Mexico



**EXHIBIT "B"**  
**BIG SINKS UNIT AGREEMENT**  
**T-25-S, R-31-E and T-26-S, R-31-E, N.M.P.M.**  
**EDDY COUNTY, NEW MEXICO**

TRACT NO.	Description of Land	No. of Acres	Serial No. & Expiration Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty & Prod. Payment Ownership	Working Interest %
<u>Township 25 South, Range 31-East</u>							
1	Section 23: S/2 Section 26: N/2 Section 27: NE/4 Section 35: SE/4 NE/4	840	NM 16348 2-1-83	USA 12.5%	Amoco Production Company	Joyce A. Dechant 1/2 of 1% K. M. Johnston et ux 3.5% Eddy Land Co. 1% Production Payment of \$150,000 per acre	Amoco: 100%
2	Section 26: SW/4 Section 27: SE/4	320	NM 19200 10-1-83	USA 12.5%	Gulf Oil Corporation	Jean B. Merritt and Robert H. Merritt 5%	Gulf: 100%
3	Section 25: S/2 Section 26: SE/4 Section 35: NE/4 NE/4	520	NM 19619 1-1-84	USA 12.5%	M. J. Harvey, Jr.	None	M. J. Harvey, Jr., 100%
4	Section 34: E/2	320	NM 24779 11-1-83	USA 12.5%	Tom R. Cone	Chloe S. Sims 6.25%	Tom R. Cone: 100%
5	Section 35: All; Save and Except E/2 NE/4	560	NM 17232 12-1-82	USA 12.5%	Yates Petroleum Corporation	George B. Lorraine and Inez Harris Lorraine, 3%	Yates: 100%
<u>5 Federal Tracts - 2560.00 Acres - 72.72%</u>							
6	Section 36: All <u>Township 26 South, Range 31-East</u>	640	L-876 12-1-91	STATE 12.5%	Amoco Production Company	None	Amoco: 100%
7	Section 2: N/2	320	LG-690 10-1-82	STATE 12.5%	Yates Petroleum Corporation	None	Yates: 100%
<u>2 State Tracts - 960.00 Acres - 27.28%</u>							
<u>Total 7 Tracts - 3520.00 Acres - 100%</u>							

CR/zb  
ER/943/D



**EXHIBIT "B"**  
**BIG SINKS UNIT AGREEMENT**  
**T-25-S, R-31-E and T-26-S, R-31-E, N.M.P.M.**  
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CR/zb  
ER/943/D

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**T-25-S, R-31-E and T-26-S, R-31-E, N.M.P.M.**  
**EDDY COUNTY, NEW MEXICO**

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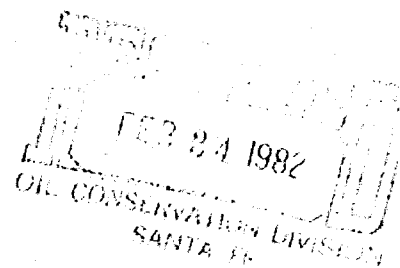
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T-25-S, R-31-E and T-26-S, R-31-E, N.M.P.M.  
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<u>5 Federal Tracts - 2560.00 Acres - 72.72%</u>							
6	Section 36: All <u>Township 26 South, Range 31-East</u>	640	L-876 12-1-91	STATE 12.5%	Amoco Production Company	None	Amoco: 100%
7	Section 2: N/2	320	L6-690 10-1-82	STATE 12.5%	Yates Petroleum Corporation	None	Yates: 100%
<u>2 State Tracts - 960.00 Acres - 27.28%</u>							
<u>Total 7 Tracts - 3520.00 Acres - 100%</u>							

CR/zb

ER/943/D



February 22, 1982

Re: EA-51,044  
Contract 100958  
Big Sinks Federal Unit No. 1  
Eddy County, New Mexico

Commissioner of Public Lands  
State of New Mexico  
P. O. Box 1148  
Santa Fe, New Mexico 87501

Attention: Mr. Ray D. Graham  
Director, Oil & Gas Division

Dear Sir:

Pursuant to our recent discussions pertaining to the Big Sinks Federal Unit in Eddy County, New Mexico, enclosed please find (1) Amoco's daily drilling report for December 1, 1981 and December 2, 1981 and (2) Stratigraphic cross-section of the Big Sinks Area. We feel that this information will aid you in determining whether the Big Sinks Unit Well #1 had penetrated the Objective formation (Morrow) prior to the State's effective date of the Unit.

The enclosed drilling reports reflect the total well depth on December 1, 1981 was 14,900' and our cross-section correlations to the Poker Lake Unit #3 (Well #15 West Texas Geologic Society Cross-Section A-A') indicate the top of the Morrow in the Big Sinks Well to be at approximately 14,918'. If you concur with the data provided and are in agreement with Amoco's position, please respond accordingly and all other interested parties to the agreement will be notified.

Yours very truly,

*Chris L. Raper*

Chris L. Raper  
Land Department

CR/sg  
800/CC

cc: Oil Conservation Division  
P. O. Box 2088  
Santa Fe, NM 87501

State of New Mexico



ALEX J. ARMIJO  
COMMISSIONER



Commissioner of Public Lands

January 7, 1981

P. O. BOX 1148  
SANTA FE, NEW MEXICO 87501

Amoco Production Company  
P. O. Box 3092  
Houston, Texas 77001

Re: Big Sinks Unit Agreement  
Eddy County, New Mexico

ATTENTION: Mr. Charles E. D. Robinson

Gentlemen:

The Commissioner of Public Lands has this date given final approval to the Big Sinks Unit, Eddy County, New Mexico. The effective date is December 1, 1981 being the date State of New Mexico Oil and Gas Lease No. LH-0876 was issued covering All of Section 36, Township 25 South, Range 31 East in this unit.

Our approval is given with the understanding that the following requirement is met.

1. Revised Exhibits "A" and "B" reflecting the ownership of Tract No. 6 as being LH-0876 issued to Amoco Production Company. The expiration date of this lease is December 1, 1991.

Enclosed are Five (5) Certificates of Approval.

The filing fee in the amount of 80.00 Dollars has been received.

Very truly yours,

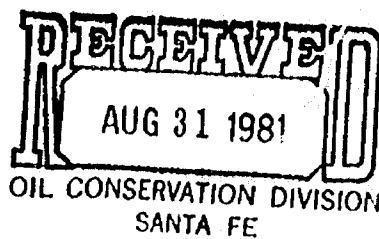
ALEX J. ARMIJO  
COMMISSIONER OF PUBLIC LANDS

BY:  
RAY D. GRAHAM, Director  
Oil and Gas Division  
AC 505/827-2748

AJA/RDG/pm  
encls.  
cc:

OCD-Santa Fe, New Mexico  
USGS-Albuquerque, New Mexico

7311



Amoco Production Company (USA)

500 Jefferson Building  
P.O. Box 3092  
Houston, Texas 77001

August 27, 1981

Re: EA51044  
Big Sinks Federal Unit  
Eddy County, New Mexico

Oil Conservation Division  
P. O. Box 2088  
State Land Office  
Santa Fe, NM 87501

Attention: Mr. Ernie Padea

Gentlemen:

Pursuant to Mr. Ramey's letter of August 7, 1981, enclosed please find a fully executed Big Sinks Unit agreement as requested.

If you have any questions or if we may be of further assistance, please advise.

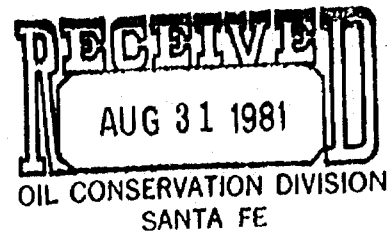
Yours very truly,

*Chris L. Raper*

Chris L. Raper  
Land Department

CLR/jy1  
880/F

Enclosure



CERTIFICATION DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, the act approved February, 1920, 41 Stat. 437, as amended, 30 U.S.C. secs. 181, et seq., and delegated to the Deputy Conservation Managers Oil & Gas, of the United States Geological Survey, I do hereby:

A. Approve the attached agreement for the development and operation of the Big Sinks  
Unit Area, 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.

Deputy Conservation Manager, Oil and Gas  
United State Geological Survey

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Contract Number



UNIT AGREEMENT  
BIG SINKS UNIT AREA  
EDDY COUNTY, NEW MEXICO  
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1                                   UNIT AGREEMENT  
2                                   FOR THE DEVELOPMENT AND OPERATION  
3                                   OF THE  
4                                   BIG SINKS UNIT AREA  
5                                   COUNTY OF EDDY  
6                                   STATE OF NEW MEXICO  
7                                   NO. \_\_\_\_\_

8           THIS AGREEMENT entered into as of the 1st day of July, 1981 by and  
9           between the parties subscribing, ratifying or consenting hereto, and  
10          herein referred to as the "parties hereto".

11                                   WITNESSETH:

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

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

24          WHEREAS, the Commissioner of Public Lands of the State of New  
25          Mexico is authorized by an Act of the Legislature (Secs. 19-10-45, 46,  
26          47 N.M. Statutes 1978 Annotated) to consent to or approve this agreement  
27          on behalf of the State of New Mexico, insofar as it covers and includes  
28          lands and mineral interests of the State of New Mexico; and

29          WHEREAS, the Oil Conservation Division of the Energy and Minerals  
30          Department of the State of New Mexico is authorized by an Act of the  
31          Legislature (Article 3, Chapters 70 and 71, 1978 Statutes) to approve  
32          this agreement and the conservation provisions hereof; and

33          WHEREAS, the parties hereto hold sufficient interests in the Big  
34          Sinks Unit Area covering the land hereinafter described to give reason-  
35          ably effective control of operations therein; and

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

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

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

20        2.    UNIT AREA. The area specified on the map attached hereto  
21 marked Exhibit "A" is hereby designated and recognized as constituting  
22 the unit area, containing 3,520.00 acres, more or less.

23        Exhibit "A" shows, in addition to the boundary of the unit area,  
24 the boundaries and identity of tracts and leases in said area to the  
25 extent known to the Unit Operator. Exhibit "B" attached hereto is a  
26 schedule showing to the extent known to the Unit Operator the acreage,  
27 percentage, and kind of ownership of oil and gas interests in all land  
28 in the unit area. However, nothing herein or in said schedule or map  
29 shall be construed as a representation by any party hereto as to the  
30 ownership of any interest other than such interest or interests as are  
31 shown in said map or schedule as owned by such party. Exhibits "A" and  
32 "B" shall be revised by the Unit Operator whenever changes in the unit  
33 area render such revision necessary, or when requested by the Deputy  
34 Conservation Manager, Oil and Gas, hereinafter referred to as "Deputy",  
35 or when requested by the Commissioner of Public Lands of the State of

1 New Mexico, hereinafter referred to as "Commissioner", and not less than  
2 five copies of the revised exhibits shall be filed with the Deputy, and  
3 two copies thereof shall be filed with the Commissioner, and one copy  
4 with the Oil Conservation Division of the Energy and Minerals Department  
5 of the State of New Mexico, hereinafter referred to as "Division".

6 The above-described unit area shall when practicable be expanded to  
7 include therein any additional lands or shall be contracted to exclude  
8 lands whenever such expansion or contraction is deemed to be necessary  
9 or advisable to conform with the purposes of this agreement. Such  
10 expansion or contraction shall be effected in the following manner:

11 a) Unit Operator, on its own motion or on demand of the  
12 Director of the Geological Survey, hereinafter referred to as  
13 "Director", or on demand of the Commissioner, after preliminary  
14 concurrence by the Director and the Commissioner, shall prepare a  
15 notice of proposed expansion or contraction describing the contem-  
16 plated changes in the boundaries of the unit area, the reasons  
17 therefore, and the proposed effective date thereof, preferably the  
18 first day of a month subsequent to the date of notice.

19 b) Said notice shall be delivered to the Deputy, the  
20 Commissioner and the Division and copies thereof mailed to the last  
21 known address of each working interest owner, lessee, and lessor  
22 whose interests are affected, advising that 30 days will be allowed  
23 for submission to the Unit Operator of any objections.

24 c) Upon expiration of the 30-day period provided in the  
25 preceding item (b) hereof, Unit Operator shall file with the Deputy,  
26 the Commissioner and the Division evidence of mailing of the notice  
27 of expansion or contraction and a copy of any objections thereto  
28 which have been filed with the Unit Operator, together with an  
29 application in sufficient number, for approval of such expansion or  
30 contraction and with appropriate joinders.

31 d) After due consideration of all pertinent information, the  
32 expansion or contraction shall, upon approval by the Deputy, the  
33 Commissioner and the Division, become effective as of the date  
34 prescribed in the notice thereof.

1           e) All legal subdivisions of lands (i.e., 40 acres by  
2       Government survey or its nearest lot or tract equivalent; in  
3       instances of irregular surveys unusually large lots or tracts shall  
4       be considered in multiples of 40 acres or the nearest aliquot  
5       equivalent thereof), no parts of which are entitled to be in a  
6       participating area on or before the fifth anniversary of the  
7       effective date of the first initial participating area established  
8       under this unit agreement, shall be eliminated automatically from  
9       this agreement, effective as of said fifth anniversary, and such  
10      lands shall no longer be a part of the unit area and shall no  
11      longer be subject to this agreement, unless diligent drilling  
12      operations are in progress on unitized lands not entitled to  
13      participation on said fifth anniversary, in which event all such  
14      lands shall remain subject hereto so long as such drilling opera-  
15      tions are continued diligently with not more than 90 days' time  
16      elapsing between the completion of one well and the commencement of  
17      the next well. All legal subdivisions of lands not entitled to be  
18      in a participating area within 10 years after the effective date of  
19      the first initial participating area approved under this government  
20      shall be automatically eliminated from this agreement as of said  
21      tenth anniversary. All lands proved productive by diligent drilling  
22      operations after the aforesaid 5-year period shall become partici-  
23      pating in the same manner as during said 5-year period. However,  
24      when such diligent drilling operations cease, all nonparticipating  
25      lands shall be automatically eliminated effective as of the 91st  
26      day thereafter. The Unit Operator shall, within 90 days after the  
27      effective date of any elimination hereunder, describe the area so  
28      eliminated to the satisfaction of the Deputy and the Commissioner,  
29      and promptly notify all parties in interest.

30      If conditions warrant extension of the 10-year period specified in  
31      this subsection 2(e), a single extension of not to exceed 2 years may be  
32      accomplished by consent of the owners of 90% of the working interests in  
33      the current nonparticipating unitized lands and the owners of 60% of the  
34      basic royalty interests (exclusive of the basic royalty interests of the  
35      United States) in nonparticipating unitized lands with approval of the

1 Director and Commissioner, provided such extension application is submitted  
2 to the Director and Commissioner not later than 60 days prior to the  
3 expiration of said ten-year period.

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

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

13 4. UNIT OPERATOR. AMOCO PRODUCTION COMPANY is hereby designated  
14 as Unit Operator and by signature hereto as Unit Operator agrees and  
15 consents to accept the duties and obligations of Unit Operator for the  
16 discovery, development and production of unitized substances as herein  
17 provided. Whenever reference is made herein to the Unit Operator, such  
18 reference means the Unit Operator acting in that capacity and not as an  
19 owner of interest in unitized substances, and the term "working interest  
20 owner" when used herein shall include or refer to Unit Operator as the  
21 owner of a working interest when such an interest is owned by it.

22 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall  
23 have the right to resign at any time prior to the establishment of a  
24 participating area or areas hereunder, but such resignation shall not  
25 become effective so as to release Unit Operator from the duties and  
26 obligations of Unit Operator and terminate Unit Operator's rights as  
27 such for a period of 6 months after notice of intention to resign has  
28 been served by Unit Operator on all working interest owners and the  
29 Deputy, the Commissioner and the Division, and until all wells then  
30 drilled hereunder are placed in a satisfactory condition for suspension  
31 or abandonment whichever is required by the Deputy as to Federal lands  
32 and by the Commissioner as to State lands, unless a new Unit Operator  
33 shall have been selected and approved and shall have taken over and  
34 assumed the duties and obligations of Unit Operator prior to the  
35 expiration of said period.

1 Unit Operator shall have the right to resign in like manner and  
2 subject to like limitations as above provided at any time a participating  
3 area established hereunder is in existence, but, in all instances of  
4 resignation or removal, until a successor Unit Operator is selected and  
5 approved as hereinafter provided, the working interest owners shall be  
6 jointly responsible for performance of the duties of Unit Operator, and  
7 shall, not later than 30 days before such resignation or removal becomes  
8 effective, appoint a common agent to represent them in any action to be  
9 taken hereunder.

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

13 The Unit Operator may, upon default or failure in the performance  
14 of its duties or obligations hereunder, be subject to removal by the  
15 same percentage vote of the owners of working interests as herein pro-  
16 vided for the selection of a new Unit Operator. Such removal shall be  
17 effective upon notice thereof to the Deputy and the Commissioner.

18 The resignation or removal of Unit Operator under this agreement  
19 shall not terminate its right, title or interest as the owner of a  
20 working interest or other interest in unitized substances, but upon the  
21 resignation or removal of Unit Operator becoming effective, such Unit  
22 Operator shall deliver possession of all wells, equipment, materials and  
23 appurtenances used in conducting the unit operations to the new duly  
24 qualified successor Unit Operator or to the common agent, if no such new  
25 Unit Operator is elected, to be used for the purpose of conducting unit  
26 operations hereunder. Nothing herein shall be construed as authorizing  
27 removal of any material, equipment and appurtenances needed for the  
28 preservation of any wells.

29 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall  
30 tender his or its resignation as Unit Operator or shall be removed as  
31 hereinabove provided, or a change of Unit Operator is negotiated by  
32 working interest owners, the owners of the working interests in the  
33 participating area or areas according to their respective acreage inter-  
34 ests in such participating area or areas, or, until a participating area  
35 shall have been established, the owners of the working interests according



1 to their respective acreage interests in all unitized land, shall by  
2 majority vote select a successor Unit Operator: Provided, That, if a  
3 majority but less than 75 percent of the working interests qualified to  
4 vote are owned by one party to this agreement, a concurring vote of one  
5 or more additional working interest owners shall be required to select a  
6 new operator. Such selection shall not become effective until

7 a) a Unit Operator so selected shall accept in writing the  
8 duties and responsibilities of Unit Operator, and

9 b) the selection shall have been approved by the Deputy  
10 and the Commissioner.

11 If not successor Unit Operator is selected and qualified as herein  
12 provided, the Director and Commissioner at their election may declare  
13 this unit agreement terminated.

14 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the  
15 Unit Operator is not the sole owner of working interest, costs and  
16 expenses incurred by Unit Operator in conducting unit operations here-  
17 under shall be paid and apportioned among and borne by the owners of  
18 working interests, all in accordance with the agreement or agreements  
19 entered into by and between the Unit Operator and the owners of working  
20 interests, whether one or more, separately or collectively. Any agree-  
21 ment or agreements entered into between the working interest owners and  
22 the Unit Operator as provided in this section, whether one or more, are  
23 herein referred to as the "unit operating agreement". Such unit operat-  
24 ing agreement shall also provide the manner in which the working interest  
25 owners shall be entitled to receive their respective proportionate and  
26 allocated share of the benefits accruing hereto in conformity with their  
27 underlying operating agreements, leases or other independent contracts,  
28 and such other rights and obligations as between Unit Operator and the  
29 working interest owners as may be agreed upon by Unit Operator and the  
30 working interest owners; however, no such unit operating agreement shall  
31 be deemed either to modify any of the terms and conditions of this unit  
32 agreement or to relieve the Unit Operator of any right or obligation  
33 established under this unit agreement, and in case of any inconsistency  
34 or conflict between this unit agreement and the unit operating agreement,  
35 this unit agreement shall govern. Three true copies of any unit operating

1 agreement executed pursuant to this section should be filed with the  
2 Deputy and two true copies with the Commissioner and one true copy  
3 with the Division, prior to approval of this unit agreement.

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

18 9. DRILLING TO DISCOVERY. Within 6 months after the effective  
19 date hereof, the Unit Operator shall begin to drill an adequate test  
20 well at a location approved by the Deputy, if on Federal land, or by  
21 the Commissioner if on State land, unless on such effective date a well  
22 is being drilled conformably with the terms hereof, and thereafter  
23 continue such drilling diligently until the Morrow formation has been  
24 tested or until at a lesser depth unitized substances shall be discovered  
25 which can be produced in paying quantities (to-wit: quantities sufficient  
26 to repay the costs of drilling, completing, and producing operations,  
27 with a reasonable profit) or the Unit Operator shall at any time establish  
28 to the satisfaction of the Deputy if located on Federal lands, or  
29 the Commissioner if located on State lands, that further drilling of  
30 said well would be unwarranted or impracticable, provided, however, that  
31 Unit Operator shall not in any event be required to drill said well to a  
32 depth in excess of 16,000 feet. Until the discovery of a deposit of  
33 unitized substances capable of being produced in paying quantities, the  
34 Unit Operator shall continue drilling one well at a time, allowing not  
35 more than 6 months between the completion of one well and the beginning

1 of the next well, until a well capable of producing unitized substances  
2 in paying quantities is completed to the satisfaction of said Deputy if  
3 on Federal land, or the Commissioner if on State land, or until it is  
4 reasonably proved that the unitized land is incapable of producing  
5 unitized substances in paying quantities in the formations drilled  
6 hereunder. Nothing in this section shall be deemed to limit the right  
7 of the Unit Operator to resign as provided in Section 5 hereof, or as  
8 requiring Unit Operator to commence or continue any drilling during the  
9 period pending such resignation becoming effective in order to comply  
10 with the requirements of this section. The Deputy and Commissioner may  
11 modify the drilling requirements of this section by granting reasonable  
12 extensions of time when, in their opinion, such action is warranted.  
13 Upon failure to commence any well provided for in this section within  
14 the time allowed, including any extension of time granted by the Deputy  
15 and the Commissioner, this agreement will automatically terminate; upon  
16 failure to continue drilling diligently any well commenced hereunder,  
17 the Deputy and Commissioner may, after 15 days notice to the Unit  
18 Operator, declare this unit agreement terminated.

19 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months  
20 after completion of a well capable of producing unitized substances in  
21 paying quantities, the Unit Operator shall submit for the approval of  
22 the Deputy and the Commissioner an acceptable plan of development and  
23 operation for the unitized land which, when approved by the Deputy and  
24 the Commissioner, shall constitute the further drilling and operating  
25 obligations of the Unit Operator under this agreement for the period  
26 specified therein. Thereafter, from time to time before the expiration  
27 of any existing plan, the Unit Operator shall submit for the approval of  
28 the Deputy and the Commissioner a plan for an additional specified  
29 period for the development and operation of the unitized land.

30 Any plan submitted pursuant to this section shall provide for the  
31 exploration of the Unitized area and for the diligent drilling necessary  
32 for determination of the area or areas thereof capable of producing  
33 unitized substances in paying quantities in each and every productive  
34 formation and shall be as complete and adequate as the Deputy, the  
35 Commissioner and Division may determine to be necessary for timely

1 development and proper conservation of the oil and gas resources of the  
2 unitized area and shall:

- 3 a) specify the number and locations of any wells to be  
4 drilled and the proposed order and time for such drilling; and
- 5 b) to the extent practicable, specify the operating prac-  
6 tices regarded as necessary and advisable for proper conservation  
7 of natural resources.

8 Separate plans may be submitted for separate productive zones, subject  
9 to the approval of the Deputy, the Commissioner and the Division.

10 Plans shall be modified or supplemented when necessary to meet  
11 changed conditions or to protect the interests of all parties to this  
12 agreement. Reasonable diligence shall be exercised in complying with  
13 the obligations of the approved plan of development. The Deputy and  
14 Commissioner are authorized to grant a reasonable extension of the  
15 6-month period herein prescribed for submission of an initial plan of  
16 development where such action is justified because of unusual conditions  
17 or circumstances. After completion hereunder of a well capable of  
18 producing any unitized substances in paying quantities, no further  
19 wells, except such as may be necessary to afford protection against  
20 operations not under this agreement and such as may be specifically  
21 approved by the Deputy and the Commissioner, shall be drilled except in  
22 accordance with a plan of development approved as herein provided.

23 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well  
24 capable of producing unitized substances in paying quantities or as soon  
25 thereafter as required by the Deputy and Commissioner, the Unit Operator  
26 shall submit for approval by the Deputy and Commissioner a schedule,  
27 based on subdivisions of the public land survey or aliquot parts thereof,  
28 of all land then regarded as reasonably proved to be productive in  
29 paying quantities; all lands in said schedule on approval of the Deputy  
30 and Commissioner to constitute a participating area, effective as of the  
31 date of completion of such well or the effective date of this unit  
32 agreement, whichever is later. The acreages of both Federal and  
33 non-Federal lands shall be based upon appropriate computations from the  
34 courses and distances shown on the last approved public land survey as  
35 of the effective date of each initial participating area.

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

28 It is the intent of this section that a participating area shall  
29 represent the area known or reasonably estimated to be productive in  
30 paying quantities, but, regardless of any revision of the participating  
31 area, nothing herein contained shall be construed as requiring any  
32 retroactive adjustment for production obtained prior to the effective  
33 date of the revision of the participating area.

34 In the absence of agreement at any time between the Unit Operator  
35 and the Deputy and Commissioner as to the proper definition or

1 redefinition of a participating area, or until a participating area has,  
2 or areas have, been established as provided herein, the portion of all  
3 payments affected thereby shall be impounded in a manner mutually accept-  
4 able to the owners of working interests and the Deputy and Commissioner.  
5 Royalties due the United States and the State of New Mexico, which shall  
6 be determined by the Deputy for Federal land and the Commissioner for  
7 State land and the amount thereof shall be deposited, as directed by the  
8 Deputy and Commissioner respectively, to be held as unearned money until  
9 a participating area is finally approved and then applied as earned or  
10 returned in accordance with a determination of the sum due as Federal  
11 and State royalty on the basis of such approved participating area.

12 Whenever, it is determined, subject to the approval of the Deputy  
13 as to wells drilled on Federal land and of the Commissioner as to wells  
14 drilled on State land, that a well drilled under this agreement is not  
15 capable of production in paying quantities and inclusion of the land on  
16 which it is situated in a participating area is unwarranted, production  
17 from such well shall, for the purposes of settlement among all parties  
18 other than working interest owners, be allocated to the land on which  
19 the well is located unless such land is already within the participating  
20 area established for the pool or deposit from which such production is  
21 obtained. Settlement for working interest benefits from such a well  
22 shall be made as provided in the unit operating agreement.

23 12. ALLOCATION OF PRODUCTION. All unitized substances produced  
24 from each participating area established under this agreement, except  
25 any part thereof used in conformity with good operating practices within  
26 the unitized area for dilling, operating, camp and other production or  
27 development purposes, for repressuring or recycling in accordance with a  
28 plan of development approved by the Deputy and Commissioner, or unavoidably  
29 lost, shall be deemed to be produced equally on an acreage basis from  
30 the several tracts of unitized land of the participating area established  
31 for such production and, for the purpose of determining any benefits  
32 accruing under this agreement, each such tract of unitized land shall  
33 have allocated to it such percentage of said production as the number of  
34 acres of such tract included in said participating area bears

1 to the total acres of unitized land in said participating area, except  
2 that allocation of production hereunder for purposes other than for  
3 settlement of the royalty, overriding royalty, or payment out of pro-  
4 duction obligations of the respective working interest owners, shall be  
5 on the basis prescribed in the unit operating agreement whether in  
6 conformity with the basis of allocation herein set forth or otherwise.  
7 It is hereby agreed that production of unitized substances from a par-  
8 ticipating area shall be allocated as provided herein regardless of  
9 whether any wells are drilled on any particular part or tract of said  
10 participating area. If any gas produced from one participating area is  
11 used for repressuring or recycling purposes in another participating  
12 area, the first gas withdrawn from such last mentioned participating  
13 area for sale during the life of this agreement shall be considered to  
14 be the gas so transferred until an amount equal to that transferred  
15 shall be so produced for sale and such gas shall be allocated to the  
16 participating area from which initially produced as such area was last  
17 defined at the time of such final production.

18 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATION.

19 Any party hereto owning or controlling the working interest in any  
20 unitized land having thereon a regular well location may with the approval  
21 of the Deputy as to Federal land or the Commissioner as to State land,  
22 at such party's sole risk, cost and expense, drill a well to test any  
23 formation for which a participating area has not been established or to  
24 test any formation for which a participating area has been established  
25 if such location is not within said participating area, unless within 90  
26 days of receipt of notice from said party of his intention to drill the  
27 well the Unit Operator elects and commences to drill such a well in like  
28 manner as other wells are drilled by the Unit Operator under this agree-  
29 ment.

30 If any well drilled as aforesaid by a working interest owner results  
31 in production such that the land upon which it is situated may properly  
32 be included in a participating area, such participating area shall be  
33 established or enlarged as provided in this agreement and the well shall  
34 thereafter be operated by the Unit Operator in accordance with the terms  
35 of this agreement and the unit operating agreement.



1        If any well drilled as aforesaid by a working interest owner obtains  
2 production in quantities insufficient to justify the inclusion of the  
3 land upon which such well is situated in a participating area, such well  
4 may be operated and produced by the party drilling the same subject to  
5 the conservation requirements of this agreement. The royalties in  
6 amount or value of production from any such well shall be paid as speci-  
7 fied in the underlying lease and agreement affected.

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

23        If gas obtained from lands not subject to this agreement is intro-  
24 duced into any participating area hereunder, for use in repressuring,  
25 stimulation of production, or increasing ultimate recovery, in conformity  
26 with a plan of operations approved by the Deputy, the Commissioner, and  
27 Division, a like amount of gas, after settlement as herein provided for  
28 any gas transferred from any other participating area and with appropriate  
29 deduction for loss from any cause, may be withdrawn from the formation  
30 in which the gas is introduced, royalty free as to dry gas, but not as  
31 to any products which may be extracted therefrom; provided that such  
32 withdrawal shall be at such time as may be provided in the approval plan  
33 of operations or as may otherwise be consented to by the Deputy, the  
34 Commissioner and Division as conforming to good petroleum engineering  
35 practice; and provided further, that such right of withdrawal shall  
36 terminate on the termination of this unit agreement.



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

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

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

24       Rentals on State of New Mexico lands subject to this agreement  
25   shall be paid at the rates specified in the respective leases.

26       With respect to any lease on non-Federal land containing provisions  
27   which would terminate such lease unless drilling operations are commenced  
28   upon the land covered thereby within the time therein specified or  
29   rentals are paid for the privilege of deferring such drilling operations,  
30   the rentals required thereby shall, notwithstanding any other provisions  
31   of this agreement, be deemed to accrue and become payable during the  
32   term thereof as extended by this agreement and until the required drill-  
33   ing operations are commenced upon the land covered thereby or until some  
34   portion of such land is included within a participating area.

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

5        17. DRAINAGE. The Unit Operator shall take such measures as the  
6 Deputy and Commissioner deem appropriate and adequate to prevent drainage  
7 of unitized substances from unitized land by wells on land not subject  
8 to this agreement.

9        18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,  
10 conditions and provisions of all leases, subleases and other contracts  
11 relating to exploration, drilling, development or operations for oil or  
12 gas on lands committed to this agreement are hereby expressly modified  
13 and amended to the extent necessary to make the same conform to the  
14 provision hereof, but otherwise to remain in full force and effect; and  
15 the parties hereto hereby consent that the Secretary as to Federal  
16 leases and the Commissioner as to State leases shall and each by his  
17 approval hereof, or by the approval hereof by their duly authorized  
18 representatives, do hereby establish, alter, change or revoke the drill-  
19 ing, producing, rental, minimum royalty and royalty requirements of  
20 Federal and State leases committed hereto and the regulations in respect  
21 thereto to conform said requirements to the provisions of this agreement,  
22 and, without limiting the generality of the foregoing, all leases,  
23 subleases, and contracts are particularly modified in accordance with  
24 the following:

25            a) The development and operation of lands subject to this  
26 agreement under the terms hereof shall be deemed full performance  
27 of all obligations for development and operation with respect to  
28 each and every separately owned tract subject to this agreement,  
29 regardless of whether there is any development of any particular  
30 tract of the unit area.

31            b) Drilling and producing operations performed hereunder  
32 upon any tract of unitized land will be accepted and deemed to be  
33 performed upon and for the benefit of each and every tract of  
34 unitized land, and no lease shall be deemed to expire by reason of  
35 failure to drill or produce wells situated on the land therein  
36 embraced.

1           c) Suspension of drilling or producing operations on all  
2           unitized lands pursuant to direction or consent of the Secretary  
3           and Commissioner or their duly authorized representatives shall be  
4           deemed to constitute such suspension pursuant to such direction or  
5           consent as to each and every tract of unitized land. A suspension  
6           of drilling or producing operations limited to specified lands  
7           shall be applicable only to such lands.

8           d) Each lease, sublease or contract relating to the explora-  
9           tion, drilling, development or operation for oil or gas of lands  
10          other than those of the United States or State of New Mexico com-  
11          mitted to this agreement, which, by its terms might expire prior to  
12          the termination of this agreement, is hereby extended beyond any  
13          such term so provided therein so that it shall be continued in full  
14          force and effect for and during the term of this agreement.

15          e) Any Federal lease for a fixed term of twenty (20) years  
16          or any renewal thereof or any part of such lease which is made  
17          subject to this agreement shall continue in force beyond the term  
18          provided therein until the termination hereof. Any other Federal  
19          lease committed hereto shall continue in force beyond the term so  
20          provided therein or by law as to the land committed so long as such  
21          lease remains subject hereto, provided that production is had in  
22          paying quantities under this unit agreement prior to the expiration  
23          date of the term of such lease, or in the event actual drilling  
24          operations are commenced on unitized lands, in accordance with the  
25          provisions of this agreement, prior to the end of the primary term  
26          of such lease and are being diligently prosecuted at that time,  
27          such lease shall be extended for two years and so long thereafter  
28          as oil or gas is produced in paying quantities in accordance with  
29          the provisions of the Mineral Leasing Act Revision of 1960.

30          f) Each sublease or contract relating to the operation and  
31          development of unitized substances from lands of the United States  
32          committed to this agreement, which by its terms would expire prior  
33          to the time at which the underlying lease, as extended by the  
34          immediately preceding paragraph, will expire, is hereby extended  
35          beyond any such term so provided therein so that it shall be continued

1 in full force and effect for and during the term of the underlying  
2 lease as such term is herein extended.

3 g) Any lease embracing lands of the State of New Mexico  
4 which is made subject to this agreement, shall continue in force  
5 beyond the term provided therein as to the lands committed hereto  
6 until the termination hereof, subject to the provisions of subsec-  
7 tion (c) of Section 2 and subsection (i) of this Section 18.

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

21 i) Any lease embracing lands of the State of New Mexico  
22 having only a portion of its lands committed hereto, shall be  
23 segregated as to the portion committed and the portion not committed,  
24 and the provisions of such lease shall apply separately to such  
25 segregated portions commencing as of the effective date hereof;  
26 provided, however, notwithstanding any of the provisions of this  
27 agreement to the contrary any lease embracing lands of the State of  
28 New Mexico having only a portion of its lands committed hereto  
29 shall continue in full force and effect beyond the term provided  
30 therein as to all lands embraced in such lease, if oil or gas is  
31 discovered and is capable of being produced in paying quantities  
32 from some part of the lands embraced in such lease at the expira-  
33 tion of the secondary term of such lease; or if, at the expiration  
34 of the secondary term, the lessee or Unit Operator is then engaged  
35 in bona fide drilling or reworking operations on some part of the

1 lands embraced in such lease, the same, as to all lands embraced  
2 therein, shall remain in full force and effect so long as such  
3 operations are being diligently prosecuted, and if they result in  
4 the production of oil or gas, said lease shall continue in full  
5 force and effect as to all of the lands embraced therein, so long  
6 thereafter as oil or gas in paying quantities is being produced  
7 from any portion of said lands.

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

16 19. COVENANTS RUN WITH LAND. The covenants herein shall be con-  
17 strued to be covenants running with the land with respect to the interest  
18 of the parties hereto and their successors in interest until this agree-  
19 ment terminates, and any grant, transfer, or conveyance of interest in  
20 land or leases subject hereto shall be and hereby is conditioned upon  
21 the assumption of all privileges and obligations hereunder by the grantee,  
22 transferee or other successor in interest. No assignment or transfer of  
23 any working interest, royalty, or other interest subject hereto shall be  
24 binding upon Unit Operator until the first day of the calendar month  
25 after Unit Operator is furnished with the original, photostatic, or  
26 certified copy of the instrument of transfer.

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

31 a) such date of expiration is extended by the Director and  
32 Commissioner, or

33 b) it is reasonably determined prior to the expiration of  
34 the fixed term or any extension thereof that the unitized land is  
35 incapable of production of unitized substances in paying quantities

1 in the formations tested hereunder and after notice of intention to  
2 terminate the agreement on such ground is given by the Unit Operator  
3 to all parties in interest at their last known addresses, the  
4 agreement is terminated with the approval of the Deputy and the  
5 Commissioner, or

6 c) a valuable discovery of unitized substances has been made  
7 or accepted on unitized land during said initial term or any exten-  
8 sion thereof, in which event the agreement shall remain in effect  
9 for such term and so long as unitized substances can be produced as  
10 to federal lands and are being produced as to state lands in quanti-  
11 ties sufficient to pay for the cost of producing same from wells on  
12 unitized land within any participating area established hereunder  
13 and, should production cease, so long thereafter as diligent opera-  
14 tions are in progress for the restoration of production or discovery  
15 of new production and so long thereafter as unitized substances so  
16 discovered can be produced as aforesaid, or

17 d) it is terminated as heretofore provided in this agreement.  
18 This agreement may be terminated at any time by not less than 75  
19 per centum, on an acreage basis, of the working interest owners  
20 signatory hereto, with the approval of the Deputy and Commissioner;  
21 notice of any such approval to be given by the Unit Operator to all  
22 parties hereto.

23 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director  
24 is hereby vested with authority to alter or modify from time to time in  
25 his discretion the quantity and rate of production under this agreement  
26 when such quantity and rate is not fixed pursuant to Federal or State  
27 law or does not conform to any statewide voluntary conservation or  
28 allocation program, which is established, recognized and generally  
29 adhered to by the majority of operators in such State, such authority  
30 being hereby limited to alteration or modification in the public interest,  
31 the purpose thereof and the public interest to be served thereby to be  
32 stated in the order of alteration or modification. Without regard to  
33 the foregoing, the Director is also hereby vested with authority to  
34 alter or modify from time to time in his discretion the rate of pros-  
35 pecting and development and the quantity and rate of production under

1 this agreement when such alteration or modification is in the interest  
2 of attaining the conservation objectives stated in this agreement and is  
3 not in violation of any applicable Federal or State law; provided,  
4 further, that no such alteration or modification shall be effective as  
5 to any land of the State of New Mexico, as to the rate of prospecting  
6 and developing in the absence of the specific written approval thereof  
7 by the Commissioner and as to any lands of the State of New Mexico  
8 subject to this agreement as to the quantity and rate of production in  
9 the absence of specific written approval thereof by the Division.

10 Powers in this section vested in the Director shall only be exer-  
11 cised after notice to Unit Operator and opportunity for hearing to be  
12 held not less than 15 days from notice.

13 22. APPEARANCES. Unit Operator shall, after notice to other  
14 parties affected, have the right to appear for and on behalf of any and  
15 all interests affected hereby before the Department of the Interior, the  
16 Commissioner of Public Lands of the State of New Mexico and the Oil  
17 Conservation Division of the Energy and Minerals Department of the State  
18 of New Mexico and to appeal from orders issued under the regulations of  
19 said Department, the Division or Commissioner or to apply for relief  
20 from any of said regulations or in any proceedings relative to opera-  
21 tions before the Department of the Interior, the Commissioner, or  
22 Division, or any other legally constituted authority; provided, however,  
23 that any other interested party shall also have the right at his own  
24 expense to be heard in any such proceeding.

25 23. NOTICES. All notices, demands or statements required here-  
26 under to be given or rendered to the parties hereto shall be deemed  
27 fully given if given in writing and personally delivered to the party or  
28 sent by postpaid registered or certified mail, addressed to such party  
29 or parties at their respective addresses set forth in connection with  
30 the signatures hereto or to the ratification or consent hereof or to  
31 such other address as any such party may have furnished in writing to  
32 party sending the notice, demand or statement.

33 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement con-  
34 tained shall be construed as a waiver by any party hereto of the right  
35 to assert any legal or constitutional right or defense as to the validity



1 or invalidity of any law of the State wherein said unitized lands are  
2 located, or of the United States, or regulations issued thereunder in  
3 any way affecting such party, or as a waiver by any such party of any  
4 right beyond his or its authority to waive.

5 25. UNAVOIDABLE DELAY. All obligations under this agreement  
6 requiring the Unit Operator to commence or continue drilling or to  
7 operate on or produce unitized substances from any of the lands covered  
8 by this agreement shall be suspended while the Unit Operator, despite  
9 the exercise of due care and diligence, is prevented from complying with  
10 such obligations, in whole or in part, by strikes, acts of God, Federal,  
11 State or municipal law or agencies, unavoidable accidents, uncontrollable  
12 delays in transportation, inability to obtain necessary materials in  
13 open market, or other matters beyond the reasonable control of the Unit  
14 Operator whether similar to matters herein enumerated or not. No unit  
15 obligation which is suspended under this section shall become due less  
16 than thirty (30) days after it has been determined that the suspension  
17 is no longer applicable. Determination of creditable "Unavoidable  
18 Delay" time shall be made by the Unit Operator subject to approval of  
19 the Deputy and Commissioner.

20 26. NONDISCRIMINATION. In connection with the performance of work  
21 under this agreement, the operator agrees to comply with all of the  
22 provisions of Section 202 (1) to (7) inclusive of Executive Order 11246  
23 (30 F. R. 12319), as amended, which are hereby incorporated by reference  
24 in this agreement.

25 27. LOSS OF TITLE. In the event title to any tract of unitized  
26 land shall fail and the true owner cannot be induced to join in this  
27 unit agreement, such tract shall be automatically regarded as not com-  
28 mitted hereto and there shall be such readjustment of future costs and  
29 benefits as may be required on account of the loss of such title. In  
30 the event of a dispute as to title to any royalty, working interest or  
31 other interests subject thereto, payment or delivery on account thereof  
32 may be withheld without liability for interest until the dispute is  
33 finally settled; provided, that, as to Federal and State land or leases,  
34 no payments of funds due the United States or State of New Mexico should  
35 be withheld, but such funds of the United States shall be deposited as



1 directed by the Deputy and such funds of the State of New Mexico shall  
2 be deposited as directed by the Commissioner to be held as unearned  
3 money pending final settlement of the title dispute, and then applied as  
4 earned or returned in accordance with such final settlement.

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

7 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any  
8 substantial interest in a tract within the unit area fails or refuses to  
9 subscribe or consent to this agreement, the owner of the working interest  
10 in that tract may withdraw said tract from this agreement by written  
11 notice delivered to the Deputy and the Commissioner and the Unit Operator  
12 prior to the approval of this agreement by the Deputy and Commissioner.  
13 Any oil or gas interests in lands within the unit area not committed  
14 hereto prior to submission of this agreement for final approval may  
15 thereafter be committed hereto by the owner or owners thereof  
16 subscribing or consenting to this agreement, and, if the interest is a  
17 working interest, by the owner of such interest also subscribing to the  
18 unit operating agreement. After operations are commenced hereunder, the  
19 right of subsequent joinder, as provided in this section, by a working  
20 interest owner is subject to such requirements or approvals, if any,  
21 pertaining to such joinder, as may be provided for in the unit operating  
22 agreement. After final approval hereof, joinder by a non-working  
23 interest owner must be consented to in writing by the working interest  
24 owner committed hereto and responsible for the payment of any benefits  
25 that may accrue hereunder in behalf of such non-working interest. A  
26 non-working interest may not be committed to this unit agreement unless  
27 the corresponding working interest is committed hereto. Joinder to the  
28 unit agreement by a working interest owner, at any time, must be accom-  
29 panied by appropriate joinder to the unit operating agreement, if more  
30 than one committed working interest owner is involved, in order for the  
31 interest to be regarded as committed to this unit agreement. Except as  
32 may otherwise herein be provided, subsequent joinders to this agreement  
33 shall be effective as of the first day of the month following the filing  
34 with the Deputy and the Commissioner of duly executed counterparts of  
35 all or any papers necessary to establish effective commitment of any

1 tract to this agreement unless objection to such joinder is duly made  
2 within 60 days by the Supervisor, provided, however, that as to State  
3 lands all subsequent joinders must be approved by the Commissioner.

4 29. COUNTERPARTS. This agreement may be executed in any number of  
5 counterparts no one of which needs to be executed by all parties or may  
6 be ratified or consented to by separate instrument in writing specifically  
7 referring hereto and shall be binding upon all those parties who have  
8 executed such a counterpart, ratification, or consent hereto with the same  
9 force and effect as if all such parties had signed the same document and  
10 regardless of whether or not it is executed by all other parties owning  
11 or claiming an interest in the lands within the above described unit area.

12 30. NO PARTNERSHIP. It is expressly agreed that the relation of  
13 the parties hereto is that of independent contractors and nothing in  
14 this agreement contained, expressed or implied, nor any operations  
15 conducted hereunder, shall create or be deemed to have created a part-  
16 nership or association between the parties hereto or any of them.

17 IN WITNESS WHEREOF, the parties hereto have caused this agreement  
18 to be executed and have set opposite their respective names the date of  
19 execution.

20 UNIT OPERATOR AND WORKING INTEREST OWNER

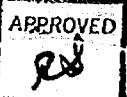
21 AMOCO PRODUCTION COMPANY

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

23 ADDRESS: \_\_\_\_\_

24 BY: William T. Hale  
25 Attorney-in-Fact

WILLIAM T. HALE



26 WORKING INTEREST OWNERS

27 YATES PETROLEUM CORPORATION

28 ATTEST: Randy Peterson  
Secretary

29 DATE: July 14, 1981

30 ADDRESS: 207 South Fourth Street  
31 Artesia, New Mexico 88210

BY: John A. Goff  
President

32 ATTEST: \_\_\_\_\_

GULF OIL CORPORATION

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

34 ADDRESS: \_\_\_\_\_

35 BY: \_\_\_\_\_  
36

1 tract to this agreement unless objection to such joinder is duly made  
2 within 60 days by the Supervisor, provided, however, that as to State  
3 lands all subsequent joinders must be approved by the Commissioner.

4 29. COUNTERPARTS. This agreement may be executed in any number of  
5 counterparts no one of which needs to be executed by all parties or may  
6 be ratified or consented to by separate instrument in writing specifically  
7 referring hereto and shall be binding upon all those parties who have  
8 executed such a counterpart, ratification, or consent hereto with the same  
9 force and effect as if all such parties had signed the same document and  
10 regardless of whether or not it is executed by all other parties owning  
11 or claiming an interest in the lands within the above described unit area.

12 30. NO PARTNERSHIP. It is expressly agreed that the relation of  
13 the parties hereto is that of independent contractors and nothing in  
14 this agreement contained, expressed or implied, nor any operations  
15 conducted hereunder, shall create or be deemed to have created a part-  
16 nership or association between the parties hereto or any of them.

17 IN WITNESS WHEREOF, the parties hereto have caused this agreement  
18 to be executed and have set opposite their respective names the date of  
19 execution.

20 UNIT OPERATOR AND WORKING INTEREST OWNER

21 AMOCO PRODUCTION COMPANY

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

23 ADDRESS: \_\_\_\_\_

24 \_\_\_\_\_

25 BY: \_\_\_\_\_

Attorney-in-Fact

26 WORKING INTEREST OWNERS

27 ATTEST: \_\_\_\_\_ YATES PETROLEUM CORPORATION

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

29 ADDRESS: \_\_\_\_\_

30 \_\_\_\_\_

31 \_\_\_\_\_

BY: \_\_\_\_\_

32 ATTEST: \_\_\_\_\_ GULF OIL CORPORATION

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

34 ADDRESS: \_\_\_\_\_

35 \_\_\_\_\_

36 \_\_\_\_\_

BY: L. R. Woodard *112* *Act* *11/11/54*  
*McC* *2-10-54*

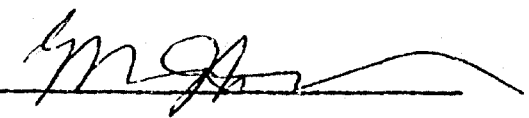
1 ATTEST: Louanna Hayes

M. J. HARVEY, JR.

2 DATE: 7-17-81

3 ADDRESS: P. O. Box 12705

4 Dallas, Texas 75225

BY: 

6 ATTEST: \_\_\_\_\_

TOM R. CONE

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

8 ADDRESS: \_\_\_\_\_

9 \_\_\_\_\_

10 \_\_\_\_\_

BY: \_\_\_\_\_

11 ATTEST: \_\_\_\_\_

MESA PETROLEUM COMPANY

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

13 ADDRESS: \_\_\_\_\_

14 \_\_\_\_\_

15 \_\_\_\_\_

BY: \_\_\_\_\_

CR/dq  
LR601/F

1 ATTEST: \_\_\_\_\_

M. J. HARVEY, JR.

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

3 ADDRESS: \_\_\_\_\_

BY: \_\_\_\_\_

4 \_\_\_\_\_

5 \_\_\_\_\_

6 ATTEST: June Ray

TOM R. CONE

7 DATE: 7-17-81

8 ADDRESS: Southwest City

BY: Tom R. Cone

9 Mo 64863

10 \_\_\_\_\_

11 ATTEST: \_\_\_\_\_

MESA PETROLEUM COMPANY

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

13 ADDRESS: \_\_\_\_\_

BY: \_\_\_\_\_

14 \_\_\_\_\_

15 \_\_\_\_\_

CR/dq  
LR601/F

1 ATTEST: \_\_\_\_\_  
2 DATE: \_\_\_\_\_  
3 ADDRESS: \_\_\_\_\_  
4 \_\_\_\_\_  
5 \_\_\_\_\_

M. J. HARVEY, JR.

BY: \_\_\_\_\_

6 ATTEST: \_\_\_\_\_  
7 DATE: \_\_\_\_\_  
8 ADDRESS: \_\_\_\_\_  
9 \_\_\_\_\_  
10 \_\_\_\_\_

TOM R. CONE

BY: \_\_\_\_\_

11 ATTEST: Louella S. Forten  
12 DATE: 7-22-81  
13 ADDRESS: \_\_\_\_\_  
14 \_\_\_\_\_  
15 \_\_\_\_\_

MESA PETROLEUM CO

BY: Marion E. Caney  
Vice President

CR/dq  
LR601/F

THE STATE OF TEXAS    |  
COUNTY OF HARRIS    |

The foregoing instrument was acknowledged before me this 21<sup>st</sup> day of August, 1981, by WILLIAM T. HALE as Attorney-in-Fact on behalf of AMOCO PRODUCTION COMPANY.

My Commission Expires:

Shirley B. Barnes  
Notary Public in and for  
Harris County, Texas

SHIRLEY B. BARNES  
Notary Public in Harris County, Texas  
My Commission Expires 11-2-81

THE STATE OF NEW MEXICO    |  
COUNTY OF EDDY    |

The foregoing instrument was acknowledged before me this 14th day of July, 1981, by John A. Yates, Vice President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

6/27/84

Betty Little Hodges  
Notary Public in and for  
Eddy County, New Mexico

THE STATE OF \_\_\_\_\_ |  
COUNTY OF \_\_\_\_\_ |

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_ of GULF OIL CORPORATION, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_

THE STATE OF TEXAS     |  
COUNTY OF HARRIS     |

The foregoing instrument was acknowledged before me this \_\_\_\_ day of  
\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
as Attorney-in-Fact on behalf of AMOCO PRODUCTION COMPANY.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

THE STATE OF \_\_\_\_\_ |  
COUNTY OF \_\_\_\_\_ |

The foregoing instrument was acknowledged before me this \_\_\_\_ day of  
\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
of YATES PETROLEUM CORPORATION, a \_\_\_\_\_ corporation, on  
behalf of said corporation.

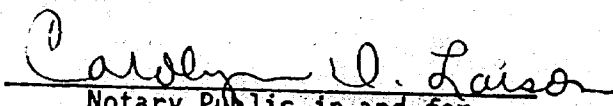
My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_

THE STATE OF TEXAS     |  
COUNTY OF MIDLAND     |

The foregoing instrument was acknowledged before me this 13th day of  
August, 1981, by L. R. Woodard, Attorney-in-Fact  
of GULF OIL CORPORATION, a Pennsylvania corporation, on behalf  
of said corporation.

My Commission Expires:  
July 30, 1984

  
Notary Public in and for  
the State of Texas  
Carolyn D. Larson



THE STATE OF Texas |

COUNTY OF Dallas |

BEFORE ME, a Notary Public, on this day personally appeared  
M. J. HARVEY, JR., known to me to be the person whose name is subscribed  
to the foregoing instrument, and acknowledged to me that he executed the  
same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 17th day of  
July, 1981.

My Commission Expires: 4-6-85

Phyllis J. Hatten  
Notary Public in and for  
Dallas County, Texas

THE STATE OF \_\_\_\_\_ |

COUNTY OF \_\_\_\_\_ |

BEFORE ME, a Notary Public, on this day personally appeared  
TOM R. CONE, known to me to be the person whose name is subscribed to  
the foregoing instrument, and acknowledged to me that he executed the  
same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this \_\_\_\_\_ day of  
\_\_\_\_\_, 19\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_  
County, \_\_\_\_\_

THE STATE OF \_\_\_\_\_ |

COUNTY OF \_\_\_\_\_ |

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
of MESA PETROLEUM COMPANY, a \_\_\_\_\_ corporation, on behalf  
of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_

THE STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

BEFORE ME, a Notary Public, on this day personally appeared  
M. J. HARVEY, JR., known to me to be the person whose name is subscribed  
to the foregoing instrument, and acknowledged to me that he executed the  
same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this \_\_\_\_\_ day of  
\_\_\_\_\_, 19\_\_\_\_.

My Commission Expires:

Notary Public in and for  
\_\_\_\_\_, County, \_\_\_\_\_

THE STATE OF Missouri  
COUNTY OF McDonald

BEFORE ME, a Notary Public, on this day personally appeared  
TOM R. CONE, known to me to be the person whose name is subscribed to  
the foregoing instrument, and acknowledged to me that he executed the  
same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 17th day of  
July, 1981.

My Commission Expires:

3-10-84

Joe Ray  
Notary Public in and for  
McDonald County, Missouri

THE STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_,  
of MESA PETROLEUM COMPANY, a \_\_\_\_\_ corporation, on behalf  
of said corporation.

My Commission Expires:

Notary Public in and for  
\_\_\_\_\_

THE STATE OF \_\_\_\_\_ |

COUNTY OF \_\_\_\_\_ |

BEFORE ME, a Notary Public, on this day personally appeared  
M. J. HARVEY, JR., known to me to be the person whose name is subscribed  
to the foregoing instrument, and acknowledged to me that he executed the  
same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this \_\_\_\_\_ day of  
\_\_\_\_\_, 19\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_  
County, \_\_\_\_\_

THE STATE OF \_\_\_\_\_ |

COUNTY OF \_\_\_\_\_ |

BEFORE ME, a Notary Public, on this day personally appeared  
TOM R. CONE, known to me to be the person whose name is subscribed to  
the foregoing instrument, and acknowledged to me that he executed the  
same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this \_\_\_\_\_ day of  
\_\_\_\_\_, 19\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_  
County, \_\_\_\_\_

THE STATE OF \_\_\_\_\_ TEXAS \_\_\_\_\_ |

COUNTY OF \_\_\_\_\_ MIDLAND \_\_\_\_\_ |

The foregoing instrument was acknowledged before me this 22nd day of  
July, 1981, by Marion E. Causey, Vice President  
of MESA PETROLEUM CO., a Delaware corporation, on behalf  
of said corporation.

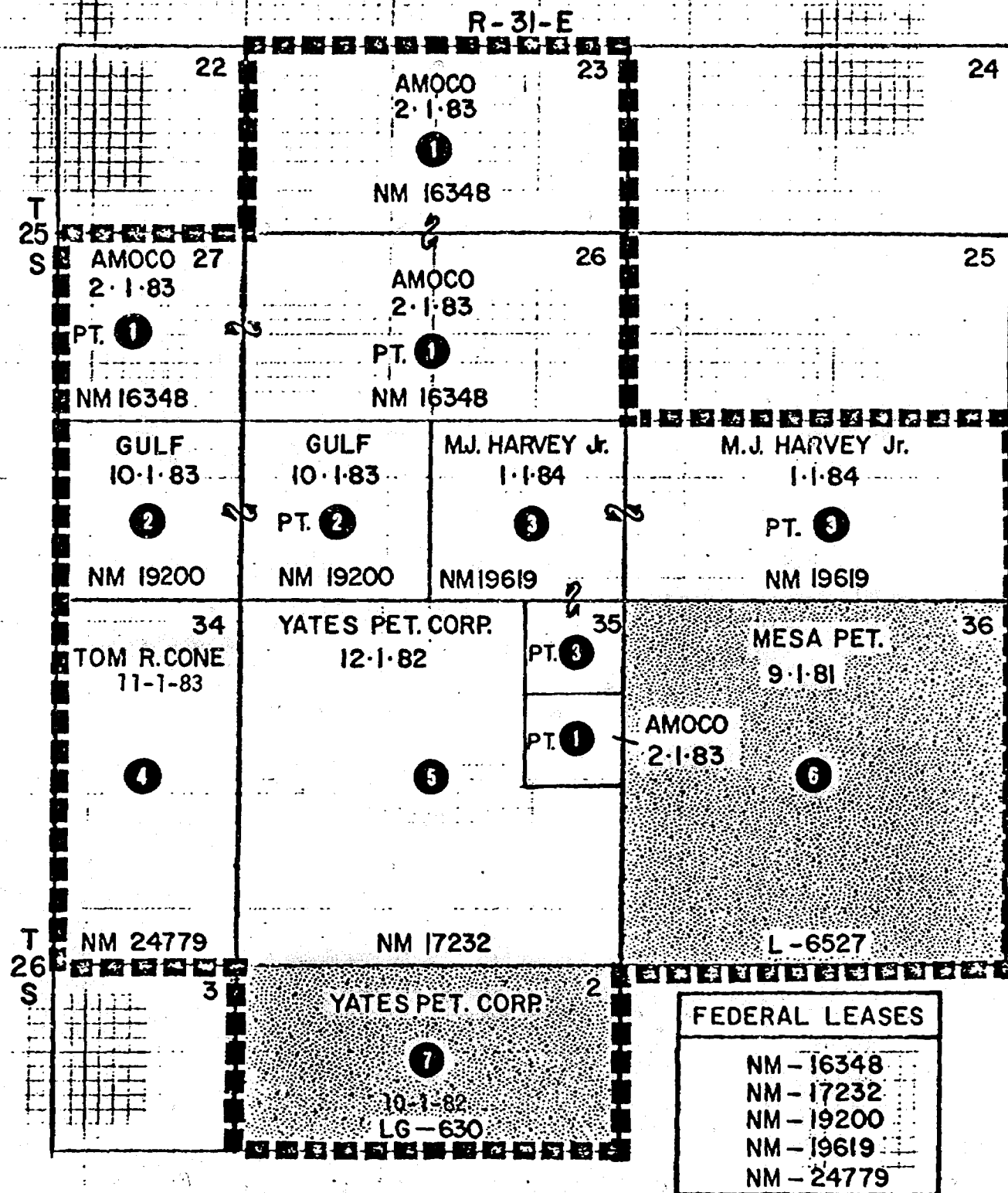
My Commission Expires:  
4/30/85

Dorothy Teague (Dorothy Teague)  
\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_  
Midland County, Texas

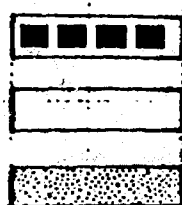
# EXHIBIT "A"

## BIG SINKS UNIT AGREEMENT

### Eddy County, New Mexico



#### LEGEND



UNIT BOUNDARY

FEDERAL LAND

STATE LAND

2

TRACT NUMBER

2560.00Ac. 72.72%

960.00Ac. 27.28%

3520.00Ac. 100.00%

SCALE 1" = 2000

**EXHIBIT "B"**  
**BIG SINKS UNIT AGREEMENT**  
**T-25-S, R-31-E and T-26-S, R-31-E, N.M.P.M.**  
**EDDY COUNTY, NEW MEXICO**

TRACT NO.	Description of Land	No. of Acres	Serial No. & Expiration Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty & Prod. Payment Ownership	Working Interest %
<u>Township 25 South, Range 31-East</u>							
1	Section 23: S/2 Section 26: N/2 Section 27: NE/4 Section 35: SE/4 NE/4	840	NM 16348 2-1-83	USA 12.5%	Amoco Production Company	Joyce A. Dechant 1/2 of 1% K. M. Johnston et ux 35% Eddy land Co. 1% Production Payment of \$150.00 per acre	Amoco: 100%
2	Section 26: SW/4 Section 27: SE/4	320	NM 19200 10-1-83	USA 12.5%	Gulf Oil Corporation	Jean B. Merritt and Robert H. Merritt 5%	Gulf: 100%
3	Section 25: S/2 Section 26: SE/4 Section 35: NE/4 NE/4	520	NM 19619 1-1-84	USA 12.5%	M. J. Harvey, Jr.	None	M. J. Harvey, Jr.: 100%
4	Section 34: E/2	320	NM 24779 11-1-83	USA 12.5%	Tom R. Cone	Chloe S. Sims 6.25%	Tom R. Cone: 100%
5	Section 35: All; Save and Except E/2 NE/4	560	NM 17232 12-1-82	USA 12.5%	Yates Petroleum Corporation	George B. Lorraine and Inez Harris Lorraine, 3%	Yates: 100%
<u>5 Federal Tracts - 2560.00 Acres - 72.72%</u>							
<u>Township 25 South, Range 31-East</u>							
6	Section 36: All	640	L-6527 9-1-82	STATE 12.5%	MTA Limited Partnership	None	MTA: 100%
<u>Township 26 South, Range 31-East</u>							
7	Section 2: N/2	320	LG-0690 10-1-82	STATE 12.5%	Yates Petroleum Corporation	None	Yates: 100%
<u>2 State Tracts - 960.00 Acres - 27.28%</u>							
<u>Total 7 Tracts - 3520.00 Acres - 100%</u>							

CR/jmc  
1003A/c1



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-2434

August 7, 1981

Mr. James Appelt, Attorney  
Amoco Production Company  
P. O. Box 3092  
Houston, Texas 77001

Re: CASE NO. 7311  
ORDER NO. R-6754

Applicant:

Amoco Production Company

Dear Sir:

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

Yours very truly,

JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

Other

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
29 July 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Amoco Production  
Company for a unit agreement, Eddy  
County, New Mexico.

CASE  
7311

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

James M. Appelt, Esq.  
Amoco Production Company  
Post Office Box 3092  
Houston, Texas





1  
2 MR. STAMETS: We'll call next Case 7311.

3 MR. PADILLA: Application of Amoco Pro-  
4 duction Company for a unit agreement, Eddy County, New Mexico.

5 MR. APPELT: James Appelt for Amoco  
6 Production Company. We're ready.

7 Mr. Examiner, we'll have two witnesses,  
8 Mr. Oertel and Mr. Chris Raper. Do they need to be sworn in  
9 again?

10 MR. STAMETS: Let the record reflect  
11 that these two witnesses have previously been sworn and  
12 qualified, and they still are for purposes of this case.

13 MR. APPELT: Okay. My name is James  
14 Appelt, representing Amoco Production Company in conjunction  
15 with Atwood and Malone, and I believe there's a letter in  
16 your file for this hearing. I have those two witnesses, who  
17 were referred to.

18 We have to propose for your considera-  
19 tion an exploratory oil and gas unit in Eddy County, located  
20 in the northern portion of the Delaware Basin. The unit  
21 area as proposed contains 3520 acres and consists of both  
22 State and Federal leases. Formation of this unit will per-  
23 mit us to drill a deep and expensive test well, which we hope  
24 will be productive in the Morrow formation.

25 We call our first witness, Mr. Raper.

CHRIS L. RAPER

being called as a witness and being duly sworn upon his oath,  
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. APPELT:

Q Mr. Raper, you'll be asked to testify  
as to several exhibits. Were these exhibits either prepared  
by you or under your supervision and direction?

A. That is correct.

Q Okay. Will you please turn to Exhibit  
One, which is a plat of the proposed unit, and explain this  
to the Examiner?

A. Yes. This Exhibit One is captioned  
Big Sinks Unit agreement. It's in Eddy County, New Mexico.  
It encompasses approximately 3520 acres, being in Townships  
25 and 26 South, Range 31 East.

The unit will be comprised of 2560  
Federal acres and 960 State acres, being a total of 3520 acres.  
The scale of my exhibit is 1 to 2000 feet, 1 inch equal 2000  
feet.

Q Okay, and what is the approximate depth  
of the proposed test?

A. The proposed test will have an approxi-

mate depth of 15,875 feet.

Q. Okay, have there been any changes in the unit boundary since it was filed with the USGS and the State?

A. No, there have not.

Q. Okay. Would you next turn to Exhibit Two, which is a table illustrating the working interest ownership in the proposed unit, and briefly explain this exhibit to the Examiner?

A. Yes. This Exhibit Two is also captioned Big Sinks Unit Agreement, Townships 25 and 26 South, Range 31 East, Eddy County, New Mexico. The far lefthand column shows lessee of record. These are rather lengthy. The middle column shows a description of the land. The third column from the left is the total acres contributed by the party and the percentage of the unit.

Do you want these further clarified, Mr. Commissioner?

MR. STAMETS: No, I believe the exhibit speaks for itself.

A. Okay.

Q. Would you next turn to Exhibit Three, which is a letter from the USGS? Does this letter grant conditional approval for the proposed unit?

A. Yes, it does.

1

2

Q. What is the date of the letter?

3

A. July 14, 1981.

4

Q. All right, would you next turn to Exhibit

5

Four, which I believe is the letter received from the Commis-

6

sioner of Public Lands of the State of New Mexico?

7

A. Yes, sir.

8

Q. What is the date of this letter?

9

A. This letter is July -- dated July 15,

10

1981.

11

Q. Does this letter grant conditional ap-

12

proval to the unit provided certain changes to the unit agree-

13

ment are made?

14

A. Yes, it does.

15

Q. Will the changes listed therein be in-

16

corporated into the unit agreement?

17

A. Yes, all will be incorporated.

18

Q. And all these changes are acceptable to

19

Amoco?

20

A. Yes, they are.

21

Q. Okay. Would you next turn to Exhibit

22

Five, which I believe is a copy of the unit agreement filed

23

with State and Federal agencies. Are you familiar with this

24

form of agreement?

25

A. Yes, I am.

1  
2 Q Have any changes to this agreement been  
3 requested since its filing with the USGS and the State?

4 A Yes. The USGS has requested all refer-  
5 ences to oil and gas supervisors be amended to oil and gas  
6 deputies.

7 These changes will be incorporated into  
8 the final copy.

9 Q Okay, as well as the State changes listed  
10 in the Exhibit Four?

11 A That is correct.

12 Q Okay. There is attached as Exhibit B to  
13 this agreement a listing of the various interest ownerships  
14 and there are some overriding royalties within this unit.  
15 Have you made any efforts to contact these people?

16 A At this time, no.

17 Q Okay. Do you have any leases nearing  
18 expiration dates in the unit?

19 A Yes, we do. We have State Lease No. L-  
20 6527 MTA where Mesa Petroleum is the lessee of record. This  
21 covers the full of Section 6 offsetting the well location  
22 of the Amoco Federal "AP" Com No. 1.

23 Q So it is incumbent upon us to receive  
24 final approvals from the appropriate regulatory bodies before  
25 September 1st, 1981?

1

2

A. That is correct.

3

4

MR. APPELT: Mr. Examiner, that's all the questions we have of this witness.

5

6

MR. STAMETS: Any questions of the witness? He may be excused.

7

8

MR. APPELT: Call our next witness, Mr. Allen Oertel.

9

10

ALLEN O. OERTEL

11

12

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

13

14

DIRECT EXAMINATION

15

BY MR. APPELT:

16

17

18

Q Mr. Oertel, you'll be asked to testify as to a certain exhibit. Was this exhibit either prepared by you or under your supervision and direction?

19

20

21

A. Yes, it was.

22

23

24

25

Q Okay, would you please turn to this Exhibit Six and explain it to the Examiner?

A. In the lower righthand corner I'd like you to refer to the legend and the colored dots. These colored dots refer to the maps; on the lefthand side of the map a yellow dot indicates Wolfcamp production; a green dot

1  
2 indicates production for the Atoka; a red dot, Morrow pro-  
3 duction; and a blue dot, Devonian production. Where dots are  
4 split in half this refers to wells that have produced from  
5 the representative horizons.

6 Immediately above the legend -- ch,  
7 excuse me. The scale of the map is that one inch equals 2000  
8 feet.

9 Immediately to the -- above the legend  
10 is a regional geologic map. It shows that the proposed ex-  
11 ploratory unit is in the northern portion of the Delaware  
12 Basin and is indicated by a small black square underneath the  
13 orange arrow.

14 Immediately above that is a representa-  
15 tive stratigraphic column of the eastern New Mexico -- south-  
16 eastern New Mexico area. Adjacent to the column on the  
17 righthand side are potential reservoirs from which we may  
18 expect production.

19 The reservoirs that we may expect oil  
20 production from include the Lamar, Bell Canyon, and Cherry  
21 Canyon members of the Delaware Mountain group and the third  
22 Bone Spring sand, and we may expect gas production from the  
23 Wolfcamp. All the above mentioned are Permian in age, and  
24 in addition we may expect gas production from the Pennsyl-  
25 vanian, Strawn, Atoka, and Morrow units.

1  
2 To the left of the stratigraphic column  
3 is a type log, representative section of the area. This log  
4 is from the Texaco No. 65 Cotton Draw unit, located in Section  
5 2, Township 25 South, Range 31 East. This well produced  
6 approximately 1.5 Bcf of gas from the Wolfcamp carbonate,  
7 shown in blue about a third of the way down on the log.  
8 After it produced this that zone was abandoned and then they  
9 completed in the Middle Morrow Sand, which is located about  
10 two-thirds of the way down and colored in yellow. From this  
11 zone they have cumed so far in excess of 31 Bcf of gas.

12 This yellow sand, which is colored up  
13 on the type log, was Isopached on the map which is in the  
14 upper lefthand corner of the exhibit. What we have here is  
15 a series of northeast to southwest trending sand bars depo-  
16 sited during the transgression of the sea during Middle Morrow  
17 time. The two northernmost sand bodies have been explored  
18 and we are trying to play a third body which has been rela-  
19 tively untested, located to the south of the two explored  
20 ones.

21 The sand thickness itself is insufficient  
22 to account for production and structure is necessary to make  
23 the sand productive. If you refer to the map immediately  
24 below the sand Isopach, this is a structure contour map on  
25 top of the Middle Morrow Sand, which is the unit which is



1  
2 the unit which is Isopached, and we have a plunging anticline  
3 or structural nose that plunges away to the south that has  
4 been mapped, and where these sands that I mentioned earlier  
5 are draped across the structural nose is where we anticipate  
6 production.

7 The unit outline is based on two para-  
8 meters. One, it would include all half sections where there  
9 is greater than 40 feet Middle Morrow Sand, and where it would  
10 penetrate the Middle Morrow Sand at a structural elevation  
11 greater than -11,300 feet.

12 Q. Is that all you have concerning this  
13 exhibit?

14 A. Yes.

15 Q. Do you believe that almost all, if not  
16 all, of the proposed unit area will be productive?

17 A. Yes.

18 MR. APPELT: Mr. Examiner, we have no  
19 further questions.

20 MR. STAMETS: Are there any questions  
21 of the witness? He may be excused.

22 Anything further in this case?

23 MR. APPELT: Mr. Examiner, we offer  
24 Exhibits One through Six and accompanying testimony at this  
25 time.

1  
2 MR. STAMETS: These exhibits will be  
3 admitted.

4 If there is nothing further, the case  
5 will be taken under advisement.

6  
7 (Hearing concluded.)  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7311, heard by me on 7-29 1981.  
Richard P. Stamm, Examiner  
 Oil Conservation Division

SALLY W. BOYD, C.S.R.  
 Rt. 1 Box 193-B  
 Santa Fe, New Mexico 87501  
 Phone (505) 455-7409

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 7311  
Order No. R-6754

APPLICATION OF AMOCO PRODUCTION  
COMPANY FOR APPROVAL OF THE BIG  
SINKS UNIT AGREEMENT, EDDY  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 29, 1981,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 7th day of August, 1981, the Division  
Director, 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 Division has jurisdiction of this cause and the  
subject matter thereof.

(2) That the applicant, Amoco Production Company, seeks  
approval of the Big Sinks Unit Agreement covering 3,520.0  
acres, more or less, of State and Federal lands described as  
follows:

EDDY COUNTY, NEW MEXICO  
TOWNSHIP 25 SOUTH, RANGE 31 EAST, NMPM  
Section 23: S/2  
Section 25: S/2  
Section 26: All  
Section 27: E/2  
Section 34: E/2  
Sections 35 and 36: All

TOWNSHIP 26 SOUTH, RANGE 31 EAST, NMPM  
Section 2: N/2

-2-  
Case No. 7311  
Order No. R-6754

(3) That all plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

(4) 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 Big Sink 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 Division 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 Division 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 Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

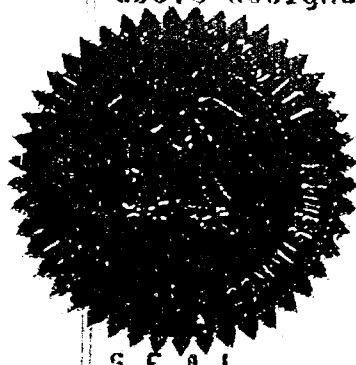
(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that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

-3-

Case No. 7311  
Order No. R-6754

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

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



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Joe D. Ramey*  
JOE D. RAMEY  
Director

fd/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
29 July 1981

EXAMINER HEARING

-----  
IN THE MATTER OF:

Application of Amocol Production  
Company for a unit agreement, Eddy  
County, New Mexico.

CASE  
7311

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

James M. Appelt, Esq.  
Amoco Production Company  
Post Office Box 3092  
Houston, Texas

1

2

2

I N D E X

3

4

CHRIS L. RAPER

5

Direct Examination by Mr. Appelt

4

6

7

ALLEN O. OERTEL

8

Direct Examination by Mr. Appelt

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9

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11

12

E X H I B I T S

13

14

Applicant Exhibit One, Plat

4

15

Applicant Exhibit Two, Table

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16

Applicant Exhibit Three, Letter

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17

Applicant Exhibit Four, Letter

6

18

Applicant Exhibit Five, Unit Agreement

6

19

Applicant Exhibit Six, Document

8

20

21

22

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24

25



1  
2 MR. STAMETS: We'll call next Case 7311.

3 MR. PADILLA: Application of Amoco Pro-  
4 duction Company for a unit agreement, Eddy County, New Mexico.

5 MR. APPELT: James Appelt for Amoco  
6 Production Company. We're ready.

7 Mr. Examiner, we'll have two witnesses,  
8 Mr. Oertel and Mr. Chris Raper. Do they need to be sworn in  
9 again?

10 MR. STAMETS: Let the record reflect  
11 that these two witnesses have previously been sworn and  
12 qualified, and they still are for purposes of this case.

13 MR. APPELT: Okay. My name is James  
14 Appelt, representing Amoco Production Company in conjunction  
15 with Atwood and Malone, and I believe there's a letter in  
16 your file for this hearing. I have those two witnesses, who  
17 were referred to.

18 We have to propose for your considera-  
19 tion an exploratory oil and gas unit in Eddy County, located  
20 in the northern portion of the Delaware Basin. The unit  
21 area as proposed contains 3520 acres and consists of both  
22 State and Federal leases. Formation of this unit will per-  
23 mit us to drill a deep and expensive test well, which we hope  
24 will be productive in the Morrow formation.

25 We call our first witness, Mr. Raper.

CHRIS L. RAPER

being called as a witness and being duly sworn upon his oath,  
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. APPELT:

Q Mr. Raper, you'll be asked to testify  
as to several exhibits. Were these exhibits either prepared  
by you or under your supervision and direction?

A. That is correct.

Q Okay. Will you please turn to Exhibit  
One, which is a plat of the proposed unit, and explain this  
to the Examiner?

A. Yes. This Exhibit One is captioned  
Big Sinks Unit agreement. It's in Eddy County, New Mexico.  
It encompasses approximately 3520 acres, being in Townships  
25 and 26 South, Range 31 East.

The unit will be comprised of 2560  
Federal acres and 960 State acres, being a total of 3520 acres.  
The scale of my exhibit is 1 to 2000 feet, 1 inch equal 2000  
feet.

Q Okay, and what is the approximate depth  
of the proposed test?

A. The proposed test will have an approxi-

mate depth of 15,875 feet.

Q Okay, have there been any changes in the unit boundary since it was filed with the USGS and the State?

A. No, there have not.

Q Okay. Would you next turn to Exhibit Two, which is a table illustrating the working interest ownership in the proposed unit, and briefly explain this exhibit to the Examiner?

A. Yes. This Exhibit Two is also captioned Big Sinks Unit Agreement, Townships 25 and 26 South, Range 31 East, Eddy County, New Mexico. The far lefthand column shows lessee of record. These are rather lengthy. The middle column shows a description of the land. The third column from the left is the total acres contributed by the party and the percentage of the unit.

Do you want these further clarified, Mr. Commissioner?

MR. STAMETS: No, I believe the exhibit speaks for itself.

A. Okay.

Q Would you next turn to Exhibit Three, which is a letter from the USGS? Does this letter grant conditional approval for the proposed unit?

A. Yes, it does.

1

2

Q What is the date of the letter?

3

A July 14, 1981.

4

Q All right, would you next turn to Exhibit

5

Four, which I believe is the letter received from the Commis-

6

sioner of Public Lands of the State of New Mexico?

7

A Yes, sir.

8

Q What is the date of this letter?

9

A This letter is July -- dated July 15,

10

1981.

11

Q Does this letter grant conditional ap-

12

proval to the unit provided certain changes to the unit agree-

13

ment are made?

14

A Yes, it does.

15

Q Will the changes listed therein be in-

16

corporated into the unit agreement?

17

A Yes, all will be incorporated.

18

Q And all these changes are acceptable to

19

Amoco?

20

A Yes, they are.

21

Q Okay. Would you next turn to Exhibit

22

Five, which I believe is a copy of the unit agreement filed

23

with State and Federal agencies. Are you familiar with this

24

form of agreement?

25

A Yes, I am.

1  
2 Q Have any changes to this agreement been  
3 requested since its filing with the USGS and the State?

4 A Yes. The USGS has requested all refer-  
5 ences to oil and gas supervisors be amended to oil and gas  
6 deputies.

7 These changes will be incorporated into  
8 the final copy.

9 Q Okay, as well as the State changes listed  
10 in the Exhibit Four?

11 A That is correct.

12 Q Okay. There is attached as Exhibit B to  
13 this agreement a listing of the various interest ownerships  
14 and there are some overriding royalties within this unit.  
15 Have you made any efforts to contact these people?

16 A At this time, no.

17 Q Okay. Do you have any leases nearing  
18 expiration dates in the unit?

19 A Yes, we do. We have State Lease No. L-  
20 6527 MTA where Mesa Petroleum is the lessee of record. This  
21 covers the full of Section 6 offsetting the well location  
22 of the Amoco Federal "AP" Com No. 1.

23 Q So it is incumbent upon us to receive  
24 final approvals from the appropriate regulatory bodies before  
25 September 1st, 1981?

1  
2 A. That is correct.

3 MR. APPELT: Mr. Examiner, that's all  
4 the questions we have of this witness.

5 MR. STAMETS: Any questions of the wit-  
6 ness? He may be excused.

7 MR. APPELT: Call our next witness, Mr.  
8 Allen Oertel.

9  
10 ALLEN O. OERTEL  
11 being called as a witness and being duly sworn upon his oath,  
12 testified as follows, to-wit:

13  
14 DIRECT EXAMINATION

15 BY MR. APPELT:

16 Q Mr. Oertel, you'll be asked to testify  
17 as to a certain exhibit. Was this exhibit either prepared by  
18 you or under your supervision and direction?

19 A. Yes, it was.

20 Q Okay, would you please turn to this  
21 Exhibit Six and explain it to the Examiner?

22 A. In the lower righthand corner I'd like  
23 you to refer to the legend and the colored dots. These  
24 colored dots refer to the maps; on the lefthand side of the  
25 map a yellow dot indicates Wolfcamp production; a green dot

1  
2 indicates production for the Atoka; a red dot, Morrow pro-  
3 duction; and a blue dot, Devonian production. Where dots are  
4 split in half this refers to wells that have produced from  
5 the representative horizons.

6 Immediately above the legend -- oh,  
7 excuse me. The scale of the map is that one inch equals 2000  
8 feet.

9 Immediately to the -- above the legend  
10 is a regional geologic map. It shows that the proposed ex-  
11 ploratory unit is in the northern portion of the Delaware  
12 Basin and is indicated by a small black square underneath the  
13 orange arrow.

14 Immediately above that is a representa-  
15 tive stratigraphic column of the eastern New Mexico -- south-  
16 eastern New Mexico area. Adjacent to the column on the  
17 righthand side are potential reservoirs from which we may  
18 expect production.

19 The reservoirs that we may expect oil  
20 production from include the Lamar, Bell Canyon, and Cherry  
21 Canyon members of the Delaware Mountain group and the third  
22 Bone Spring sand, and we may expect gas production from the  
23 Wolfcamp. All the above mentioned are Permian in age, and  
24 in addition we may expect gas production from the Pennsyl-  
25 vanian, Strawn, Atoka, and Morrow units.

1  
2 To the left of the stratigraphic column  
3 is a type log, representative section of the area. This log  
4 is from the Texaco No. 65 Cotton Draw unit, located in Section  
5 2, Township 25 South, Range 31 East. This well produced  
6 approximately 1.5 Bcf of gas from the Wolfcamp carbonate,  
7 shown in blue about a third of the way down on the log.  
8 After it produced this that zone was abandoned and then they  
9 completed in the Middle Morrow Sand, which is located about  
10 two-thirds of the way down and colored in yellow. From this  
11 zone they have cumed so far in excess of 31 Bcf of gas.

12 This yellow sand, which is colored up  
13 on the type log, was Isopached on the map which is in the  
14 upper lefthand corner of the exhibit. What we have here is  
15 a series of northeast to southwest trending sand bars depo-  
16 sited during the transgression of the sea during Middle Morrow  
17 time. The two northernmost sand bodies have been explored  
18 and we are trying to play a third body which has been rela-  
19 tively untested, located to the south of the two explored  
20 ones.

21 The sand thickness itself is insufficient  
22 to account for production and structure is necessary to make  
23 the sand productive. If you refer to the map immediately  
24 below the sand Isopach, this is a structure contour map on  
25 top of the Middle Morrow Sand, which is the unit which is



1  
2 the unit which is Isopached, and we have a plunging anticline  
3 or structural nose that plunges away to the south that has  
4 been mapped, and where these sands that I mentioned earlier  
5 are draped across the structural nose is where we anticipate  
6 production.

7 The unit outline is based on two para-  
8 meters. One, it would include all half sections where there  
9 is greater than 40 feet Middle Morrow Sand, and where it would  
10 penetrate the Middle Morrow Sand at a structural elevation  
11 greater than -11,300 feet.

12 Q Is that all you have concerning this  
13 exhibit?

14 A Yes.

15 Q Do you believe that almost all, if not  
16 all, of the proposed unit area will be productive?

17 A Yes.

18 MR. APPELT: Mr. Examiner, we have no  
19 further questions.

20 MR. STAMETS: Are there any questions  
21 of the witness? He may be excused.

22 Anything further in this case?

23 MR. APPELT: Mr. Examiner, we offer  
24 Exhibits One through Six and accompanying testimony at this  
25 time.

MR. STAMETS: These exhibits will be  
admitted.

If there is nothing further, the case  
will be taken under advisement.

(Hearing concluded.)

## C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.  
Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. \_\_\_\_\_, heard by me on \_\_\_\_\_ 19\_\_\_\_.

\_\_\_\_\_, Examiner  
Oil Conservation Division

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

Amoco EXHIBIT NO. 1

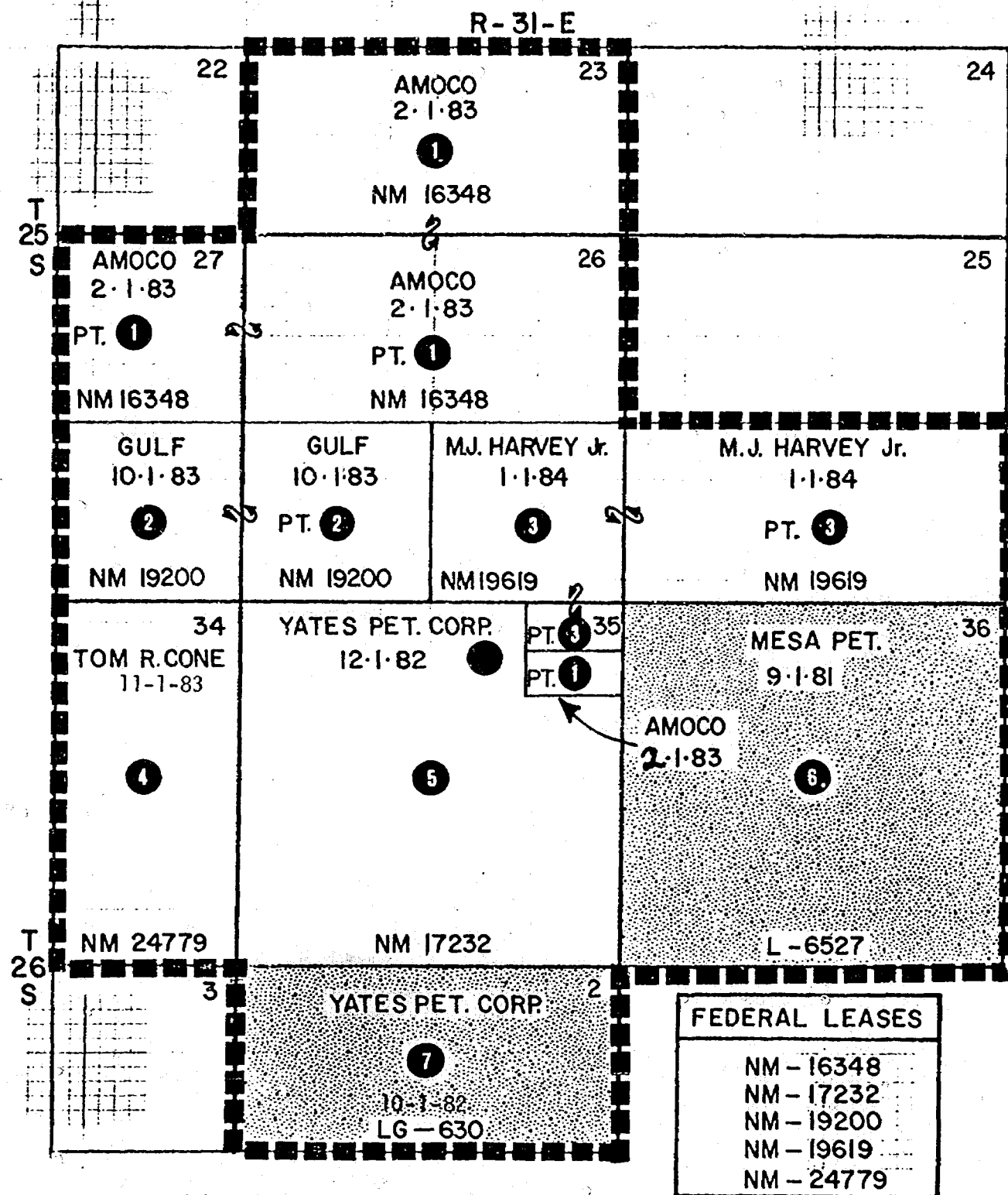
CASE NO. 7311

Submitted by C.L. Raper

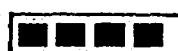
Hearing Date 7-29-81

# BIG SINKS UNIT AGREEMENT

## Eddy County, New Mexico



### LEGEND



UNIT BOUNDARY



FEDERAL LAND



STATE LAND



TRACT NUMBER

2560.00 Ac. 72.72 %

960.00 Ac. 27.28 %

3520.00 Ac. 100.00 %

SCALE 1" = 2000

BIG SINKS UNIT  
T-25-S, R-31-E and T-26-S, R-31-E, N.M.P.M.  
EDDY COUNTY, NEW MEXICO

<u>Lessee of Record</u>	<u>Description of Land</u>	<u>Total Acres</u>	<u>% Unit</u>
Amoco Production Company	T-25-S, R-31-E Section 23: S/2 Section 26: N/2 Section 27: NE/4 Section 35: S/2 NE/4 NE/4	820	23.2955
Yates Petroleum Corporation	T-25-S, R-31-E Section 35: All, Save and Except NE/4 NE/4 T-26-S, R-31-E Section 2: N/2	920	26.1364
MTA Limited Partnership	T-26-S, R-31-E Section 36: All	640	18.1818
M. J. Harvey, Jr.	T-25-S, R-31-E Section 25: S/2 Section 26: SE/4 Section 35: N/2 NE/4 NE/4	500	14.2045
Gulf Oil Corporation	T-25-S, R-31-E Section 26: SW/4 Section 27: SE/4	320	9.0909
Tom R. Cone	T-25-S, R-31-E Section 34: E/2	<u>320</u>	<u>9.0909</u>
		3,520	100.0000%

CR/mlm  
LR834/C2

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION	
<u>Amoco</u>	EXHIBIT NO. <u>2</u>
CASE NO. <u>7311</u>	
Submitted by <u>C.L. Raper</u>	
Hearing Date <u>7-29-81</u>	



# United States Department of the Interior

GEOLOGICAL SURVEY

South Central Region

P. O. Box 26124

Albuquerque, New Mexico 87125

14 JUL 1991

Amoco Production Company  
Attn: J. E. Harrison  
P. O. Box 3092  
Houston, Texas 77001

Gentlemen:

Your application of July 6, 1981, filed with the Deputy Conservation Manager, Oil and Gas, requests the designation of the Big Sinks unit area, embracing 3,520.00 acres, more or less, Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A' Big Sinks Unit, Eddy County, New Mexico" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test the Morrow formation, or to a depth of 16,000 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Deputy Conservation Manager, Oil and Gas, for preliminary approval.

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

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

Amoco EXHIBIT NO. 3

CASE NO. 7311

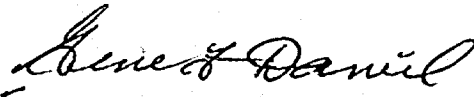
Submitted by C.L. Raper

Hearing Date 7-29-81

When the executed agreement is transmitted to the Deputy Conservation Manager, Oil and Gas, Albuquerque, New Mexico, for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

Inasmuch as this unit agreement involves State land, we are sending a copy of the letter to the Commissioner of Public Lands. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely yours,

  
For James W. Sutherland  
Conservation Manager  
For the Director

cc:  
Commissioner of Public Lands

State of New Mexico



ALEX J. ARMIJO  
COMMISSIONER



Commissioner of Public Lands

July 15, 1981

P. O. BOX 1148  
SANTA FE, NEW MEXICO 87501

Amoco Production Company  
P. O. Box 3092  
Houston, Texas 77001

Re: Proposed Big Sinks Unit  
Eddy County, New Mexico

ATTENTION: Mr. Charles E. D. Robinson

Gentlemen:

We have reviewed the instruments you left with us regarding the captioned unit.

The following are some of the corrections that need be made before we grant approval as to form and content.

1. Well name must be changed to "Big Sinks Unit Well No. 1" if this is the exploratory well in the unit.
2. Page 20, under (c) 11th line, "discovered are being produced as to State lands and can be produced as to Federal lands as aforesaid, or" (This also appears on 4th and 5th lines under (c).
3. Exhibit "B" should read- Tract 1, Sec 27: NE/4 instead of SE/4.
4. Tract 6, Sec 36, should read 25S-31E instead of 26S-31E.
5. Tract 7 the State lease should be LG-690 instead of LG-630.
6. Tract 6, lessee of Record should be MTS Limited Partnership instead of Mesa.

When we receive these corrections, we will then consider our approval as to form and content.

Very truly yours,

ALEX J. ARMIJO  
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*  
RAY D. GRAHAM, Director  
Oil and Gas Division  
AC 505-827-2748

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION	
<i>Amoco</i>	EXHIBIT NO. <u>4</u>
CASE NO.	<u>7311</u>
Submitted by	<u>C.L. Raper</u>
Hearing Date	<u>7-29-81</u>



CERTIFICATION DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, the act approved February, 1920, 41 Stat. 437, as amended, 30 U.S.C. secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey, I do hereby:

A. Approve the attached agreement for the development and operation of the Big Sinks

Unit Area, 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.

Deputy Conservation Manager, Oil and Gas  
United State Geological Survey

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Contract Number

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

Amos EXHIBIT NO. 5

CASE NO. 7311

Submitted by C.L. Raper

Hearing Date 7-29-81

UNIT AGREEMENT  
BIG SINKS UNIT AREA  
EDDY COUNTY, NEW MEXICO  
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1                                   UNIT AGREEMENT  
2                                   FOR THE DEVELOPMENT AND OPERATION  
3                                   OF THE  
4                                   BIG SINKS UNIT AREA  
5                                   COUNTY OF EDDY  
6                                   STATE OF NEW MEXICO  
7                                   NO. \_\_\_\_\_

8           THIS AGREEMENT entered into as of the 1st day of July, 1981 by and  
9           between the parties subscribing, ratifying or consenting hereto, and  
10          herein referred to as the "parties hereto".

11                                   WITNESSETH:

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

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

24          WHEREAS, the Commissioner of Public Lands of the State of New  
25          Mexico is authorized by an Act of the Legislature (Secs. 19-10-45, 46,  
26          47 N.M. Statutes 1978 Annotated) to consent to or approve this agreement  
27          on behalf of the State of New Mexico, insofar as it covers and includes  
28          lands and mineral interests of the State of New Mexico; and

29          WHEREAS, the Oil Conservation Division of the Energy and Minerals  
30          Department of the State of New Mexico is authorized by an Act of the  
31          Legislature (Article 3, Chapters 70 and 71, 1978 Statutes) to approve  
32          this agreement and the conservation provisions hereof; and

33          WHEREAS, the parties hereto hold sufficient interests in the Big  
34          Sinks Unit Area covering the land hereinafter described to give reason-  
35          ably effective control of operations therein; and

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

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

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

20 2. UNIT AREA. The area specified on the map attached hereto  
21 marked Exhibit "A" is hereby designated and recognized as constituting  
22 the unit area, containing 3,520.00 acres, more or less.

23 Exhibit "A" shows, in addition to the boundary of the unit area,  
24 the boundaries and identity of tracts and leases in said area to the  
25 extent known to the Unit Operator. Exhibit "B" attached hereto is a  
26 schedule showing to the extent known to the Unit Operator the acreage,  
27 percentage, and kind of ownership of oil and gas interests in all land  
28 in the unit area. However, nothing herein or in said schedule or map  
29 shall be construed as a representation by any party hereto as to the  
30 ownership of any interest other than such interest or interests as are  
31 shown in said map or schedule as owned by such party. Exhibits "A" and  
32 "B" shall be revised by the Unit Operator whenever changes in the unit  
33 area render such revision necessary, or when requested by the Oil and  
34 Gas Supervisor, hereinafter referred to as "Supervisor", or when requested  
35 by the Commissioner of Public Lands of the State of New Mexico, hereinafter

1 referred to as "Commissioner", and not less than five copies of the  
2 revised exhibits shall be filed with the Supervisor, and two copies  
3 thereof shall be filed with the Commissioner, and one copy with the Oil  
4 Conservation Division of the Energy and Minerals Department of the State  
5 of New Mexico, hereinafter referred to as "Division".

6 The above-described unit area shall when practicable be expanded to  
7 include therein any additional lands or shall be contracted to exclude  
8 lands whenever such expansion or contraction is deemed to be necessary  
9 or advisable to conform with the purposes of this agreement. Such  
10 expansion or contraction shall be effected in the following manner:

11 a) Unit Operator, on its own motion or on demand of the  
12 Director of the Geological Survey, hereinafter referred to as  
13 "Director", or on demand of the Commissioner, after preliminary  
14 concurrence by the Director and the Commissioner, shall prepare a  
15 notice of proposed expansion or contraction describing the contem-  
16 plated changes in the boundaries of the unit area, the reasons  
17 therefore, and the proposed effective date thereof, preferably the  
18 first day of a month subsequent to the date of notice.

19 b) Said notice shall be delivered to the Supervisor, the  
20 Commissioner and the Division and copies thereof mailed to the last  
21 known address of each working interest owner, lessee, and lessor  
22 whose interests are affected, advising that 30 days will be allowed  
23 for submission to the Unit Operator of any objections.

24 c) Upon expiration of the 30-day period provided in the  
25 preceding item (b) hereof, Unit Operator shall file with the  
26 Supervisor, the Commissioner and the Division evidence of mailing  
27 of the notice of expansion or contraction and a copy of any objec-  
28 tions thereto which have been filed with the Unit Operator, together  
29 with an application in sufficient number, for approval of such  
30 expansion or contraction and with appropriate joinders.

31 d) After due consideration of all pertinent information, the  
32 expansion or contraction shall, upon approval by the Supervisor,  
33 the Commissioner and the Division, become effective as of the date  
34 prescribed in the notice thereof.

1           e) All legal subdivisions of lands (i.e., 40 acres by  
2           Government survey or its nearest lot or tract equivalent; in  
3           instances of irregular surveys unusually large lots or tracts shall  
4           be considered in multiples of 40 acres or the nearest aliquot  
5           equivalent thereof), no parts of which are entitled to be in a  
6           participating area on or before the fifth anniversary of the  
7           effective date of the first initial participating area established  
8           under this unit agreement, shall be eliminated automatically from  
9           this agreement, effective as of said fifth anniversary, and such  
10          lands shall no longer be a part of the unit area and shall no  
11          longer be subject to this agreement, unless diligent drilling  
12          operations are in progress on unitized lands not entitled to  
13          participation on said fifth anniversary, in which event all such  
14          lands shall remain subject hereto so long as such drilling opera-  
15          tions are continued diligently with not more than 90 days' time  
16          elapsing between the completion of one well and the commencement of  
17          the next well. All legal subdivisions of lands not entitled to be  
18          in a participating area within 10 years after the effective date of  
19          the first initial participating area approved under this government  
20          shall be automatically eliminated from this agreement as of said  
21          tenth anniversary. All lands proved productive by diligent drilling  
22          operations after the aforesaid 5-year period shall become partici-  
23          pating in the same manner as during said 5-year period. However,  
24          when such diligent drilling operations cease, all nonparticipating  
25          lands shall be automatically eliminated effective as of the 91st  
26          day thereafter. The Unit Operator shall, within 90 days after the  
27          effective date of any elimination hereunder, describe the area so  
28          eliminated to the satisfaction of the Supervisor and the Commissioner,  
29          and promptly notify all parties in interest.

30          If conditions warrant extension of the 10-year period specified in  
31          this subsection 2(e), a single extension of not to exceed 2 years may be  
32          accomplished by consent of the owners of 90% of the working interests in  
33          the current nonparticipating unitized lands and the owners of 60% of the  
34          basic royalty interests (exclusive of the basic royalty interests of the  
35          United States) in nonparticipating unitized lands with approval of the

1 Director and Commissioner, provided such extension application is submitted  
2 to the Director and Commissioner not later than 60 days prior to the  
3 expiration of said ten-year period.

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

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

13 4. UNIT OPERATOR. AMOCO PRODUCTION COMPANY is hereby designated  
14 as Unit Operator and by signature hereto as Unit Operator agrees and  
15 consents to accept the duties and obligations of Unit Operator for the  
16 discovery, development and production of unitized substances as herein  
17 provided. Whenever reference is made herein to the Unit Operator, such  
18 reference means the Unit Operator acting in that capacity and not as an  
19 owner of interest in unitized substances, and the term "working interest  
20 owner" when used herein shall include or refer to Unit Operator as the  
21 owner of a working interest when such an interest is owned by it.

22 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall  
23 have the right to resign at any time prior to the establishment of a  
24 participating area or areas hereunder, but such resignation shall not  
25 become effective so as to release Unit Operator from the duties and  
26 obligations of Unit Operator and terminate Unit Operator's rights as  
27 such for a period of 6 months after notice of intention to resign has  
28 been served by Unit Operator on all working interest owners and the  
29 Supervisor, the Commissioner and the Division, and until all wells then  
30 drilled hereunder are placed in a satisfactory condition for suspension  
31 or abandonment whichever is required by the Supervisor as to Federal  
32 lands and by the Commissioner as to State lands, unless a new Unit  
33 Operator shall have been selected and approved and shall have taken over  
34 and assumed the duties and obligations of Unit Operator prior to the  
35 expiration of said period.



1 Unit Operator shall have the right to resign in like manner and  
2 subject to like limitations as above provided at any time a participating  
3 area established hereunder is in existence, but, in all instances of  
4 resignation or removal, until a successor Unit Operator is selected and  
5 approved as hereinafter provided, the working interest owners shall be  
6 jointly responsible for performance of the duties of Unit Operator, and  
7 shall, not later than 30 days before such resignation or removal becomes  
8 effective, appoint a common agent to represent them in any action to be  
9 taken hereunder.

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

13 The Unit Operator may, upon default or failure in the performance  
14 of its duties or obligations hereunder, be subject to removal by the  
15 same percentage vote of the owners of working interests as herein pro-  
16 vided for the selection of a new Unit Operator. Such removal shall be  
17 effective upon notice thereof to the Supervisor and the Commissioner.

18 The resignation or removal of Unit Operator under this agreement  
19 shall not terminate its right, title or interest as the owner of a  
20 working interest or other interest in unitized substances, but upon the  
21 resignation or removal of Unit Operator becoming effective, such Unit  
22 Operator shall deliver possession of all wells, equipment, materials and  
23 appurtenances used in conducting the unit operations to the new duly  
24 qualified successor Unit Operator or to the common agent, if no such new  
25 Unit Operator is elected, to be used for the purpose of conducting unit  
26 operations hereunder. Nothing herein shall be construed as authorizing  
27 removal of any material, equipment and appurtenances needed for the  
28 preservation of any wells.

29 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall  
30 tender his or its resignation as Unit Operator or shall be removed as  
31 hereinabove provided, or a change of Unit Operator is negotiated by  
32 working interest owners, the owners of the working interests in the  
33 participating area or areas according to their respective acreage inter-  
34 ests in such participating area or areas, or, until a participating area  
35 shall have been established, the owners of the working interests according

1 to their respective acreage interests in all unitized land, shall by  
2 majority vote select a successor Unit Operator: Provided, That, if a  
3 majority but less than 75 percent of the working interests qualified to  
4 vote are owned by one party to this agreement, a concurring vote of one  
5 or more additional working interest owners shall be required to select a  
6 new operator. Such selection shall not become effective until

7 a) a Unit Operator so selected shall accept in writing the  
8 duties and responsibilities of Unit Operator, and

9 b) the selection shall have been approved by the Supervisor  
10 and the Commissioner.

11 If not successor Unit Operator is selected and qualified as herein  
12 provided, the Director and Commissioner at their election may declare  
13 this unit agreement terminated.

14 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the  
15 Unit Operator is not the sole owner of working interest, costs and  
16 expenses incurred by Unit Operator in conducting unit operations here-  
17 under shall be paid and apportioned among and borne by the owners of  
18 working interests, all in accordance with the agreement or agreements  
19 entered into by and between the Unit Operator and the owners of working  
20 interests, whether one or more, separately or collectively. Any agree-  
21 ment or agreements entered into between the working interest owners and  
22 the Unit Operator as provided in this section, whether one or more, are  
23 herein referred to as the "unit operating agreement". Such unit operat-  
24 ing agreement shall also provide the manner in which the working interest  
25 owners shall be entitled to receive their respective proportionate and  
26 allocated share of the benefits accruing hereto in conformity with their  
27 underlying operating agreements, leases or other independent contracts,  
28 and such other rights and obligations as between Unit Operator and the  
29 working interest owners as may be agreed upon by Unit Operator and the  
30 working interest owners; however, no such unit operating agreement shall  
31 be deemed either to modify any of the terms and conditions of this unit  
32 agreement or to relieve the Unit Operator of any right or obligation  
33 established under this unit agreement, and in case of any inconsistency  
34 or conflict between this unit agreement and the unit operating agreement,  
35 this unit agreement shall govern. Three true copies of any unit operating

1 agreement executed pursuant to this section should be filed with the  
2 Supervisor and two true copies with the Commissioner and one true copy  
3 with the Division, prior to approval of this unit agreement.

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

18 9. DRILLING TO DISCOVERY. Within 6 months after the effective  
19 date hereof, the Unit Operator shall begin to drill an adequate test  
20 well at a location approved by the Supervisor, if on Federal land, or by  
21 the Commissioner if on State land, unless on such effective date a well  
22 is being drilled conformably with the terms hereof, and thereafter  
23 continue such drilling diligently until the Morrow formation has been  
24 tested or until at a lesser depth unitized substances shall be discovered  
25 which can be produced in paying quantities (to-wit: quantities sufficient  
26 to repay the costs of drilling, completing, and producing operations,  
27 with a reasonable profit) or the Unit Operator shall at any time establish  
28 to the satisfaction of the Supervisor if located on Federal lands, or  
29 the Commissioner if located on State lands, that further drilling of  
30 said well would be unwarranted or impracticable, provided, however, that  
31 Unit Operator shall not in any event be required to drill said well to a  
32 depth in excess of 16,000 feet. Until the discovery of a deposit of  
33 unitized substances capable of being produced in paying quantities, the  
34 Unit Operator shall continue drilling one well at a time, allowing not  
35 more than 6 months between the completion of one well and the beginning

1 of the next well, until a well capable of producing unitized substances  
2 in paying quantities is completed to the satisfaction of said Supervisor  
3 if on Federal land, or the Commissioner if on State land, or until it is  
4 reasonably proved that the unitized land is incapable of producing  
5 unitized substances in paying quantities in the formations drilled  
6 hereunder. Nothing in this section shall be deemed to limit the right  
7 of the Unit Operator to resign as provided in Section 5 hereof, or as  
8 requiring Unit Operator to commence or continue any drilling during the  
9 period pending such resignation becoming effective in order to comply  
10 with the requirements of this section. The Supervisor and Commissioner  
11 may modify the drilling requirements of this section by granting reason-  
12 able extensions of time when, in their opinion, such action is warranted.  
13 Upon failure to commence any well provided for in this section within  
14 the time allowed, including any extension of time granted by the Super-  
15 visor and the Commissioner, this agreement will automatically terminate;  
16 upon failure to continue drilling diligently any well commenced hereunder,  
17 the Supervisor and Commissioner may, after 15 days notice to the Unit  
18 Operator, declare this unit agreement terminated.

19 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months  
20 after completion of a well capable of producing unitized substances in  
21 paying quantities, the Unit Operator shall submit for the approval of  
22 the Supervisor and the Commissioner an acceptable plan of development  
23 and operation for the unitized land which, when approved by the Super-  
24 visor and the Commissioner, shall constitute the further drilling and  
25 operating obligations of the Unit Operator under this agreement for the  
26 period specified therein. Thereafter, from time to time before the  
27 expiration of any existing plan, the Unit Operator shall submit for the  
28 approval of the Supervisor and the Commissioner a plan for an additional  
29 specified period for the development and operation of the unitized land.

30 Any plan submitted pursuant to this section shall provide for the  
31 exploration of the Unitized area and for the diligent drilling necessary  
32 for determination of the area or areas thereof capable of producing  
33 unitized substances in paying quantities in each and every productive  
34 formation and shall be as complete and adequate as the Supervisor, the  
35 Commissioner and Division may determine to be necessary for timely

1 development and proper conservation of the oil and gas resources of the  
2 unitized area and shall:

- 3 a) specify the number and locations of any wells to be  
4 drilled and the proposed order and time for such drilling; and
- 5 b) to the extent practicable, specify the operating prac-  
6 tices regarded as necessary and advisable for proper conservation  
7 of natural resources.

8 Separate plans may be submitted for separate productive zones, subject  
9 to the approval of the Supervisor, the Commissioner and the Division.

10 Plans shall be modified or supplemented when necessary to meet  
11 changed conditions or to protect the interests of all parties to this  
12 agreement. Reasonable diligence shall be exercised in complying with  
13 the obligations of the approved plan of development. The Supervisor and  
14 Commissioner are authorized to grant a reasonable extension of the  
15 6-month period herein prescribed for submission of an initial plan of  
16 development where such action is justified because of unusual conditions  
17 or circumstances. After completion hereunder of a well capable of  
18 producing any unitized substances in paying quantities, no further  
19 wells, except such as may be necessary to afford protection against  
20 operations not under this agreement and such as may be specifically  
21 approved by the Supervisor and the Commissioner, shall be drilled except  
22 in accordance with a plan of development approved as herein provided.

23 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well  
24 capable of producing unitized substances in paying quantities or as soon  
25 thereafter as required by the Supervisor and Commissioner, the Unit  
26 Operator shall submit for approval by the Supervisor and Commissioner a  
27 schedule, based on subdivisions of the public land survey or aliquot  
28 parts thereof, of all land then regarded as reasonably proved to be  
29 productive in paying quantities; all lands in said schedule on approval  
30 of the Supervisor and Commissioner to constitute a participating area,  
31 effective as of the date of completion of such well or the effective  
32 date of this unit agreement, whichever is later. The acreages of both  
33 Federal and non-Federal lands shall be based upon appropriate computa-  
34 tions from the courses and distances shown on the last approved public  
35 land survey as of the effective date of each initial participating area.

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

28 It is the intent of this section that a participating area shall  
29 represent the area known or reasonably estimated to be productive in  
30 paying quantities, but, regardless of any revision of the participating  
31 area, nothing herein contained shall be construed as requiring any  
32 retroactive adjustment for production obtained prior to the effective  
33 date of the revision of the participating area.

34 In the absence of agreement at any time between the Unit Operator  
35 and the Supervisor and Commissioner as to the proper definition or

1 redefinition of a participating area, or until a participating area has,  
2 or areas have, been established as provided herein, the portion of all  
3 payments affected thereby shall be impounded in a manner mutually accept-  
4 able to the owners of working interests and the Supervisor and Commissioner.  
5 Royalties due the United States and the State of New Mexico, which shall  
6 be determined by the Supervisor for Federal land and the Commissioner  
7 for State land and the amount thereof shall be deposited, as directed by  
8 the Supervisor and Commissioner respectively, to be held as unearned  
9 money until a participating area is finally approved and then applied as  
10 earned or returned in accordance with a determination of the sum due as  
11 Federal and State royalty on the basis of such approved participating  
12 area.

13 Whenever, it is determined, subject to the approval of the Supervisor  
14 as to wells drilled on Federal land and of the Commissioner as to wells  
15 drilled on State land, that a well drilled under this agreement is not  
16 capable of production in paying quantities and inclusion of the land on  
17 which it is situated in a participating area is unwarranted, production  
18 from such well shall, for the purposes of settlement among all parties  
19 other than working interest owners, be allocated to the land on which  
20 the well is located unless such land is already within the participating  
21 area established for the pool or deposit from which such production is  
22 obtained. Settlement for working interest benefits from such a well  
23 shall be made as provided in the unit operating agreement.

24 12. ALLOCATION OF PRODUCTION. All unitized substances produced  
25 from each participating area established under this agreement, except  
26 any part thereof used in conformity with good operating practices within  
27 the unitized area for dilling, operating, camp and other production or  
28 development purposes, for repressuring or recycling in accordance with a  
29 plan of development approved by the Supervisor and Commissioner, or  
30 unavoidably lost, shall be deemed to be produced equally on an acreage  
31 basis from the several tracts of unitized land of the participating area  
32 established for such production and, for the purpose of determining any  
33 benefits accruing under this agreement, each such tract of unitized land  
34 shall have allocated to it such percentage of said production as the  
35 number of acres of such tract included in said participating area bears



1 to the total acres of unitized land in said participating area, except  
2 that allocation of production hereunder for purposes other than for  
3 settlement of the royalty, overriding royalty, or payment out of pro-  
4 duction obligations of the respective working interest owners, shall be  
5 on the basis prescribed in the unit operating agreement whether in  
6 conformity with the basis of allocation herein set forth or otherwise.  
7 It is hereby agreed that production of unitized substances from a par-  
8 ticipating area shall be allocated as provided herein regardless of  
9 whether any wells are drilled on any particular part or tract of said  
10 participating area. If any gas produced from one participating area is  
11 used for repressuring or recycling purposes in another participating  
12 area, the first gas withdrawn from such last mentioned participating  
13 area for sale during the life of this agreement shall be considered to  
14 be the gas so transferred until an amount equal to that transferred  
15 shall be so produced for sale and such gas shall be allocated to the  
16 participating area from which initially produced as such area was last  
17 defined at the time of such final production.

18 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATION.

19 Any party hereto owning or controlling the working interest in any  
20 unitized land having thereon a regular well location may with the approval  
21 of the Supervisor as to Federal land or the Commissioner as to State  
22 land, at such party's sole risk, cost and expense, drill a well to test  
23 any formation for which a participating area has not been established or  
24 to test any formation for which a participating area has been established  
25 if such location is not within said participating area, unless within 90  
26 days of receipt of notice from said party of his intention to drill the  
27 well the Unit Operator elects and commences to drill such a well in like  
28 manner as other wells are drilled by the Unit Operator under this agree-  
29 ment.

30 If any well drilled as aforesaid by a working interest owner results  
31 in production such that the land upon which it is situated may properly  
32 be included in a participating area, such participating area shall be  
33 established or enlarged as provided in this agreement and the well shall  
34 thereafter be operated by the Unit Operator in accordance with the terms  
35 of this agreement and the unit operating agreement.



1        If any well drilled as aforesaid by a working interest owner obtains  
2        production in quantities insufficient to justify the inclusion of the  
3        land upon which such well is situated in a participating area, such well  
4        may be operated and produced by the party drilling the same subject to  
5        the conservation requirements of this agreement. The royalties in  
6        amount or value of production from any such well shall be paid as speci-  
7        fied in the underlying lease and agreement affected.

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

23       If gas obtained from lands not subject to this agreement is intro-  
24       duced into any participating area hereunder, for use in repressuring,  
25       stimulation of production, or increasing ultimate recovery, in conformity  
26       with a plan of operations approved by the Supervisor, the Commissioner,  
27       and Division, a like amount of gas, after settlement as herein provided  
28       for any gas transferred from any other participating area and with  
29       appropriate deduction for loss from any cause, may be withdrawn from the  
30       formation in which the gas is introduced, royalty free as to dry gas,  
31       but not as to any products which may be extracted therefrom; provided  
32       that such withdrawal shall be at such time as may be provided in the  
33       approval plan of operations or as may otherwise be consented to by the  
34       Supervisor, the Commissioner and Division as conforming to good petroleum  
35       engineering practice; and provided further, that such right of withdrawal  
36       shall terminate on the termination of this unit agreement.

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

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

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

24       Rentals on State of New Mexico lands subject to this agreement  
25    shall be paid at the rates specified in the respective leases.

26       With respect to any lease on non-Federal land containing provisions  
27    which would terminate such lease unless drilling operations are commenced  
28    upon the land covered thereby within the time therein specified or  
29    rentals are paid for the privilege of deferring such drilling operations,  
30    the rentals required thereby shall, notwithstanding any other provisions  
31    of this agreement, be deemed to accrue and become payable during the  
32    term thereof as extended by this agreement and until the required drill-  
33    ing operations are commenced upon the land covered thereby or until some  
34    portion of such land is included within a participating area.

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

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

9        18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,  
10 conditions and provisions of all leases, subleases and other contracts  
11 relating to exploration, drilling, development or operations for oil or  
12 gas on lands committed to this agreement are hereby expressly modified  
13 and amended to the extent necessary to make the same conform to the  
14 provision hereof, but otherwise to remain in full force and effect; and  
15 the parties hereto hereby consent that the Secretary as to Federal  
16 leases and the Commissioner as to State leases shall and each by his  
17 approval hereof, or by the approval hereof by their duly authorized  
18 representatives, do hereby establish, alter, change or revoke the drill-  
19 ing, producing, rental, minimum royalty and royalty requirements of  
20 Federal and State leases committed hereto and the regulations in respect  
21 thereto to conform said requirements to the provisions of this agreement,  
22 and, without limiting the generality of the foregoing, all leases,  
23 subleases, and contracts are particularly modified in accordance with  
24 the following:

25            a) The development and operation of lands subject to this  
26 agreement under the terms hereof shall be deemed full performance  
27 of all obligations for development and operation with respect to  
28 each and every separately owned tract subject to this agreement,  
29 regardless of whether there is any development of any particular  
30 tract of the unit area.

31            b) Drilling and producing operations performed hereunder  
32 upon any tract of unitized land will be accepted and deemed to be  
33 performed upon and for the benefit of each and every tract of  
34 unitized land, and no lease shall be deemed to expire by reason of  
35 failure to drill or produce wells situated on the land therein  
36 embraced.

1           c) Suspension of drilling or producing operations on all  
2 unitized lands pursuant to direction or consent of the Secretary  
3 and Commissioner or their duly authorized representatives shall be  
4 deemed to constitute such suspension pursuant to such direction or  
5 consent as to each and every tract of unitized land. A suspension  
6 of drilling or producing operations limited to specified lands  
7 shall be applicable only to such lands.

8           d) Each lease, sublease or contract relating to the explora-  
9 tion, drilling, development or operation for oil or gas of lands  
10 other than those of the United States or State of New Mexico com-  
11 mitted to this agreement, which, by its terms might expire prior to  
12 the termination of this agreement, is hereby extended beyond any  
13 such term so provided therein so that it shall be continued in full  
14 force and effect for and during the term of this agreement.

15           e) Any Federal lease for a fixed term of twenty (20) years  
16 or any renewal thereof or any part of such lease which is made  
17 subject to this agreement shall continue in force beyond the term  
18 provided therein until the termination hereof. Any other Federal  
19 lease committed hereto shall continue in force beyond the term so  
20 provided therein or by law as to the land committed so long as such  
21 lease remains subject hereto, provided that production is had in  
22 paying quantities under this unit agreement prior to the expiration  
23 date of the term of such lease, or in the event actual drilling  
24 operations are commenced on unitized lands, in accordance with the  
25 provisions of this agreement, prior to the end of the primary term  
26 of such lease and are being diligently prosecuted at that time,  
27 such lease shall be extended for two years and so long thereafter  
28 as oil or gas is produced in paying quantities in accordance with  
29 the provisions of the Mineral Leasing Act Revision of 1960.

30           f) Each sublease or contract relating to the operation and  
31 development of unitized substances from lands of the United States  
32 committed to this agreement, which by its terms would expire prior  
33 to the time at which the underlying lease, as extended by the  
34 immediately preceding paragraph, will expire, is hereby extended  
35 beyond any such term so provided therein so that it shall be continued

1 in full force and effect for and during the term of the underlying  
2 lease as such term is herein extended.

3 g) Any lease embracing lands of the State of New Mexico  
4 which is made subject to this agreement, shall continue in force  
5 beyond the term provided therein as to the lands committed hereto  
6 until the termination hereof, subject to the provisions of subsec-  
7 tion (c) of Section 2 and subsection (i) of this Section 18.

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

21 i) Any lease embracing lands of the State of New Mexico  
22 having only a portion of its lands committed hereto, shall be  
23 segregated as to the portion committed and the portion not committed,  
24 and the provisions of such lease shall apply separately to such  
25 segregated portions commencing as of the effective date hereof;  
26 provided, however, notwithstanding any of the provisions of this  
27 agreement to the contrary any lease embracing lands of the State of  
28 New Mexico having only a portion of its lands committed hereto  
29 shall continue in full force and effect beyond the term provided  
30 therein as to all lands embraced in such lease, if oil or gas is  
31 discovered and is capable of being produced in paying quantities  
32 from some part of the lands embraced in such lease at the expira-  
33 tion of the secondary term of such lease; or if, at the expiration  
34 of the secondary term, the lessee or Unit Operator is then engaged  
35 in bona fide drilling or reworking operations on some part of the

1 lands embraced in such lease, the same, as to all lands embraced  
2 therein, shall remain in full force and effect so long as such  
3 operations are being diligently prosecuted, and if they result in  
4 the production of oil or gas, said lease shall continue in full  
5 force and effect as to all of the lands embraced therein, so long  
6 thereafter as oil or gas in paying quantities is being produced  
7 from any portion of said lands.

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

16 19. COVENANTS RUN WITH LAND. The covenants herein shall be con-  
17 strued to be covenants running with the land with respect to the interest  
18 of the parties hereto and their successors in interest until this agree-  
19 ment terminates, and any grant, transfer, or conveyance of interest in  
20 land or leases subject hereto shall be and hereby is conditioned upon  
21 the assumption of all privileges and obligations hereunder by the grantee,  
22 transferee or other successor in interest. No assignment or transfer of  
23 any working interest, royalty, or other interest subject hereto shall be  
24 binding upon Unit Operator until the first day of the calendar month  
25 after Unit Operator is furnished with the original, photostatic, or  
26 certified copy of the instrument of transfer.

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

31 a) such date of expiration is extended by the Director and  
32 Commissioner, or

33 b) it is reasonably determined prior to the expiration of  
34 the fixed term or any extension thereof that the unitized land is  
35 incapable of production of unitized substances in paying quantities

1 in the formations tested hereunder and after notice of intention to  
2 terminate the agreement on such ground is given by the Unit Operator  
3 to all parties in interest at their last known addresses, the  
4 agreement is terminated with the approval of the Supervisor and the  
5 Commissioner, or

6 c) a valuable discovery of unitized substances has been made  
7 or accepted on unitized land during said initial term or any exten-  
8 sion thereof, in which event the agreement shall remain in effect  
9 for such term and so long as unitized substances can be produced as  
10 to federal lands and are being produced as to state lands in quanti-  
11 ties sufficient to pay for the cost of producing same from wells on  
12 unitized land within any participating area established hereunder  
13 and, should production cease, so long thereafter as diligent opera-  
14 tions are in progress for the restoration of production or discovery  
15 of new production and so long thereafter as unitized substances so  
16 discovered can be produced as aforesaid, or

17 d) it is terminated as heretofore provided in this agreement.  
18 This agreement may be terminated at any time by not less than 75  
19 per centum, on an acreage basis, of the working interest owners  
20 signatory hereto, with the approval of the Supervisor and Commis-  
21 sioner; notice of any such approval to be given by the Unit Operator  
22 to all parties hereto.

23 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director  
24 is hereby vested with authority to alter or modify from time to time in  
25 his discretion the quantity and rate of production under this agreement  
26 when such quantity and rate is not fixed pursuant to Federal or State  
27 law or does not conform to any statewide voluntary conservation or  
28 allocation program, which is established, recognized and generally  
29 adhered to by the majority of operators in such State, such authority  
30 being hereby limited to alteration or modification in the public interest,  
31 the purpose thereof and the public interest to be served thereby to be  
32 stated in the order of alteration or modification. Without regard to  
33 the foregoing, the Director is also hereby vested with authority to  
34 alter or modify from time to time in his discretion the rate of pros-  
35 pecting and development and the quantity and rate of production under



1 this agreement when such alteration or modification is in the interest  
2 of attaining the conservation objectives stated in this agreement and is  
3 not in violation of any applicable federal or State law; provided,  
4 further, that no such alteration or modification shall be effective as  
5 to any land of the State of New Mexico, as to the rate of prospecting  
6 and developing in the absence of the specific written approval thereof  
7 by the Commissioner and as to any lands of the State of New Mexico  
8 subject to this agreement as to the quantity and rate of production in  
9 the absence of specific written approval thereof by the Division.

10 Powers in this section vested in the Director shall only be exer-  
11 cised after notice to Unit Operator and opportunity for hearing to be  
12 held not less than 15 days from notice.

13 22. APPEARANCES. Unit Operator shall, after notice to other  
14 parties affected, have the right to appear for and on behalf of any and  
15 all interests affected hereby before the Department of the Interior, the  
16 Commissioner of Public Lands of the State of New Mexico and the Oil  
17 Conservation Division of the Energy and Minerals Department of the State  
18 of New Mexico and to appeal from orders issued under the regulations of  
19 said Department, the Division or Commissioner or to apply for relief  
20 from any of said regulations or in any proceedings relative to opera-  
21 tions before the Department of the Interior, the Commissioner, or  
22 Division, or any other legally constituted authority; provided, however,  
23 that any other interested party shall also have the right at his own  
24 expense to be heard in any such proceeding.

25 23. NOTICES. All notices, demands or statements required here-  
26 under to be given or rendered to the parties hereto shall be deemed  
27 fully given if given in writing and personally delivered to the party or  
28 sent by postpaid registered or certified mail, addressed to such party  
29 or parties at their respective addresses set forth in connection with  
30 the signatures hereto or to the ratification or consent hereof or to  
31 such other address as any such party may have furnished in writing to  
32 party sending the notice, demand or statement.

33 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement con-  
34 tained shall be construed as a waiver by any party hereto of the right  
35 to assert any legal or constitutional right or defense as to the validity



1 or invalidity of any law of the State wherein said unitized lands are  
2 located, or of the United States, or regulations issued thereunder in  
3 any way affecting such party, or as a waiver by any such party of any  
4 right beyond his or its authority to waive.

5 25. UNAVOIDABLE DELAY. All obligations under this agreement  
6 requiring the Unit Operator to commence or continue drilling or to  
7 operate on or produce unitized substances from any of the lands covered  
8 by this agreement shall be suspended while the Unit Operator, despite  
9 the exercise of due care and diligence, is prevented from complying with  
10 such obligations, in whole or in part, by strikes, acts of God, Federal,  
11 State or municipal law or agencies, unavoidable accidents, uncontrollable  
12 delays in transportation, inability to obtain necessary materials in  
13 open market, or other matters beyond the reasonable control of the Unit  
14 Operator whether similar to matters herein enumerated or not. No unit  
15 obligation which is suspended under this section shall become due less  
16 than thirty (30) days after it has been determined that the suspension  
17 is no longer applicable. Determination of creditable "Unavoidable  
18 Delay" time shall be made by the Unit Operator subject to approval of  
19 the Supervisor and Commissioner.

20 26. NONDISCRIMINATION. In connection with the performance of work  
21 under this agreement, the operator agrees to comply with all of the  
22 provisions of Section 202 (1) to (7) inclusive of Executive Order 11246  
23 (30 F. R. 12319), as amended, which are hereby incorporated by reference  
24 in this agreement.

25 27. LOSS OF TITLE. In the event title to any tract of unitized  
26 land shall fail and the true owner cannot be induced to join in this  
27 unit agreement, such tract shall be automatically regarded as not com-  
28 mitted hereto and there shall be such readjustment of future costs and  
29 benefits as may be required on account of the loss of such title. In  
30 the event of a dispute as to title to any royalty, working interest or  
31 other interests subject thereto, payment or delivery on account thereof  
32 may be withheld without liability for interest until the dispute is  
33 finally settled; provided, that, as to Federal and State land or leases,  
34 no payments of funds due the United States or State of New Mexico should  
35 be withheld, but such funds of the United States shall be deposited as

1 directed by the Supervisor and such funds of the State of New Mexico  
2 shall be deposited as directed by the Commissioner to be held as unearned  
3 money pending final settlement of the title dispute, and then applied as  
4 earned or returned in accordance with such final settlement.

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

7 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any  
8 substantial interest in a tract within the unit area fails or refuses to  
9 subscribe or consent to this agreement, the owner of the working interest  
10 in that tract may withdraw said tract from this agreement by written  
11 notice delivered to the Supervisor and the Commissioner and the Unit  
12 Operator prior to the approval of this agreement by the Supervisor and  
13 Commissioner. Any oil or gas interests in lands within the unit area  
14 not committed hereto prior to submission of this agreement for final  
15 approval may thereafter be committed hereto by the owner or owners  
16 thereof subscribing or consenting to this agreement, and, if the interest  
17 is a working interest, by the owner of such interest also subscribing to  
18 the unit operating agreement. After operations are commenced hereunder,  
19 the right of subsequent joinder, as provided in this section, by a  
20 working interest owner is subject to such requirements or approvals, if  
21 any, pertaining to such joinder, as may be provided for in the unit  
22 operating agreement. After final approval hereof, joinder by a non-  
23 working interest owner must be consented to in writing by the working  
24 interest owner committed hereto and responsible for the payment of any  
25 benefits that may accrue hereunder in behalf of such non-working inter-  
26 est. A non-working interest may not be committed to this unit agreement  
27 unless the corresponding working interest is committed hereto. Joinder  
28 to the unit agreement by a working interest owner, at any time, must be  
29 accompanied by appropriate joinder to the unit operating agreement, if  
30 more than one committed working interest owner is involved, in order for  
31 the interest to be regarded as committed to this unit agreement. Except  
32 as may otherwise herein be provided, subsequent joinders to this agreement  
33 shall be effective as of the first day of the month following the filing  
34 with the Supervisor and the Commissioner of duly executed counterparts  
35 of all or any papers necessary to establish effective commitment of any

1 tract to this agreement unless objection to such joinder is duly made  
2 within 60 days by the Supervisor, provided, however, that as to State  
3 lands all subsequent joinders must be approved by the Commissioner.

4 29. COUNTERPARTS. This agreement may be executed in any number of  
5 counterparts no one of which needs to be executed by all parties or may  
6 be ratified or consented to by separate instrument in writing specifically  
7 referring hereto and shall be binding upon all those parties who have  
8 executed such a counterpart, ratification, or consent hereto with the same  
9 force and effect as if all such parties had signed the same document and  
10 regardless of whether or not it is executed by all other parties owning  
11 or claiming an interest in the lands within the above described unit area.

12 30. NO PARTNERSHIP. It is expressly agreed that the relation of  
13 the parties hereto is that of independent contractors and nothing in  
14 this agreement contained, expressed or implied, nor any operations  
15 conducted hereunder, shall create or be deemed to have created a part-  
16 nership or association between the parties hereto or any of them.

17 IN WITNESS WHEREOF, the parties hereto have caused this agreement  
18 to be executed and have set opposite their respective names the date of  
19 execution.

20 UNIT OPERATOR AND WORKING INTEREST OWNER

21 AMOCO PRODUCTION COMPANY

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

23 ADDRESS: \_\_\_\_\_

24 \_\_\_\_\_

25 BY: \_\_\_\_\_  
Attorney-in-Fact

26 WORKING INTEREST OWNERS

27 ATTEST: \_\_\_\_\_ YATES PETROLEUM CORPORATION

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

29 ADDRESS: \_\_\_\_\_

30 \_\_\_\_\_

31 \_\_\_\_\_

BY: \_\_\_\_\_

32 ATTEST: \_\_\_\_\_

GULF OIL CORPORATION

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

34 ADDRESS: \_\_\_\_\_

35 \_\_\_\_\_

36 \_\_\_\_\_

BY: \_\_\_\_\_

1 ATTEST: \_\_\_\_\_

M. J. HARVEY, JR.

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

3 ADDRESS: \_\_\_\_\_

4 \_\_\_\_\_

5 \_\_\_\_\_

BY: \_\_\_\_\_

6 ATTEST: \_\_\_\_\_

TOM R. CONE

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

8 ADDRESS: \_\_\_\_\_

9 \_\_\_\_\_

10 \_\_\_\_\_

BY: \_\_\_\_\_

11 ATTEST: \_\_\_\_\_

MESA PETROLEUM COMPANY

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

13 ADDRESS: \_\_\_\_\_

14 \_\_\_\_\_

15 \_\_\_\_\_

BY: \_\_\_\_\_

CR/dq  
LR601/F

THE STATE OF TEXAS     !

COUNTY OF HARRIS     !

The foregoing instrument was acknowledged before me this \_\_\_\_ day of  
\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
as Attorney-in-Fact on behalf of AMOCO PRODUCTION COMPANY.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

THE STATE OF \_\_\_\_\_ !

COUNTY OF \_\_\_\_\_ !

The foregoing instrument was acknowledged before me this \_\_\_\_ day of  
\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
of YATES PETROLEUM CORPORATION, a \_\_\_\_\_ corporation, on  
behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_

THE STATE OF \_\_\_\_\_ !

COUNTY OF \_\_\_\_\_ !

The foregoing instrument was acknowledged before me this \_\_\_\_ day of  
\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
of GULF OIL CORPORATION, a \_\_\_\_\_ corporation, on behalf  
of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_

THE STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

BEFORE ME, a Notary Public, on this day personally appeared M. J. HARVEY, JR., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

My Commission Expires:

Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

THE STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

BEFORE ME, a Notary Public, on this day personally appeared TOM R. CONE, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

My Commission Expires:

Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

THE STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

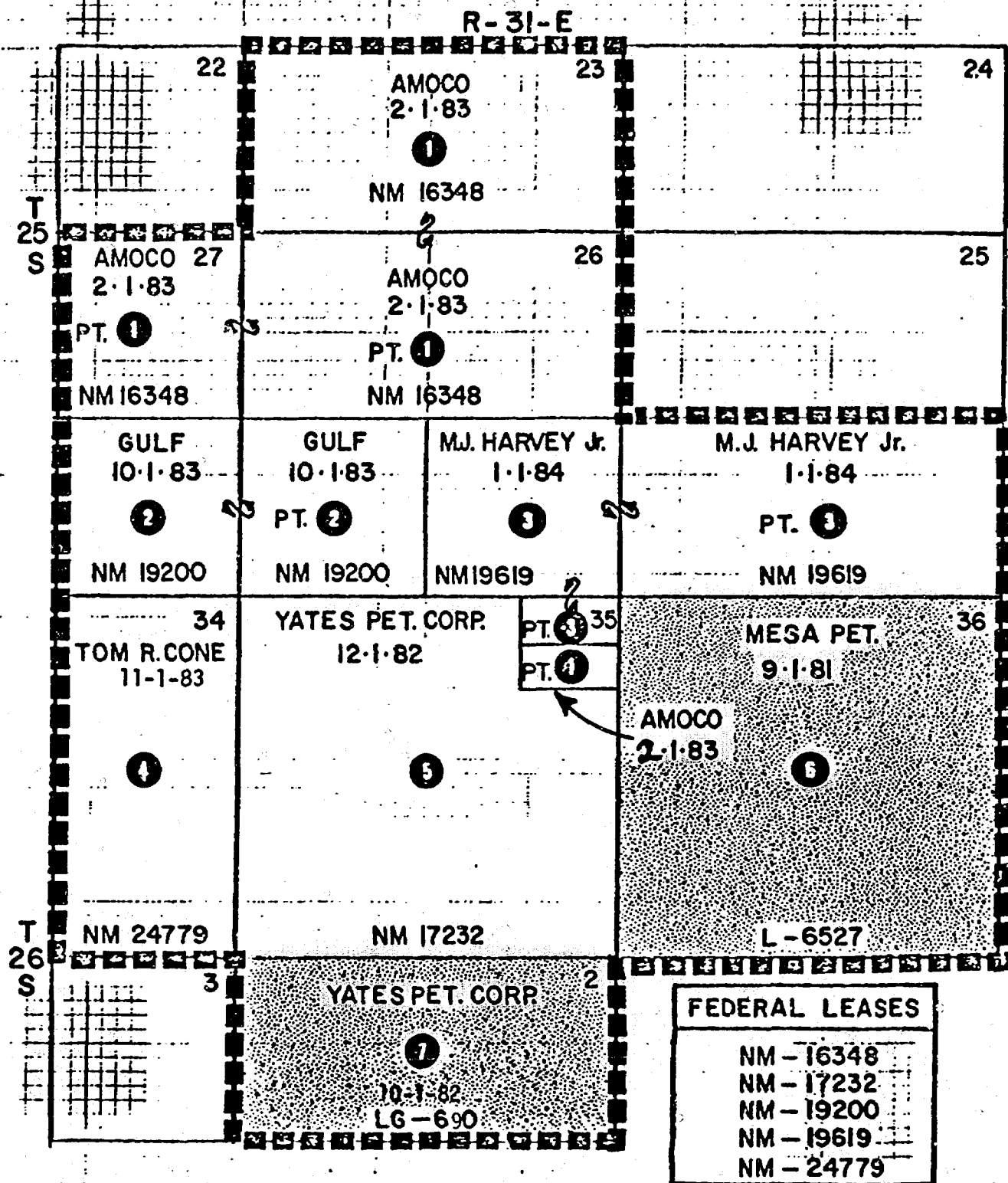
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_, \_\_\_\_\_ of MESA PETROLEUM COMPANY, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:


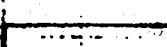


Notary Public in and for  
\_\_\_\_\_

# BIG SINKS UNIT AGREEMENT

## Eddy County, New Mexico



## LEGEND

	UNIT BOUNDRY		
	FEDERAL LAND	2560.00 Ac.	72.72 %
	STATE LAND	960.00 Ac.	27.28 %
	TRACT NUMBER	<u>3520.00 Ac.</u>	<u>100.00 %</u>

**EXHIBIT "B"**  
**BIG SINKS UNIT AGREEMENT**  
**T-25-S, R-31-E and T-26-S, R-31-E, N.M.P.M.**  
**EDDY COUNTY, NEW MEXICO**

TRACT NO.	Description of Land	No. of Acres	Serial No. & Expiration Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty & Prod. Payment Ownership	Working Interest %
<b>Township 25 South, Range 31-East</b>							
1	Section 23: S/2 Section 26: N/2 Section 27: NE/4 Section 35: S/2 NE/4 NE/4	820	NM 16348 2-1-83	USA 12.5%	Amoco Production Company	Joyce A. Dechant 1/2 of 1% K. M. Johnston et ux 35% Eddy Land Co. 1% Production Payment of \$150.00 per acre	Amoco: 100%
2	Section 26: SW/4 Section 27: SE/4	320	NM 19200 10-1-83	USA 12.5%	Gulf Oil Corporation	Jean B. Merritt and Robert H. Merritt 5%	Gulf: 100%
3	Section 25: S/2 Section 26: SE/4 Section 35: N/2 NE/4 NE/4	500	NM 19619 1-1-84	USA 12.5%	M. J. Harvey, Jr.	None	M. J. Harvey, Jr.: 100%
4	Section 34: E/2	320	NM 24779 11-1-83	USA 12.5%	Tom R. Cone	Chloe S. Sims 6.25%	Tom R. Cone: 100%
5	Section 35: A1/4; Save and Except NE/4 NE/4	600	NM 17232 12-1-82	USA 12.5%	Yates Petroleum Corporation	George B. Lorraine and Inez Harris Lorraine, 3%	Yates: 100%
<b>5 Federal Tracts - 2560.00 Acres - 72.72%</b>							
<b>Township 25 South, Range 31-East</b>							
6	Section 36: A1/4	640	L-6527 9-1-82	STATE 12.5%	MTA Limited Partnership	None	MTA: 100%
<b>Township 26 South, Range 31-East</b>							
7	Section 2: N/2	320	LG-0690 10-1-82	STATE 12.5%	Yates Petroleum Corporation	None	Yates: 100%
<b>2 State Tracts - 960.00 Acres - 27.28%</b>							
<b>Total 7 Tracts - 3520.00 Acres - 100%</b>							

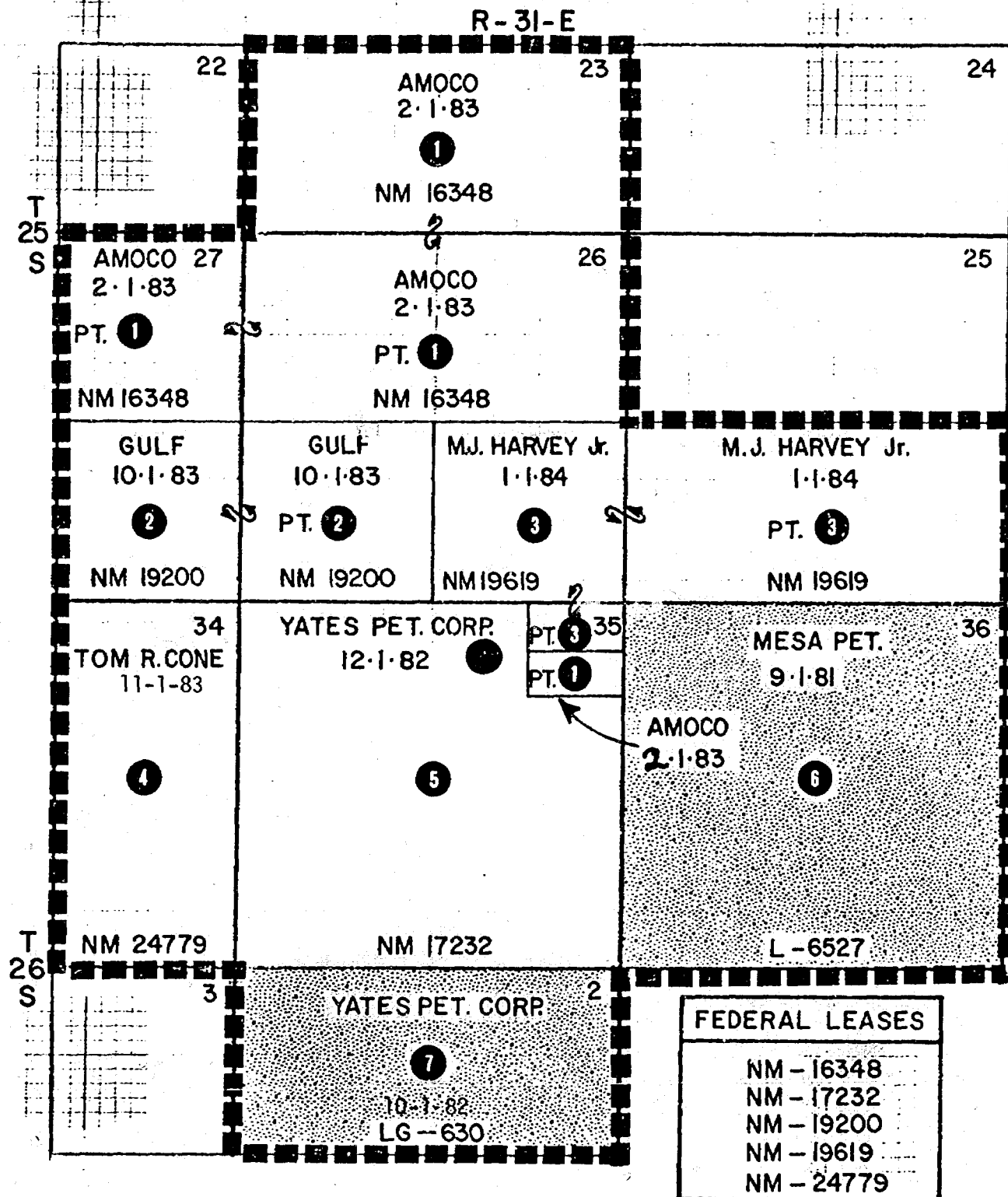
CR/mlm  
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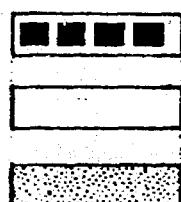
BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION  
*AMOCO* EXHIBIT NO. 1  
CASE NO. 7311  
Submitted by C.L. RAPER  
Hearing Date 7/29/81

# BIG SINKS UNIT AGREEMENT

## Eddy County, New Mexico



### LEGEND



UNIT BOUNDARY

FEDERAL LAND

STATE LAND

TRACT NUMBER

2560.00 Ac. 72.72 %

960.00 Ac. 27.28 %

3520.00 Ac. 100.00 %

SCALE 1" = 2000

BIG SINKS UNIT  
T-25-S, R-31-E and T-26-S, R-31-E, N.M.P.M.  
EDDY COUNTY, NEW MEXICO

<u>Lessee of Record</u>	<u>Description of Land</u>	<u>Total Acres</u>	<u>% Unit</u>
Amoco Production Company	T-25-S, R-31-E Section 23: S/2 Section 26: N/2 Section 27: NE/4 Section 35: S/2 NE/4 NE/4	820	23.2955
Yates Petroleum Corporation	T-25-S, R-31-E Section 35: All, Save and Except NE/4 NE/4 T-26-S, R-31-E Section 2: N/2	920	26.1364
MTA Limited Partnership	T-26-S, R-31-E Section 36: All	640	18.1818
M. J. Harvey, Jr.	T-25-S, R-31-E Section 25: S/2 Section 26: SE/4 Section 35: N/2 NE/4 NE/4	500	14.2045
Gulf Oil Corporation	T-25-S, R-31-E Section 26: SW/4 Section 27: SE/4	320	9.0909
Tom R. Cone	T-25-S, R-31-E Section 34: E/2	320	9.0909
		3,520	100.0000%

CR/mlm  
LR834/C2

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION	
AMOCO	EXHIBIT NO. <u>2</u>
CASE NO.	<u>7311</u>
Submitted by	<u>C. L. RAVER</u>
Hearing Date	<u>7/29/81</u>



# United States Department of the Interior

GEOLOGICAL SURVEY

South Central Region

P. O. Box 26124

Albuquerque, New Mexico 87125

14 JUL 1981

Amoco Production Company  
Attn: J. E. Harrison  
P. O. Box 3092  
Houston, Texas 77001

Gentlemen:

Your application of July 6, 1981, filed with the Deputy Conservation Manager, Oil and Gas, requests the designation of the Big Sinks unit area, embracing 3,520.00 acres, more or less, Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A' Big Sinks Unit, Eddy County, New Mexico" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test the Morrow formation, or to a depth of 16,000 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Deputy Conservation Manager, Oil and Gas, for preliminary approval.

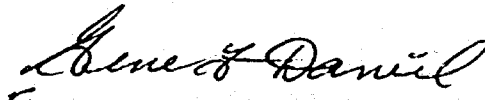
In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby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

BEFORE EXAMINER STAMETS	
OIL CONSERVATION DIVISION	
AMOCO	EXHIBIT NO. <u>3</u>
CASE NO.	<u>7311</u>
Submitted by	<u>C.L. RAPER</u>
Hearing Date	<u>7/29/81</u>

When the executed agreement is transmitted to the Deputy Conservation Manager, Oil and Gas, Albuquerque, New Mexico, for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

Inasmuch as this unit agreement involves State land, we are sending a copy of the letter to the Commissioner of Public Lands. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely yours,

  
For James W. Sutherland  
Conservation Manager  
For the Director

cc:  
Commissioner of Public Lands

State of New Mexico



ALEX J. ARMIJO  
COMMISSIONER



Commissioner of Public Lands

July 15, 1981

P. O. BOX 1148  
SANTA FE, NEW MEXICO 87501

Amoco Production Company  
P. O. Box 3092  
Houston, Texas 77001

Re: Proposed Big Sinks Unit  
Eddy County, New Mexico

ATTENTION: Mr. Charles E. D. Robinson

Gentlemen:

We have reviewed the instruments you left with us regarding the captioned unit.

The following are some of the corrections that need be made before we grant approval as to form and content.

1. Well name must be changed to "Big Sinks Unit Well No. 1" if this is the exploratory well in the unit.
2. Page 20, under (c) 11th line, "discovered are being produced as to State lands and can be produced as to Federal lands as aforesaid, or" (This also appears on 4th and 5th lines under (c).
3. Exhibit "B" should read- Tract 1, Sec 27: NE/4 instead of SE/4.
4. Tract 6, Sec 36, should read 25S-31E instead of 26S-31E.
5. Tract 7 the State lease should be LG-690 instead of LG-630.
6. Tract 6, lessee of Record should be MTS Limited Partnership instead of Mesa.

When we receive these corrections, we will then consider our approval as to form and content.

BEFORE EXAMINER STAMETS	
OIL CONSERVATION DIVISION	
AMOCO	EXHIBIT NO. <u>4</u>
CASE NO.	<u>7311</u>
Submitted by	<u>C.L. RAFFER</u>
Hearing Date	<u>7/29/81</u>

Very truly yours,

ALEX J. ARMIJO  
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*  
RAY D. GRAHAM, Director  
Oil and Gas Division  
AC 505-827-2748

CERTIFICATION DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, the act approved February, 1920, 41 Stat. 437, as amended, 30 U.S.C. secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey, I do hereby:

- A. Approve the attached agreement for the development and operation of the Big Sinks Unit Area, 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.

Deputy Conservation Manager, Oil and Gas  
United State Geological Survey

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Contract Number

CR/dq  
LR601/G

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION	
ANOCO	EXHIBIT NO. <u>5</u>
CASE NO.	<u>7311</u>
Submitted by	<u>C.L. RAPER</u>
Hearing Date	<u>7/29/81</u>

UNIT AGREEMENT  
BIG SINKS UNIT AREA  
EDDY COUNTY, NEW MEXICO

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24



1 UNIT AGREEMENT  
2 FOR THE DEVELOPMENT AND OPERATION  
3 OF THE  
4 BIG SINKS UNIT AREA  
5 COUNTY OF EDDY  
6 STATE OF NEW MEXICO  
7 NO. \_\_\_\_\_

8 THIS AGREEMENT entered into as of the 1st day of July, 1981 by and  
9 between the parties subscribing, ratifying or consenting hereto, and  
10 herein referred to as the "parties hereto".

11 WITNESSETH:

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

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

24 WHEREAS, the Commissioner of Public Lands of the State of New  
25 Mexico is authorized by an Act of the Legislature (Secs. 19-10-45, 46,  
26 47 N.M. Statutes 1978 Annotated) to consent to or approve this agreement  
27 on behalf of the State of New Mexico, insofar as it covers and includes  
28 lands and mineral interests of the State of New Mexico; and

29 WHEREAS, the Oil Conservation Division of the Energy and Minerals  
30 Department of the State of New Mexico is authorized by an Act of the  
31 Legislature (Article 3, Chapters 70 and 71, 1978 Statutes) to approve  
32 this agreement and the conservation provisions hereof; and

33 WHEREAS, the parties hereto hold sufficient interests in the Big  
34 Sinks Unit Area covering the land hereinafter described to give reason-  
35 ably effective control of operations therein; and

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

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

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

20       2.    UNIT AREA. The area specified on the map attached hereto  
21       marked Exhibit "A" is hereby designated and recognized as constituting  
22       the unit area, containing 3,520.00 acres, more or less.

23       Exhibit "A" shows, in addition to the boundary of the unit area,  
24       the boundaries and identity of tracts and leases in said area to the  
25       extent known to the Unit Operator. Exhibit "B" attached hereto is a  
26       schedule showing to the extent known to the Unit Operator the acreage,  
27       percentage, and kind of ownership of oil and gas interests in all land  
28       in the unit area. However, nothing herein or in said schedule or map  
29       shall be construed as a representation by any party hereto as to the  
30       ownership of any interest other than such interest or interests as are  
31       shown in said map or schedule as owned by such party. Exhibits "A" and  
32       "B" shall be revised by the Unit Operator whenever changes in the unit  
33       area render such revision necessary, or when requested by the Oil and  
34       Gas Supervisor, hereinafter referred to as "Supervisor", or when requested  
35       by the Commissioner of Public Lands of the State of New Mexico, hereinafter

1 referred to as "Commissioner", and not less than five copies of the  
2 revised exhibits shall be filed with the Supervisor, and two copies  
3 thereof shall be filed with the Commissioner, and one copy with the Oil  
4 Conservation Division of the Energy and Minerals Department of the State  
5 of New Mexico, hereinafter referred to as "Division".

6 The above-described unit area shall when practicable be expanded to  
7 include therein any additional lands or shall be contracted to exclude  
8 lands whenever such expansion or contraction is deemed to be necessary  
9 or advisable to conform with the purposes of this agreement. Such  
10 expansion or contraction shall be effected in the following manner:

11 a) Unit Operator, on its own motion or on demand of the  
12 Director of the Geological Survey, hereinafter referred to as  
13 "Director", or on demand of the Commissioner, after preliminary  
14 concurrence by the Director and the Commissioner, shall prepare a  
15 notice of proposed expansion or contraction describing the contemplated  
16 changes in the boundaries of the unit area, the reasons  
17 therefore, and the proposed effective date thereof, preferably the  
18 first day of a month subsequent to the date of notice.

19 b) Said notice shall be delivered to the Supervisor, the  
20 Commissioner and the Division and copies thereof mailed to the last  
21 known address of each working interest owner, lessee, and lessor  
22 whose interests are affected, advising that 30 days will be allowed  
23 for submission to the Unit Operator of any objections.

24 c) Upon expiration of the 30-day period provided in the  
25 preceding item (b) hereof, Unit Operator shall file with the  
26 Supervisor, the Commissioner and the Division evidence of mailing  
27 of the notice of expansion or contraction and a copy of any objections  
28 thereto which have been filed with the Unit Operator, together  
29 with an application in sufficient number, for approval of such  
30 expansion or contraction and with appropriate joinders.

31 d) After due consideration of all pertinent information, the  
32 expansion or contraction shall, upon approval by the Supervisor,  
33 the Commissioner and the Division, become effective as of the date  
34 prescribed in the notice thereof.

1 e) All legal subdivisions of lands (i.e., 40 acres by  
2 Government survey or its nearest lot or tract equivalent; in  
3 instances of irregular surveys unusually large lots or tracts shall  
4 be considered in multiples of 40 acres or the nearest aliquot  
5 equivalent thereof), no parts of which are entitled to be in a  
6 participating area on or before the fifth anniversary of the  
7 effective date of the first initial participating area established  
8 under this unit agreement, shall be eliminated automatically from  
9 this agreement, effective as of said fifth anniversary, and such  
10 lands shall no longer be a part of the unit area and shall no  
11 longer be subject to this agreement, unless diligent drilling  
12 operations are in progress on unitized lands not entitled to  
13 participation on said fifth anniversary, in which event all such  
14 lands shall remain subject hereto so long as such drilling opera-  
15 tions are continued diligently with not more than 90 days' time  
16 elapsing between the completion of one well and the commencement of  
17 the next well. All legal subdivisions of lands not entitled to be  
18 in a participating area within 10 years after the effective date of  
19 the first initial participating area approved under this government  
20 shall be automatically eliminated from this agreement as of said  
21 tenth anniversary. All lands proved productive by diligent drilling  
22 operations after the aforesaid 5-year period shall become partici-  
23 pating in the same manner as during said 5-year period. However,  
24 when such diligent drilling operations cease, all nonparticipating  
25 lands shall be automatically eliminated effective as of the 91st  
26 day thereafter. The Unit Operator shall, within 90 days after the  
27 effective date of any elimination hereunder, describe the area so  
28 eliminated to the satisfaction of the Supervisor and the Commissioner,  
29 and promptly notify all parties in interest.

30 If conditions warrant extension of the 10-year period specified in  
31 this subsection 2(e), a single extension of not to exceed 2 years may be  
32 accomplished by consent of the owners of 90% of the working interests in  
33 the current nonparticipating unitized lands and the owners of 60% of the  
34 basic royalty interests (exclusive of the basic royalty interests of the  
35 United States) in nonparticipating unitized lands with approval of the

1 Director and Commissioner, provided such extension application is submitted  
2 to the Director and Commissioner not later than 60 days prior to the  
3 expiration of said ten-year period.

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

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

13 4. UNIT OPERATOR. AMOCO PRODUCTION COMPANY is hereby designated  
14 as Unit Operator and by signature hereto as Unit Operator agrees and  
15 consents to accept the duties and obligations of Unit Operator for the  
16 discovery, development and production of unitized substances as herein  
17 provided. Whenever reference is made herein to the Unit Operator, such  
18 reference means the Unit Operator acting in that capacity and not as an  
19 owner of interest in unitized substances, and the term "working interest  
20 owner" when used herein shall include or refer to Unit Operator as the  
21 owner of a working interest when such an interest is owned by it.

22 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall  
23 have the right to resign at any time prior to the establishment of a  
24 participating area or areas hereunder, but such resignation shall not  
25 become effective so as to release Unit Operator from the duties and  
26 obligations of Unit Operator and terminate Unit Operator's rights as  
27 such for a period of 6 months after notice of intention to resign has  
28 been served by Unit Operator on all working interest owners and the  
29 Supervisor, the Commissioner and the Division, and until all wells then  
30 drilled hereunder are placed in a satisfactory condition for suspension  
31 or abandonment whichever is required by the Supervisor as to Federal  
32 lands and by the Commissioner as to State lands, unless a new Unit  
33 Operator shall have been selected and approved and shall have taken over  
34 and assumed the duties and obligations of Unit Operator prior to the  
35 expiration of said period.

1 Unit Operator shall have the right to resign in like manner and  
2 subject to like limitations as above provided at any time a participating  
3 area established hereunder is in existence, but, in all instances of  
4 resignation or removal, until a successor Unit Operator is selected and  
5 approved as hereinafter provided, the working interest owners shall be  
6 jointly responsible for performance of the duties of Unit Operator, and  
7 shall, not later than 30 days before such resignation or removal becomes  
8 effective, appoint a common agent to represent them in any action to be  
9 taken hereunder.

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

13 The Unit Operator may, upon default or failure in the performance  
14 of its duties or obligations hereunder, be subject to removal by the  
15 same percentage vote of the owners of working interests as herein pro-  
16 vided for the selection of a new Unit Operator. Such removal shall be  
17 effective upon notice thereof to the Supervisor and the Commissioner.

18 The resignation or removal of Unit Operator under this agreement  
19 shall not terminate its right, title or interest as the owner of a  
20 working interest or other interest in unitized substances, but upon the  
21 resignation or removal of Unit Operator becoming effective, such Unit  
22 Operator shall deliver possession of all wells, equipment, materials and  
23 appurtenances used in conducting the unit operations to the new duly  
24 qualified successor Unit Operator or to the common agent, if no such new  
25 Unit Operator is elected, to be used for the purpose of conducting unit  
26 operations hereunder. Nothing herein shall be construed as authorizing  
27 removal of any material, equipment and appurtenances needed for the  
28 preservation of any wells.

29 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall  
30 tender his or its resignation as Unit Operator or shall be removed as  
31 hereinabove provided, or a change of Unit Operator is negotiated by  
32 working interest owners, the owners of the working interests in the  
33 participating area or areas according to their respective acreage inter-  
34 ests in such participating area or areas, or, until a participating area  
35 shall have been established, the owners of the working interests according

1 to their respective acreage interests in all unitized land, shall by  
2 majority vote select a successor Unit Operator: Provided, That, if a  
3 majority but less than 75 percent of the working interests qualified to  
4 vote are owned by one party to this agreement, a concurring vote of one  
5 or more additional working interest owners shall be required to select a  
6 new operator. Such selection shall not become effective until

7 a) a Unit Operator so selected shall accept in writing the  
8 duties and responsibilities of Unit Operator, and

9 b) the selection shall have been approved by the Supervisor  
10 and the Commissioner.

11 If not successor Unit Operator is selected and qualified as herein  
12 provided, the Director and Commissioner at their election may declare  
13 this unit agreement terminated.

14 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the  
15 Unit Operator is not the sole owner of working interest, costs and  
16 expenses incurred by Unit Operator in conducting unit operations here-  
17 under shall be paid and apportioned among and borne by the owners of  
18 working interests, all in accordance with the agreement or agreements  
19 entered into by and between the Unit Operator and the owners of working  
20 interests, whether one or more, separately or collectively. Any agree-  
21 ment or agreements entered into between the working interest owners and  
22 the Unit Operator as provided in this section, whether one or more, are  
23 herein referred to as the "unit operating agreement". Such unit operat-  
24 ing agreement shall also provide the manner in which the working interest  
25 owners shall be entitled to receive their respective proportionate and  
26 allocated share of the benefits accruing hereto in conformity with their  
27 underlying operating agreements, leases or other independent contracts,  
28 and such other rights and obligations as between Unit Operator and the  
29 working interest owners as may be agreed upon by Unit Operator and the  
30 working interest owners; however, no such unit operating agreement shall  
31 be deemed either to modify any of the terms and conditions of this unit  
32 agreement or to relieve the Unit Operator of any right or obligation  
33 established under this unit agreement, and in case of any inconsistency  
34 or conflict between this unit agreement and the unit operating agreement,  
35 this unit agreement shall govern. Three true copies of any unit operating



1 agreement executed pursuant to this section should be filed with the  
2 Supervisor and two true copies with the Commissioner and one true copy  
3 with the Division, prior to approval of this unit agreement.

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

18 9. DRILLING TO DISCOVERY. Within 6 months after the effective  
19 date hereof, the Unit Operator shall begin to drill an adequate test  
20 well at a location approved by the Supervisor, if on Federal land, or by  
21 the Commissioner if on State land, unless on such effective date a well  
22 is being drilled conformably with the terms hereof, and thereafter  
23 continue such drilling diligently until the Morrow formation has been  
24 tested or until at a lesser depth unitized substances shall be discovered  
25 which can be produced in paying quantities (to-wit: quantities sufficient  
26 to repay the costs of drilling, completing, and producing operations,  
27 with a reasonable profit) or the Unit Operator shall at any time establish  
28 to the satisfaction of the Supervisor if located on Federal lands, or  
29 the Commissioner if located on State lands, that further drilling of  
30 said well would be unwarranted or impracticable, provided, however, that  
31 Unit Operator shall not in any event be required to drill said well to a  
32 depth in excess of 16,000 feet. Until the discovery of a deposit of  
33 unitized substances capable of being produced in paying quantities, the  
34 Unit Operator shall continue drilling one well at a time, allowing not  
35 more than 6 months between the completion of one well and the beginning



1 of the next well, until a well capable of producing unitized substances  
2 in paying quantities is completed to the satisfaction of said Supervisor  
3 if on Federal land, or the Commissioner if on State land, or until it is  
4 reasonably proved that the unitized land is incapable of producing  
5 unitized substances in paying quantities in the formations drilled  
6 hereunder. Nothing in this section shall be deemed to limit the right  
7 of the Unit Operator to resign as provided in Section 5 hereof, or as  
8 requiring Unit Operator to commence or continue any drilling during the  
9 period pending such resignation becoming effective in order to comply  
10 with the requirements of this section. The Supervisor and Commissioner  
11 may modify the drilling requirements of this section by granting reason-  
12 able extensions of time when, in their opinion, such action is warranted.  
13 Upon failure to commence any well provided for in this section within  
14 the time allowed, including any extension of time granted by the Super-  
15 visor and the Commissioner, this agreement will automatically terminate;  
16 upon failure to continue drilling diligently any well commenced hereunder,  
17 the Supervisor and Commissioner may, after 15 days notice to the Unit  
18 Operator, declare this unit agreement terminated.

19 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months  
20 after completion of a well capable of producing unitized substances in  
21 paying quantities, the Unit Operator shall submit for the approval of  
22 the Supervisor and the Commissioner an acceptable plan of development  
23 and operation for the unitized land which, when approved by the Super-  
24 visor and the Commissioner, shall constitute the further drilling and  
25 operating obligations of the Unit Operator under this agreement for the  
26 period specified therein. Thereafter, from time to time before the  
27 expiration of any existing plan, the Unit Operator shall submit for the  
28 approval of the Supervisor and the Commissioner a plan for an additional  
29 specified period for the development and operation of the unitized land.

30 Any plan submitted pursuant to this section shall provide for the  
31 exploration of the Unitized area and for the diligent drilling necessary  
32 for determination of the area or areas thereof capable of producing  
33 unitized substances in paying quantities in each and every productive  
34 formation and shall be as complete and adequate as the Supervisor, the  
35 Commissioner and Division may determine to be necessary for timely

1 development and proper conservation of the oil and gas resources of the  
2 unitized area and shall:

3 a) specify the number and locations of any wells to be  
4 drilled and the proposed order and time for such drilling; and

5 b) to the extent practicable, specify the operating prac-  
6 tices regarded as necessary and advisable for proper conservation  
7 of natural resources.

8 Separate plans may be submitted for separate productive zones, subject  
9 to the approval of the Supervisor, the Commissioner and the Division.

10 Plans shall be modified or supplemented when necessary to meet  
11 changed conditions or to protect the interests of all parties to this  
12 agreement. Reasonable diligence shall be exercised in complying with  
13 the obligations of the approved plan of development. The Supervisor and  
14 Commissioner are authorized to grant a reasonable extension of the  
15 6-month period herein prescribed for submission of an initial plan of  
16 development where such action is justified because of unusual conditions  
17 or circumstances. After completion hereunder of a well capable of  
18 producing any unitized substances in paying quantities, no further  
19 wells, except such as may be necessary to afford protection against  
20 operations not under this agreement and such as may be specifically  
21 approved by the Supervisor and the Commissioner, shall be drilled except  
22 in accordance with a plan of development approved as herein provided.

23 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well  
24 capable of producing unitized substances in paying quantities or as soon  
25 thereafter as required by the Supervisor and Commissioner, the Unit  
26 Operator shall submit for approval by the Supervisor and Commissioner a  
27 schedule, based on subdivisions of the public land survey or aliquot  
28 parts thereof, of all land then regarded as reasonably proved to be  
29 productive in paying quantities; all lands in said schedule on approval  
30 of the Supervisor and Commissioner to constitute a participating area,  
31 effective as of the date of completion of such well or the effective  
32 date of this unit agreement, whichever is later. The acreages of both  
33 Federal and non-Federal lands shall be based upon appropriate computa-  
34 tions from the courses and distances shown on the last approved public  
35 land survey as of the effective date of each initial participating area.

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

28 It is the intent of this section that a participating area shall  
29 represent the area known or reasonably estimated to be productive in  
30 paying quantities, but, regardless of any revision of the participating  
31 area, nothing herein contained shall be construed as requiring any  
32 retroactive adjustment for production obtained prior to the effective  
33 date of the revision of the participating area.

34 In the absence of agreement at any time between the Unit Operator  
35 and the Supervisor and Commissioner as to the proper definition, or

1 redefinition of a participating area, or until a participating area has,  
2 or areas have, been established as provided herein, the portion of all  
3 payments affected thereby shall be impounded in a manner mutually accept-  
4 able to the owners of working interests and the Supervisor and Commissioner.  
5 Royalties due the United States and the State of New Mexico, which shall  
6 be determined by the Supervisor for Federal land and the Commissioner  
7 for State land and the amount thereof shall be deposited, as directed by  
8 the Supervisor and Commissioner respectively, to be held as unearned  
9 money until a participating area is finally approved and then applied as  
10 earned or returned in accordance with a determination of the sum due as  
11 Federal and State royalty on the basis of such approved participating  
12 area.

13 Whenever, it is determined, subject to the approval of the Supervisor  
14 as to wells drilled on Federal land and of the Commissioner as to wells  
15 drilled on State land, that a well drilled under this agreement is not  
16 capable of production in paying quantities and inclusion of the land on  
17 which it is situated in a participating area is unwarranted, production  
18 from such well shall, for the purposes of settlement among all parties  
19 other than working interest owners, be allocated to the land on which  
20 the well is located unless such land is already within the participating  
21 area established for the pool or deposit from which such production is  
22 obtained. Settlement for working interest benefits from such a well  
23 shall be made as provided in the unit operating agreement.

24 12. ALLOCATION OF PRODUCTION. All unitized substances produced  
25 from each participating area established under this agreement, except  
26 any part thereof used in conformity with good operating practices within  
27 the unitized area for dilling, operating, camp and other production or  
28 development purposes, for repressuring or recycling in accordance with a  
29 plan of development approved by the Supervisor and Commissioner, or  
30 unavoidably lost, shall be deemed to be produced equally on an acreage  
31 basis from the several tracts of unitized land of the participating area  
32 established for such production and, for the purpose of determining any  
33 benefits accruing under this agreement, each such tract of unitized land  
34 shall have allocated to it such percentage of said production as the  
35 number of acres of such tract included in said participating area bears

1 to the total acres of unitized land in said participating area, except  
2 that allocation of production hereunder for purposes other than for  
3 settlement of the royalty, overriding royalty, or payment out of pro-  
4 duction obligations of the respective working interest owners, shall be  
5 on the basis prescribed in the unit operating agreement whether in  
6 conformity with the basis of allocation herein set forth or otherwise.  
7 It is hereby agreed that production of unitized substances from a par-  
8 ticipating area shall be allocated as provided herein regardless of  
9 whether any wells are drilled on any particular part or tract of said  
10 participating area. If any gas produced from one participating area is  
11 used for repressuring or recycling purposes in another participating  
12 area, the first gas withdrawn from such last mentioned participating  
13 area for sale during the life of this agreement shall be considered to  
14 be the gas so transferred until an amount equal to that transferred  
15 shall be so produced for sale and such gas shall be allocated to the  
16 participating area from which initially produced as such area was last  
17 defined at the time of such final production.

18 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATION.  
19 Any party hereto owning or controlling the working interest in any  
20 unitized land having thereon a regular well location may with the approval  
21 of the Supervisor as to Federal land or the Commissioner as to State  
22 land, at such party's sole risk, cost and expense, drill a well to test  
23 any formation for which a participating area has not been established or  
24 to test any formation for which a participating area has been established  
25 if such location is not within said participating area, unless within 90  
26 days of receipt of notice from said party of his intention to drill the  
27 well the Unit Operator elects and commences to drill such a well in like  
28 manner as other wells are drilled by the Unit Operator under this agree-  
29 ment.

30 If any well drilled as aforesaid by a working interest owner results  
31 in production such that the land upon which it is situated may properly  
32 be included in a participating area, such participating area shall be  
33 established or enlarged as provided in this agreement and the well shall  
34 thereafter be operated by the Unit Operator in accordance with the terms  
35 of this agreement and the unit operating agreement.

1        If any well drilled as aforesaid by a working interest owner obtains  
2        production in quantities insufficient to justify the inclusion of the  
3        land upon which such well is situated in a participating area, such well  
4        may be operated and produced by the party drilling the same subject to  
5        the conservation requirements of this agreement. The royalties in  
6        amount or value of production from any such well shall be paid as speci-  
7        fied in the underlying lease and agreement affected.

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

23       If gas obtained from lands not subject to this agreement is intro-  
24       duced into any participating area hereunder, for use in repressuring,  
25       stimulation of production, or increasing ultimate recovery, in conformity  
26       with a plan of operations approved by the Supervisor, the Commissioner,  
27       and Division, a like amount of gas, after settlement as herein provided  
28       for any gas transferred from any other participating area and with  
29       appropriate deduction for loss from any cause, may be withdrawn from the  
30       formation in which the gas is introduced, royalty free as to dry gas,  
31       but not as to any products which may be extracted therefrom; provided  
32       that such withdrawal shall be at such time as may be provided in the  
33       approval plan of operations or as may otherwise be consented to by the  
34       Supervisor, the Commissioner and Division as conforming to good petroleum  
35       engineering practice; and provided further, that such right of withdrawal  
36       shall terminate on the termination of this unit agreement.

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

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

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

24       Rentals on State of New Mexico lands subject to this agreement  
25      shall be paid at the rates specified in the respective leases.

26       With respect to any lease on non-Federal land containing provisions  
27      which would terminate such lease unless drilling operations are commenced  
28      upon the land covered thereby within the time therein specified or  
29      rentals are paid for the privilege of deferring such drilling operations,  
30      the rentals required thereby shall, notwithstanding any other provisions  
31      of this agreement, be deemed to accrue and become payable during the  
32      term thereof as extended by this agreement and until the required drill-  
33      ing operations are commenced upon the land covered thereby or until some  
34      portion of such land is included within a participating area.



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

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

9        18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,  
10 conditions and provisions of all leases, subleases and other contracts  
11 relating to exploration, drilling, development or operations for oil or  
12 gas on lands committed to this agreement are hereby expressly modified  
13 and amended to the extent necessary to make the same conform to the  
14 provision hereof, but otherwise to remain in full force and effect; and  
15 the parties hereto hereby consent that the Secretary as to Federal  
16 leases and the Commissioner as to State leases shall and each by his  
17 approval hereof, or by the approval hereof by their duly authorized  
18 representatives, do hereby establish, alter, change or revoke the drill-  
19 ing, producing, rental, minimum royalty and royalty requirements of  
20 Federal and State leases committed hereto and the regulations in respect  
21 thereto to conform said requirements to the provisions of this agreement,  
22 and, without limiting the generality of the foregoing, all leases,  
23 subleases, and contracts are particularly modified in accordance with  
24 the following:

25            a) The development and operation of lands subject to this  
26 agreement under the terms hereof shall be deemed full performance  
27 of all obligations for development and operation with respect to  
28 each and every separately owned tract subject to this agreement,  
29 regardless of whether there is any development of any particular  
30 tract of the unit area.

31            b) Drilling and producing operations performed hereunder  
32 upon any tract of unitized land will be accepted and deemed to be  
33 performed upon and for the benefit of each and every tract of  
34 unitized land, and no lease shall be deemed to expire by reason of  
35 failure to drill or produce wells situated on the land therein  
36 embraced.



1           c) Suspension of drilling or producing operations on all  
2 unitized lands pursuant to direction or consent of the Secretary  
3 and Commissioner or their duly authorized representatives shall be  
4 deemed to constitute such suspension pursuant to such direction or  
5 consent as to each and every tract of unitized land. A suspension  
6 of drilling or producing operations limited to specified lands  
7 shall be applicable only to such lands.

8           d) Each lease, sublease or contract relating to the explora-  
9 tion, drilling, development or operation for oil or gas of lands  
10 other than those of the United States or State of New Mexico com-  
11 mitted to this agreement, which, by its terms might expire prior to  
12 the termination of this agreement, is hereby extended beyond any  
13 such term so provided therein so that it shall be continued in full  
14 force and effect for and during the term of this agreement.

15           e) Any Federal lease for a fixed term of twenty (20) years  
16 or any renewal thereof or any part of such lease which is made  
17 subject to this agreement shall continue in force beyond the term  
18 provided therein until the termination hereof. Any other Federal  
19 lease committed hereto shall continue in force beyond the term so  
20 provided therein or by law as to the land committed so long as such  
21 lease remains subject hereto, provided that production is had in  
22 paying quantities under this unit agreement prior to the expiration  
23 date of the term of such lease, or in the event actual drilling  
24 operations are commenced on unitized lands, in accordance with the  
25 provisions of this agreement, prior to the end of the primary term  
26 of such lease and are being diligently prosecuted at that time,  
27 such lease shall be extended for two years and so long thereafter  
28 as oil or gas is produced in paying quantities in accordance with  
29 the provisions of the Mineral Leasing Act Revision of 1960.

30           f) Each sublease or contract relating to the operation and  
31 development of unitized substances from lands of the United States  
32 committed to this agreement, which by its terms would expire prior  
33 to the time at which the underlying lease, as extended by the  
34 immediately preceding paragraph, will expire, is hereby extended  
35 beyond any such term so provided therein so that it shall be continued

1 in full force and effect for and during the term of the underlying  
2 lease as such term is herein extended.

3 g) Any lease embracing lands of the State of New Mexico  
4 which is made subject to this agreement, shall continue in force  
5 beyond the term provided therein as to the lands committed hereto  
6 until the termination hereof, subject to the provisions of subsec-  
7 tion (c) of Section 2 and subsection (i) of this Section 18.

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

21 i) Any lease embracing lands of the State of New Mexico  
22 having only a portion of its lands committed hereto, shall be  
23 segregated as to the portion committed and the portion not committed,  
24 and the provisions of such lease shall apply separately to such  
25 segregated portions commencing as of the effective date hereof;  
26 provided, however, notwithstanding any of the provisions of this  
27 agreement to the contrary any lease embracing lands of the State of  
28 New Mexico having only a portion of its lands committed hereto  
29 shall continue in full force and effect beyond the term provided  
30 therein as to all lands embraced in such lease, if oil or gas is  
31 discovered and is capable of being produced in paying quantities  
32 from some part of the lands embraced in such lease at the expira-  
33 tion of the secondary term of such lease; or if, at the expiration  
34 of the secondary term, the lessee or Unit Operator is then engaged  
35 in bona fide drilling or reworking operations on some part of the

1 lands embraced in such lease, the same, as to all lands embraced  
2 therein, shall remain in full force and effect so long as such  
3 operations are being diligently prosecuted, and if they result in  
4 the production of oil or gas, said lease shall continue in full  
5 force and effect as to all of the lands embraced therein, so long  
6 thereafter as oil or gas in paying quantities is being produced  
7 from any portion of said lands.

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

16 19. COVENANTS RUN WITH LAND. The covenants herein shall be con-  
17 strued to be covenants running with the land with respect to the interest  
18 of the parties hereto and their successors in interest until this agree-  
19 ment terminates, and any grant, transfer, or conveyance of interest in  
20 land or leases subject hereto shall be and hereby is conditioned upon  
21 the assumption of all privileges and obligations hereunder by the grantee,  
22 transferee or other successor in interest. No assignment or transfer of  
23 any working interest, royalty, or other interest subject hereto shall be  
24 binding upon Unit Operator until the first day of the calendar month  
25 after Unit Operator is furnished with the original, photostatic, or  
26 certified copy of the instrument of transfer.

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

31 a) such date of expiration is extended by the Director and  
32 Commissioner, or

33 b) it is reasonably determined prior to the expiration of  
34 the fixed term or any extension thereof that the unitized land is  
35 incapable of production of unitized substances in paying quantities

1 in the formations tested hereunder and after notice of intention to  
2 terminate the agreement on such ground is given by the Unit Operator  
3 to all parties in interest at their last known addresses, the  
4 agreement is terminated with the approval of the Supervisor and the  
5 Commissioner, or

6 c) a valuable discovery of unitized substances has been made  
7 or accepted on unitized land during said initial term or any exten-  
8 sion thereof, in which event the agreement shall remain in effect  
9 for such term and so long as unitized substances can be produced as  
10 to federal lands and are being produced as to state lands in quanti-  
11 ties sufficient to pay for the cost of producing same from wells on  
12 unitized land within any participating area established hereunder  
13 and, should production cease, so long thereafter as diligent opera-  
14 tions are in progress for the restoration of production or discovery  
15 of new production and so long thereafter as unitized substances so  
16 discovered can be produced as aforesaid, or

17 d) it is terminated as heretofore provided in this agreement.  
18 This agreement may be terminated at any time by not less than 75  
19 per centum, on an acreage basis, of the working interest owners  
20 signatory hereto, with the approval of the Supervisor and Commis-  
21 sioner; notice of any such approval to be given by the Unit Operator  
22 to all parties hereto.

23 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director  
24 is hereby vested with authority to alter or modify from time to time in  
25 his discretion the quantity and rate of production under this agreement  
26 when such quantity and rate is not fixed pursuant to Federal or State  
27 law or does not conform to any statewide voluntary conservation or  
28 allocation program, which is established, recognized and generally  
29 adhered to by the majority of operators in such State, such authority  
30 being hereby limited to alteration or modification in the public interest,  
31 the purpose thereof and the public interest to be served thereby to be  
32 stated in the order of alteration or modification. Without regard to  
33 the foregoing, the Director is also hereby vested with authority to  
34 alter or modify from time to time in his discretion the rate of pros-  
35 pecting and development and the quantity and rate of production under

1 this agreement when such alteration or modification is in the interest  
2 of attaining the conservation objectives stated in this agreement and is  
3 not in violation of any applicable Federal or State law; provided,  
4 further, that no such alteration or modification shall be effective as  
5 to any land of the State of New Mexico, as to the rate of prospecting  
6 and developing in the absence of the specific written approval thereof  
7 by the Commissioner and as to any lands of the State of New Mexico  
8 subject to this agreement as to the quantity and rate of production in  
9 the absence of specific written approval thereof by the Division.

10 Powers in this section vested in the Director shall only be exer-  
11 cised after notice to Unit Operator and opportunity for hearing to be  
12 held not less than 15 days from notice.

13 22. APPEARANCES. Unit Operator shall, after notice to other  
14 parties affected, have the right to appear for and on behalf of any and  
15 all interests affected hereby before the Department of the Interior, the  
16 Commissioner of Public Lands of the State of New Mexico and the Oil  
17 Conservation Division of the Energy and Minerals Department of the State  
18 of New Mexico and to appeal from orders issued under the regulations of  
19 said Department, the Division or Commissioner or to apply for relief  
20 from any of said regulations or in any proceedings relative to opera-  
21 tions before the Department of the Interior, the Commissioner, or  
22 Division, or any other legally constituted authority; provided, however,  
23 that any other interested party shall also have the right at his own  
24 expense to be heard in any such proceeding.

25 23. NOTICES. All notices, demands or statements required here-  
26 under to be given or rendered to the parties hereto shall be deemed  
27 fully given if given in writing and personally delivered to the party or  
28 sent by postpaid registered or certified mail, addressed to such party  
29 or parties at their respective addresses set forth in connection with  
30 the signatures hereto or to the ratification or consent hereof or to  
31 such other address as any such party may have furnished in writing to  
32 party sending the notice, demand or statement.

33 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement con-  
34 tained shall be construed as a waiver by any party hereto of the right  
35 to assert any legal or constitutional right or defense as to the validity

1 or invalidity of any law of the State wherein said unitized lands are  
2 located, or of the United States, or regulations issued thereunder in  
3 any way affecting such party, or as a waiver by any such party of any  
4 right beyond his or its authority to waive.

5 25. UNAVOIDABLE DELAY. All obligations under this agreement  
6 requiring the Unit Operator to commence or continue drilling or to  
7 operate on or produce unitized substances from any of the lands covered  
8 by this agreement shall be suspended while the Unit Operator, despite  
9 the exercise of due care and diligence, is prevented from complying with  
10 such obligations, in whole or in part, by strikes, acts of God, Federal,  
11 State or municipal law or agencies, unavoidable accidents, uncontrollable  
12 delays in transportation, inability to obtain necessary materials in  
13 open market, or other matters beyond the reasonable control of the Unit  
14 Operator whether similar to matters herein enumerated or not. No unit  
15 obligation which is suspended under this section shall become due less  
16 than thirty (30) days after it has been determined that the suspension  
17 is no longer applicable. Determination of creditable "Unavoidable  
18 Delay" time shall be made by the Unit Operator subject to approval of  
19 the Supervisor and Commissioner.

20 26. NONDISCRIMINATION. In connection with the performance of work  
21 under this agreement, the operator agrees to comply with all of the  
22 provisions of Section 202 (1) to (7) inclusive of Executive Order 11246  
23 (30 F. R. 12319), as amended, which are hereby incorporated by reference  
24 in this agreement.

25 27. LOSS OF TITLE. In the event title to any tract of unitized  
26 land shall fail and the true owner cannot be induced to join in this  
27 unit agreement, such tract shall be automatically regarded as not com-  
28 mitted hereto and there shall be such readjustment of future costs and  
29 benefits as may be required on account of the loss of such title. In  
30 the event of a dispute as to title to any royalty, working interest or  
31 other interests subject thereto, payment or delivery on account thereof  
32 may be withheld without liability for interest until the dispute is  
33 finally settled; provided, that, as to Federal and State land or leases,  
34 no payments of funds due the United States or State of New Mexico should  
35 be withheld, but such funds of the United States shall be deposited as

1 directed by the Supervisor and such funds of the State of New Mexico  
2 shall be deposited as directed by the Commissioner to be held as unearned  
3 money pending final settlement of the title dispute, and then applied as  
4 earned or returned in accordance with such final settlement.

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

7 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any  
8 substantial interest in a tract within the unit area fails or refuses to  
9 subscribe or consent to this agreement, the owner of the working interest  
10 in that tract may withdraw said tract from this agreement by written  
11 notice delivered to the Supervisor and the Commissioner and the Unit  
12 Operator prior to the approval of this agreement by the Supervisor and  
13 Commissioner. Any oil or gas interests in lands within the unit area  
14 not committed hereto prior to submission of this agreement for final  
15 approval may thereafter be committed hereto by the owner or owners  
16 thereof subscribing or consenting to this agreement, and, if the interest  
17 is a working interest, by the owner of such interest also subscribing to  
18 the unit operating agreement. After operations are commenced hereunder,  
19 the right of subsequent joinder, as provided in this section, by a  
20 working interest owner is subject to such requirements or approvals, if  
21 any, pertaining to such joinder, as may be provided for in the unit  
22 operating agreement. After final approval hereof, joinder by a non-  
23 working interest owner must be consented to in writing by the working  
24 interest owner committed hereto and responsible for the payment of any  
25 benefits that may accrue hereunder in behalf of such non-working inter-  
26 est. A non-working interest may not be committed to this unit agreement  
27 unless the corresponding working interest is committed hereto. Joinder  
28 to the unit agreement by a working interest owner, at any time, must be  
29 accompanied by appropriate joinder to the unit operating agreement, if  
30 more than one committed working interest owner is involved, in order for  
31 the interest to be regarded as committed to this unit agreement. Except  
32 as may otherwise herein be provided, subsequent joinders to this agreement  
33 shall be effective as of the first day of the month following the filing  
34 iwth the Supervisor and the Commissioner of duly executed counterparts  
35 of all or any papers necessary to establish effective commitment of any

1 tract to this agreement unless objection to such joinder is duly made  
2 within 60 days by the Supervisor, provided, however, that as to State  
3 lands all subsequent joinders must be approved by the Commissioner.

4 29. COUNTERPARTS. This agreement may be executed in any number of  
5 counterparts no one of which needs to be executed by all parties or may  
6 be ratified or consented to by separate instrument in writing specifically  
7 referring hereto and shall be binding upon all those parties who have  
8 executed such a counterpart, ratification, or consent hereto with the same  
9 force and effect as if all such parties had signed the same document and  
10 regardless of whether or not it is executed by all other parties owning  
11 or claiming an interest in the lands within the above described unit area.

12 30. NO PARTNERSHIP. It is expressly agreed that the relation of  
13 the parties hereto is that of independent contractors and nothing in  
14 this agreement contained, expressed or implied, nor any operations  
15 conducted hereunder, shall create or be deemed to have created a part-  
16 nership or association between the parties hereto or any of them.

17 IN WITNESS WHEREOF, the parties hereto have caused this agreement  
18 to be executed and have set opposite their respective names the date of  
19 execution.

20 UNIT OPERATOR AND WORKING INTEREST OWNER

21 AMOCO PRODUCTION COMPANY  
22 DATE: \_\_\_\_\_

23 ADDRESS: \_\_\_\_\_  
24 \_\_\_\_\_  
25 BY: \_\_\_\_\_  
Attorney-in-Fact

26 WORKING INTEREST OWNERS

27 ATTEST: \_\_\_\_\_ YATES PETROLEUM CORPORATION

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

29 ADDRESS: \_\_\_\_\_  
30 \_\_\_\_\_  
31 BY: \_\_\_\_\_

32 ATTEST: \_\_\_\_\_ GULF OIL CORPORATION

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

34 ADDRESS: \_\_\_\_\_  
35 \_\_\_\_\_  
36 BY: \_\_\_\_\_



1 ATTEST: \_\_\_\_\_

M. J. HARVEY, JR.

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

3 ADDRESS: \_\_\_\_\_

4 \_\_\_\_\_

5 \_\_\_\_\_

BY: \_\_\_\_\_

6 ATTEST: \_\_\_\_\_

TOM R. CONE

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

8 ADDRESS: \_\_\_\_\_

9 \_\_\_\_\_

10 \_\_\_\_\_

BY: \_\_\_\_\_

11 ATTEST: \_\_\_\_\_

MESA PETROLEUM COMPANY

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

13 ADDRESS: \_\_\_\_\_

14 \_\_\_\_\_

15 \_\_\_\_\_

BY: \_\_\_\_\_

CR/dq  
LR601/F

THE STATE OF TEXAS    I  
COUNTY OF HARRIS    I

The foregoing instrument was acknowledged before me this \_\_\_\_ day of  
\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
as Attorney-in-Fact on behalf of AMOCO PRODUCTION COMPANY.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

THE STATE OF \_\_\_\_\_ I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_ day of  
\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
of YATES PETROLEUM CORPORATION, a \_\_\_\_\_ corporation, on  
behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_

THE STATE OF \_\_\_\_\_ I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_ day of  
\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
of GULF OIL CORPORATION, a \_\_\_\_\_ corporation, on behalf  
of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_

THE STATE OF \_\_\_\_\_ I

COUNTY OF \_\_\_\_\_ I

BEFORE ME, a Notary Public, on this day personally appeared  
M. J. HARVEY, JR., known to me to be the person whose name is subscribed  
to the foregoing instrument, and acknowledged to me that he executed the  
same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this \_\_\_\_\_ day of  
\_\_\_\_\_, 19\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_, County, \_\_\_\_\_

THE STATE OF \_\_\_\_\_ I

COUNTY OF \_\_\_\_\_ I

BEFORE ME, a Notary Public, on this day personally appeared  
TOM R. CONE, known to me to be the person whose name is subscribed to  
the foregoing instrument, and acknowledged to me that he executed the  
same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this \_\_\_\_\_ day of  
\_\_\_\_\_, 19\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_, County, \_\_\_\_\_

THE STATE OF \_\_\_\_\_ I

COUNTY OF \_\_\_\_\_ I

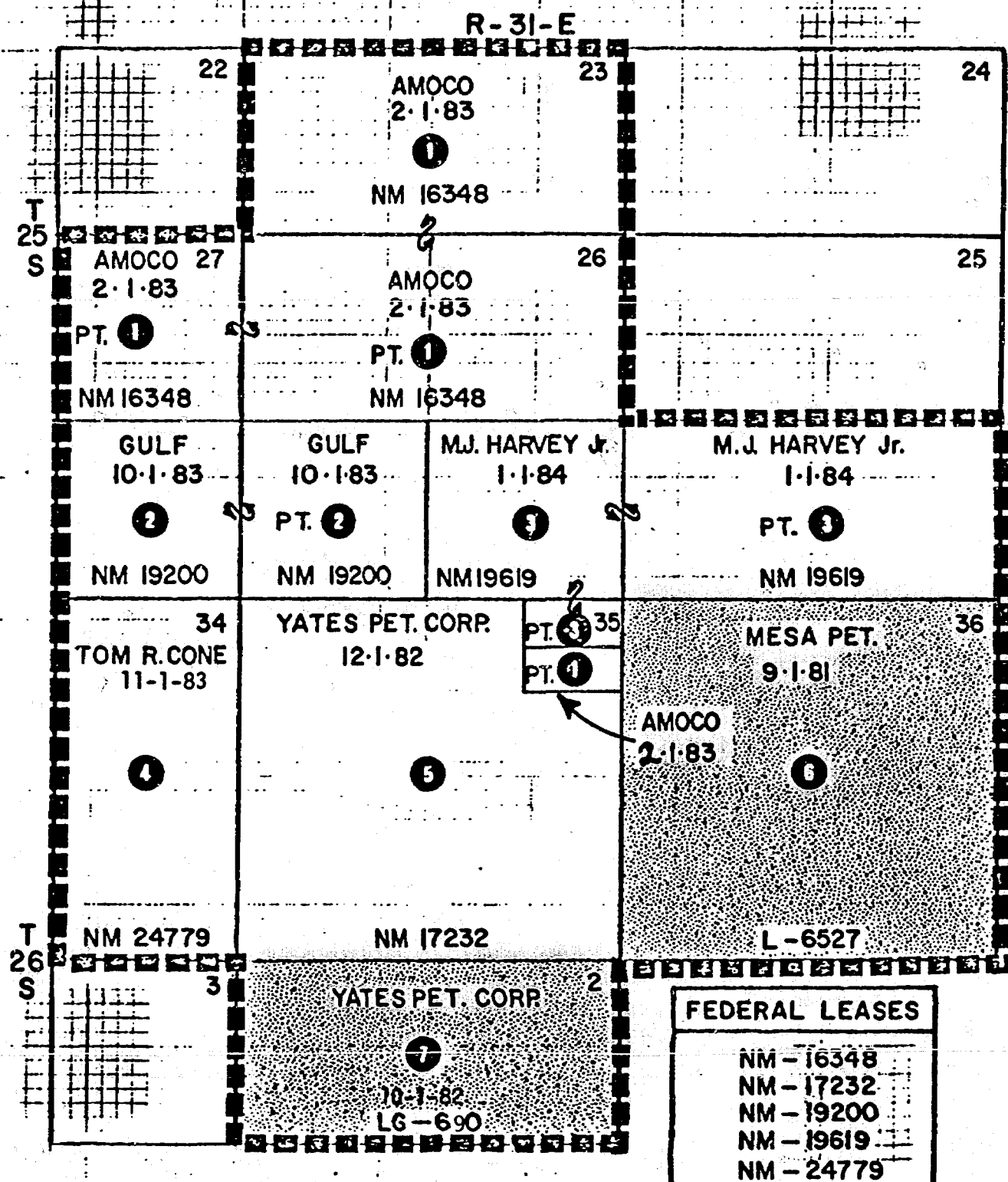
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 19\_\_, by \_\_\_\_\_,  
of MESA PETROLEUM COMPANY, a \_\_\_\_\_ corporation, on behalf  
of said corporation.

My Commission Expires:





\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_

# BIG SINKS UNIT AGREEMENT

## Eddy County, New Mexico



## LEGEND

	UNIT BOUNDRY		
	FEDERAL LAND	2560.00 Ac.	72.72 %
	STATE LAND	960.00 Ac.	27.28 %
	TRACT NUMBER	<u>3520.00 Ac.</u>	<u>100.00 %</u>

**EXHIBIT "B"**  
**BIG SINKS UNIT AGREEMENT**  
**T-25-S, R-31-E and T-26-S, R-31-E, N.M.P.M.**  
**EDDY COUNTY, NEW MEXICO**

TRACT NO.	Description of Land	No. of Acres	Serial No. & Expiration Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty & Prod. Payment Ownership	Working Interest %
<u>Township 25 South, Range 31-East</u>							
1	Section 23: S/2 Section 26: N/2 Section 27: NE/4 Section 35: S/2 NE/4 NE/4	820	NM 16348 2-1-83	USA 12.5%	Amoco Production Company	Joyce A. Dechant 1/2 of 1% K. M. Johnston et ux 35% Eddy Land Co. 1% Production Payment of \$150.00 per acre	Amoco: 100%
2	Section 26: SW/4 Section 27: SE/4	320	NM 19200 10-1-83	USA 12.5%	Gulf Oil Corporation	Jean B. Merritt and Robert H. Merritt 5%	Gulf: 100%
3	Section 25: S/2 Section 26: SE/4 Section 35: N/2 NE/4 NE/4	500	NM 19619 1-1-84	USA 12.5%	M. J. Harvey, Jr.	None	M. J. Harvey, Jr.: 100%
4	Section 34: E/2	320	NM 24779 11-1-83	USA 12.5%	Tom R. Cone	Chloe S. Sims 6.25%	Tom R. Cone: 100%
5.	Section 35: All; Save and Except NE/4 NE/4	600	NM 17232 12-1-82	USA 12.5%	Yates Petroleum Corporation	George B. Lorraine and Inez Harris Lorraine, 3%	Yates: 100%
<u>5 Federal Tracts - 2560.00 Acres - 72.72%</u>							
<u>Township 25 South, Range 31-East</u>							
6	Section 36: All	640	L-6527 9-1-82	STATE 12.5%	MTA Limited Partnership	None	MTA: 100%
<u>Township 26 South, Range 31-East</u>							
7	Section 2: N/2	320	LG-0690 10-1-82	STATE 12.5%	Yates Petroleum Corporation	None	Yates: 100%
<u>2 State Tracts - 960.00 Acres - 27.28%</u>							
<u>Total 7 Tracts - 3520.00 Acres - 100%</u>							

CR/mlm  
LR834/C1

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

*Amoco* EXHIBIT NO. 1

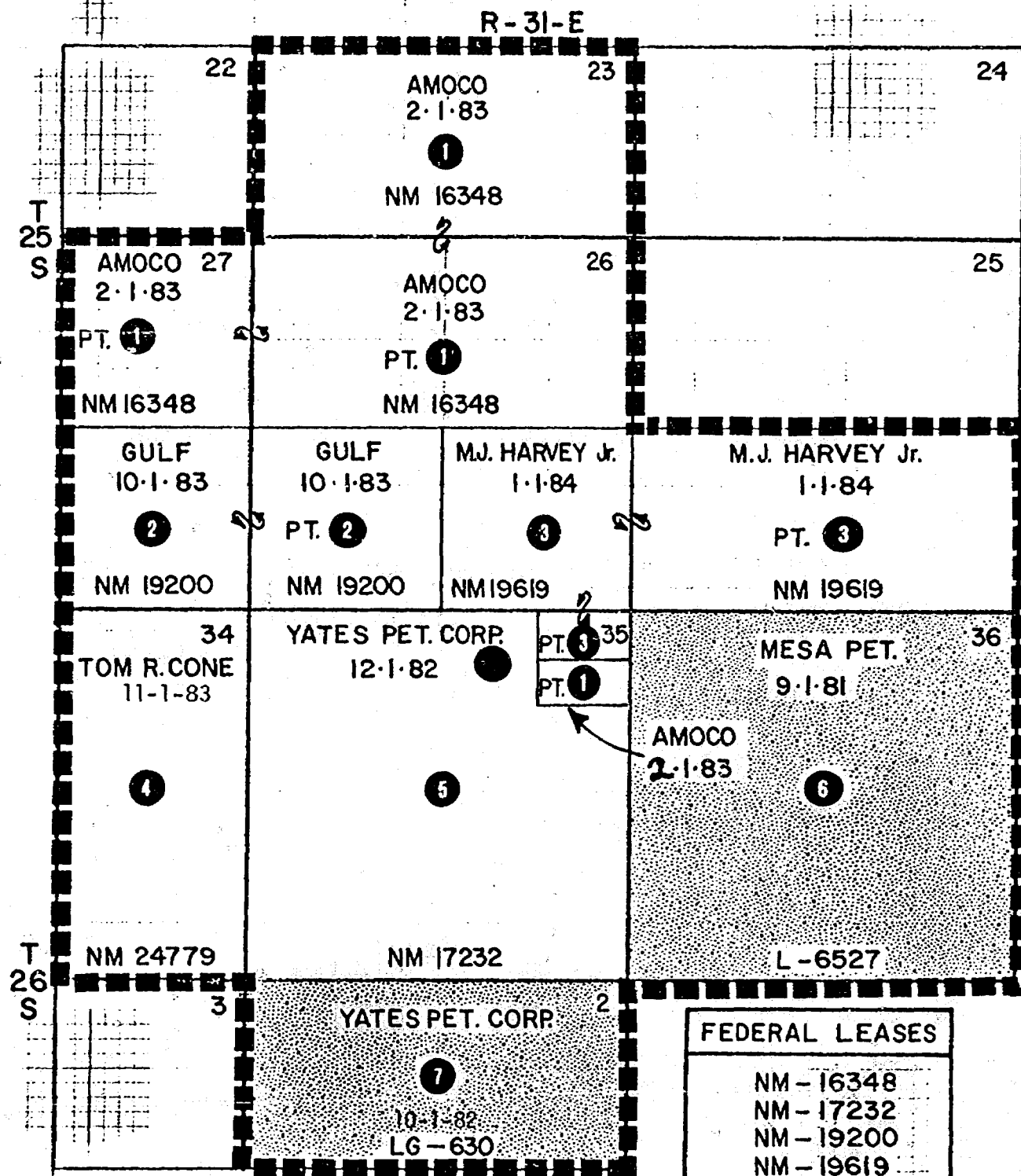
CASE NO. 7311

Submitted by C.L. Raper

Hearing Date 7-29-81

# BIG SINKS UNIT AGREEMENT

## Eddy County, New Mexico



### LEGEND



UNIT BOUNDRY



FEDERAL LAND



STATE LAND



TRACT NUMBER

2560.00 Ac. 72.72%

960.00 Ac. 27.28%

3520.00 Ac. 100.00%

SCALE 1" = 2000

BIG SINKS UNIT  
T-25-S, R-31-E and T-26-S, R-31-E, N.M.P.M.  
EDDY COUNTY, NEW MEXICO

<u>Lessee of Record</u>	<u>Description of Land</u>	<u>Total Acres</u>	<u>% Unit</u>
Amoco Production Company	T-25-S, R-31-E Section 23: S/2 Section 26: N/2 Section 27: NE/4 Section 35: S/2 NE/4 NE/4	820	23.2955
Yates Petroleum Corporation	T-25-S, R-31-E Section 35: All, Save and Except NE/4 NE/4 T-26-S, R-31-E Section 2: N/2	920	26.1364
MTA Limited Partnership	T-26-S, R-31-E Section 36: All	640	18.1818
M. J. Harvey, Jr.	T-25-S, R-31-E Section 25: S/2 Section 26: SE/4 Section 35: N/2 NE/4 NE/4	500	14.2045
Gulf Oil Corporation	T-25-S, R-31-E Section 26: SW/4 Section 27: SE/4	320	9.0909
Tom R. Cone	T-25-S, R-31-E Section 34: E/2	320	9.0909
		3,520	100.0000%

CR/mlm  
LR834/C2

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION	
<u>Amoco</u>	EXHIBIT NO. <u>2</u>
CASE NO. <u>7311</u>	
Submitted by <u>C. L. Raper</u>	
Hearing Date <u>7-29-81</u>	



# United States Department of the Interior

GEOLOGICAL SURVEY

South Central Region

P. O. Box 26124

Albuquerque, New Mexico 87125

14 JUL 1981

Amoco Production Company  
Attn: J. E. Harrison  
P. O. Box 3092  
Houston, Texas 77001

Gentlemen:

Your application of July 6, 1981, filed with the Deputy Conservation Manager, Oil and Gas, requests the designation of the Big Sinks unit area, embracing 3,520.00 acres, more or less, Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A' Big Sinks Unit, Eddy County, New Mexico" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test the Morrow formation, or to a depth of 16,000 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Deputy Conservation Manager, Oil and Gas, for preliminary approval.

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

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION	
Amoco	EXHIBIT NO. <u>3</u>
CASE NO.	<u>7311</u>
Submitted by	<u>C. L. Raper</u>
Hearing Date	<u>7-29-81</u>



When the executed agreement is transmitted to the Deputy Conservation Manager, Oil and Gas, Albuquerque, New Mexico, for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

Inasmuch as this unit agreement involves State land, we are sending a copy of the letter to the Commissioner of Public Lands. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely yours,

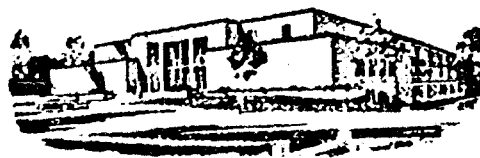
*James W. Sutherland*  
For James W. Sutherland  
Conservation Manager  
For the Director

cc:  
Commissioner of Public Lands

State of New Mexico



ALEX J. ARMIJO  
COMMISSIONER



Commissioner of Public Lands

July 15, 1981

P. O. BOX 1148  
SANTA FE, NEW MEXICO 87501

Amoco Production Company  
P. O. Box 3092  
Houston, Texas 77001

Re: Proposed Big Sinks Unit  
Eddy County, New Mexico

ATTENTION: Mr. Charles E. D. Robinson

Gentlemen:

We have reviewed the instruments you left with us regarding the captioned unit.

The following are some of the corrections that need be made before we grant approval as to form and content.

1. Well name must be changed to "Big Sinks Unit Well No. 1" if this is the exploratory well in the unit.
2. Page 20, under (c) 11th line, "discovered are being produced as to State lands and can be produced as to Federal lands as aforesaid, or" (This also appears on 4th and 5th lines under (c).
3. Exhibit "B" should read- Tract 1, Sec 27: NE/4 instead of SE/4.
4. Tract 6, Sec 36, should read 25S-31E instead of 26S-31E.
5. Tract 7 the State lease should be LG-690 instead of LG-630.
6. Tract 6, lessee of Record should be MTS Limited Partnership instead of Mesa.

When we receive these corrections, we will then consider our approval as to form and content.

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION	
<u>Amoco</u>	EXHIBIT NO. <u>4</u>
CASE NO. <u>7311</u>	
Submitted by	<u>C.L. Raper</u>
Hearing Date	<u>7-29-81</u>

Very truly yours,

ALEX J. ARMIJO  
COMMISSIONER OF PUBLIC LANDS

BY: Ray D. Graham  
RAY D. GRAHAM, Director  
Oil and Gas Division  
AC 505-827-2748

## CERTIFICATION DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, the act approved February, 1920, 41 Stat. 437, as amended, 30 U.S.C. secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey, I do hereby:

A. Approve the attached agreement for the development and operation of the Big Sinks

Unit Area, 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.

**Deputy Conservation Manager, Oil and Gas  
United State Geological Survey**

**Dated**

**Contract Number**

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION  
Amoco EXHIBIT NO. 5  
CASE NO. 7311  
Submitted by C.L. Raper  
Hearing Date 7-29-81

UNIT AGREEMENT  
BIG SINKS UNIT AREA  
EDDY COUNTY, NEW MEXICO  
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1 UNIT AGREEMENT  
2 FOR THE DEVELOPMENT AND OPERATION  
3 OF THE  
4 BIG SINKS UNIT AREA  
5 COUNTY OF EDDY  
6 STATE OF NEW MEXICO  
7 NO. \_\_\_\_\_

8 THIS AGREEMENT entered into as of the 1st day of July, 1981 by and  
9 between the parties subscribing, ratifying or consenting hereto, and  
10 herein referred to as the "parties hereto".

11 WITNESSETH:

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

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

24 WHEREAS, the Commissioner of Public Lands of the State of New  
25 Mexico is authorized by an Act of the Legislature (Secs. 19-10-45, 46,  
26 47 N.M. Statutes 1978 Annotated) to consent to or approve this agreement  
27 on behalf of the State of New Mexico, insofar as it covers and includes  
28 lands and mineral interests of the State of New Mexico; and

29 WHEREAS, the Oil Conservation Division of the Energy and Minerals  
30 Department of the State of New Mexico is authorized by an Act of the  
31 Legislature (Article 3, Chapters 70 and 71, 1978 Statutes) to approve  
32 this agreement and the conservation provisions hereof; and

33 WHEREAS, the parties hereto hold sufficient interests in the Big  
34 Sinks Unit Area covering the land hereinafter described to give reason-  
35 ably effective control of operations therein; and

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

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

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

20        2.    UNIT AREA. The area specified on the map attached hereto  
21 marked Exhibit "A" is hereby designated and recognized as constituting  
22 the unit area, containing 3,520.00 acres, more or less.

23        Exhibit "A" shows, in addition to the boundary of the unit area,  
24 the boundaries and identity of tracts and leases in said area to the  
25 extent known to the Unit Operator. Exhibit "B" attached hereto is a  
26 schedule showing to the extent known to the Unit Operator the acreage,  
27 percentage, and kind of ownership of oil and gas interests in all land  
28 in the unit area. However, nothing herein or in said schedule or map  
29 shall be construed as a representation by any party hereto as to the  
30 ownership of any interest other than such interest or interests as are  
31 shown in said map or schedule as owned by such party. Exhibits "A" and  
32 "B" shall be revised by the Unit Operator whenever changes in the unit  
33 area render such revision necessary, or when requested by the Oil and  
34 Gas Supervisor, hereinafter referred to as "Supervisor", or when requested  
35 by the Commissioner of Public Lands of the State of New Mexico, hereinafter

1 referred to as "Commissioner", and not less than five copies of the  
2 revised exhibits shall be filed with the Supervisor, and two copies  
3 thereof shall be filed with the Commissioner, and one copy with the Oil  
4 Conservation Division of the Energy and Minerals Department of the State  
5 of New Mexico, hereinafter referred to as "Division".

6 The above-described unit area shall when practicable be expanded to  
7 include therein any additional lands or shall be contracted to exclude  
8 lands whenever such expansion or contraction is deemed to be necessary  
9 or advisable to conform with the purposes of this agreement. Such  
10 expansion or contraction shall be effected in the following manner:

11 a) Unit Operator, on its own motion or on demand of the  
12 Director of the Geological Survey, hereinafter referred to as  
13 "Director", or on demand of the Commissioner, after preliminary  
14 concurrence by the Director and the Commissioner, shall prepare a  
15 notice of proposed expansion or contraction describing the contemplated  
16 changes in the boundaries of the unit area, the reasons  
17 therefore, and the proposed effective date thereof, preferably the  
18 first day of a month subsequent to the date of notice.

19 b) Said notice shall be delivered to the Supervisor, the  
20 Commissioner and the Division and copies thereof mailed to the last  
21 known address of each working interest owner, lessee, and lessor  
22 whose interests are affected, advising that 30 days will be allowed  
23 for submission to the Unit Operator of any objections.

24 c) Upon expiration of the 30-day period provided in the  
25 preceding item (b) hereof, Unit Operator shall file with the  
26 Supervisor, the Commissioner and the Division evidence of mailing  
27 of the notice of expansion or contraction and a copy of any objections  
28 thereto which have been filed with the Unit Operator, together  
29 with an application in sufficient number, for approval of such  
30 expansion or contraction and with appropriate joinders.

31 d) After due consideration of all pertinent information, the  
32 expansion or contraction shall, upon approval by the Supervisor,  
33 the Commissioner and the Division, become effective as of the date  
34 prescribed in the notice thereof.



1           e) All legal subdivisions of lands (i.e., 40 acres by  
2           Government survey or its nearest lot or tract equivalent; in  
3           instances of irregular surveys unusually large lots or tracts shall  
4           be considered in multiples of 40 acres or the nearest aliquot  
5           equivalent thereof), no parts of which are entitled to be in a  
6           participating area on or before the fifth anniversary of the  
7           effective date of the first initial participating area established  
8           under this unit agreement, shall be eliminated automatically from  
9           this agreement, effective as of said fifth anniversary, and such  
10          lands shall no longer be a part of the unit area and shall no  
11          longer be subject to this agreement, unless diligent drilling  
12          operations are in progress on unitized lands not entitled to  
13          participation on said fifth anniversary, in which event all such  
14          lands shall remain subject hereto so long as such drilling opera-  
15          tions are continued diligently with not more than 90 days' time  
16          elapsing between the completion of one well and the commencement of  
17          the next well. All legal subdivisions of lands not entitled to be  
18          in a participating area within 10 years after the effective date of  
19          the first initial participating area approved under this government  
20          shall be automatically eliminated from this agreement as of said  
21          tenth anniversary. All lands proved productive by diligent drilling  
22          operations after the aforesaid 5-year period shall become partici-  
23          pating in the same manner as during said 5-year period. However,  
24          when such diligent drilling operations cease, all nonparticipating  
25          lands shall be automatically eliminated effective as of the 91st  
26          day thereafter. The Unit Operator shall, within 90 days after the  
27          effective date of any elimination hereunder, describe the area so  
28          eliminated to the satisfaction of the Supervisor and the Commissioner,  
29          and promptly notify all parties in interest.

30          If conditions warrant extension of the 10-year period specified in  
31          this subsection 2(e), a single extension of not to exceed 2 years may be  
32          accomplished by consent of the owners of 90% of the working interests in  
33          the current nonparticipating unitized lands and the owners of 60% of the  
34          basic royalty interests (exclusive of the basic royalty interests of the  
35          United States) in nonparticipating unitized lands with approval of the

1 Director and Commissioner, provided such extension application is submitted  
2 to the Director and Commissioner not later than 60 days prior to the  
3 expiration of said ten-year period.

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

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

13 4. UNIT OPERATOR. AMOCO PRODUCTION COMPANY is hereby designated  
14 as Unit Operator and by signature hereto as Unit Operator agrees and  
15 consents to accept the duties and obligations of Unit Operator for the  
16 discovery, development and production of unitized substances as herein  
17 provided. Whenever reference is made herein to the Unit Operator, such  
18 reference means the Unit Operator acting in that capacity and not as an  
19 owner of interest in unitized substances, and the term "working interest  
20 owner" when used herein shall include or refer to Unit Operator as the  
21 owner of a working interest when such an interest is owned by it.

22 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall  
23 have the right to resign at any time prior to the establishment of a  
24 participating area or areas hereunder, but such resignation shall not  
25 become effective so as to release Unit Operator from the duties and  
26 obligations of Unit Operator and terminate Unit Operator's rights as  
27 such for a period of 6 months after notice of intention to resign has  
28 been served by Unit Operator on all working interest owners and the  
29 Supervisor, the Commissioner and the Division, and until all wells then  
30 drilled hereunder are placed in a satisfactory condition for suspension  
31 or abandonment whichever is required by the Supervisor as to Federal  
32 lands and by the Commissioner as to State lands, unless a new Unit  
33 Operator shall have been selected and approved and shall have taken over  
34 and assumed the duties and obligations of Unit Operator prior to the  
35 expiration of said period.

1 Unit Operator shall have the right to resign in like manner and  
2 subject to like limitations as above provided at any time a participating  
3 area established hereunder is in existence, but, in all instances of  
4 resignation or removal, until a successor Unit Operator is selected and  
5 approved as hereinafter provided, the working interest owners shall be  
6 jointly responsible for performance of the duties of Unit Operator, and  
7 shall, not later than 30 days before such resignation or removal becomes  
8 effective, appoint a common agent to represent them in any action to be  
9 taken hereunder.

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

13 The Unit Operator may, upon default or failure in the performance  
14 of its duties or obligations hereunder, be subject to removal by the  
15 same percentage vote of the owners of working interests as herein pro-  
16 vided for the selection of a new Unit Operator. Such removal shall be  
17 effective upon notice thereof to the Supervisor and the Commissioner.

18 The resignation or removal of Unit Operator under this agreement  
19 shall not terminate its right, title or interest as the owner of a  
20 working interest or other interest in unitized substances, but upon the  
21 resignation or removal of Unit Operator becoming effective, such Unit  
22 Operator shall deliver possession of all wells, equipment, materials and  
23 appurtenances used in conducting the unit operations to the new duly  
24 qualified successor Unit Operator or to the common agent, if no such new  
25 Unit Operator is elected, to be used for the purpose of conducting unit  
26 operations hereunder. Nothing herein shall be construed as authorizing  
27 removal of any material, equipment and appurtenances needed for the  
28 preservation of any wells.

29 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall  
30 tender his or its resignation as Unit Operator or shall be removed as  
31 hereinabove provided, or a change of Unit Operator is negotiated by  
32 working interest owners, the owners of the working interests in the  
33 participating area or areas according to their respective acreage inter-  
34 ests in such participating area or areas, or, until a participating area  
35 shall have been established, the owners of the working interests according

1 to their respective acreage interests in all unitized land, shall by  
2 majority vote select a successor Unit Operator: Provided, That, if a  
3 majority but less than 75 percent of the working interests qualified to  
4 vote are owned by one party to this agreement, a concurring vote of one  
5 or more additional working interest owners shall be required to select a  
6 new operator. Such selection shall not become effective until

7 a) a Unit Operator so selected shall accept in writing the  
8 duties and responsibilities of Unit Operator, and

9 b) the selection shall have been approved by the Supervisor  
10 and the Commissioner.

11 If not successor Unit Operator is selected and qualified as herein  
12 provided, the Director and Commissioner at their election may declare  
13 this unit agreement terminated.

14 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the  
15 Unit Operator is not the sole owner of working interest, costs and  
16 expenses incurred by Unit Operator in conducting unit operations here-  
17 under shall be paid and apportioned among and borne by the owners of  
18 working interests, all in accordance with the agreement or agreements  
19 entered into by and between the Unit Operator and the owners of working  
20 interests, whether one or more, separately or collectively. Any agree-  
21 ment or agreements entered into between the working interest owners and  
22 the Unit Operator as provided in this section, whether one or more, are  
23 herein referred to as the "unit operating agreement". Such unit operat-  
24 ing agreement shall also provide the manner in which the working interest  
25 owners shall be entitled to receive their respective proportionate and  
26 allocated share of the benefits accruing hereto in conformity with their  
27 underlying operating agreements, leases or other independent contracts,  
28 and such other rights and obligations as between Unit Operator and the  
29 working interest owners as may be agreed upon by Unit Operator and the  
30 working interest owners; however, no such unit operating agreement shall  
31 be deemed either to modify any of the terms and conditions of this unit  
32 agreement or to relieve the Unit Operator of any right or obligation  
33 established under this unit agreement, and in case of any inconsistency  
34 or conflict between this unit agreement and the unit operating agreement,  
35 this unit agreement shall govern. Three true copies of any unit operating

1 agreement executed pursuant to this section should be filed with the  
2 Supervisor and two true copies with the Commissioner and one true copy  
3 with the Division, prior to approval of this unit agreement.

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

18 9. DRILLING TO DISCOVERY. Within 6 months after the effective  
19 date hereof, the Unit Operator shall begin to drill an adequate test  
20 well at a location approved by the Supervisor, if on Federal land, or by  
21 the Commissioner if on State land, unless on such effective date a well  
22 is being drilled conformably with the terms hereof, and thereafter  
23 continue such drilling diligently until the Morrow formation has been  
24 tested or until at a lesser depth unitized substances shall be discovered  
25 which can be produced in paying quantities (to-wit: quantities sufficient  
26 to repay the costs of drilling, completing, and producing operations,  
27 with a reasonable profit) or the Unit Operator shall at any time establish  
28 to the satisfaction of the Supervisor if located on Federal lands, or  
29 the Commissioner if located on State lands, that further drilling of  
30 said well would be unwarranted or impracticable, provided, however, that  
31 Unit Operator shall not in any event be required to drill said well to a  
32 depth in excess of 16,000 feet. Until the discovery of a deposit of  
33 unitized substances capable of being produced in paying quantities, the  
34 Unit Operator shall continue drilling one well at a time, allowing not  
35 more than 6 months between the completion of one well and the beginning

1 of the next well, until a well capable of producing unitized substances  
2 in paying quantities is completed to the satisfaction of said Supervisor  
3 if on Federal land, or the Commissioner if on State land, or until it is  
4 reasonably proved that the unitized land is incapable of producing  
5 unitized substances in paying quantities in the formations drilled  
6 hereunder. Nothing in this section shall be deemed to limit the right  
7 of the Unit Operator to resign as provided in Section 5 hereof, or as  
8 requiring Unit Operator to commence or continue any drilling during the  
9 period pending such resignation becoming effective in order to comply  
10 with the requirements of this section. The Supervisor and Commissioner  
11 may modify the drilling requirements of this section by granting reason-  
12 able extensions of time when, in their opinion, such action is warranted.  
13 Upon failure to commence any well provided for in this section within  
14 the time allowed, including any extension of time granted by the Super-  
15 visor and the Commissioner, this agreement will automatically terminate;  
16 upon failure to continue drilling diligently any well commenced hereunder,  
17 the Supervisor and Commissioner may, after 15 days notice to the Unit  
18 Operator, declare this unit agreement terminated.

19 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months  
20 after completion of a well capable of producing unitized substances in  
21 paying quantities, the Unit Operator shall submit for the approval of  
22 the Supervisor and the Commissioner an acceptable plan of development  
23 and operation for the unitized land which, when approved by the Super-  
24 visor and the Commissioner, shall constitute the further drilling and  
25 operating obligations of the Unit Operator under this agreement for the  
26 period specified therein. Thereafter, from time to time before the  
27 expiration of any existing plan, the Unit Operator shall submit for the  
28 approval of the Supervisor and the Commissioner a plan for an additional  
29 specified period for the development and operation of the unitized land.

30 Any plan submitted pursuant to this section shall provide for the  
31 exploration of the Unitized area and for the diligent drilling necessary  
32 for determination of the area or areas thereof capable of producing  
33 unitized substances in paying quantities in each and every productive  
34 formation and shall be as complete and adequate as the Supervisor, the  
35 Commissioner and Division may determine to be necessary for timely

1 development and proper conservation of the oil and gas resources of the  
2 unitized area and shall:

- 3 a) specify the number and locations of any wells to be
- 4 drilled and the proposed order and time for such drilling; and
- 5 b) to the extent practicable, specify the operating prac-
- 6 tices regarded as necessary and advisable for proper con- sation
- 7 of natural resources.

8 Separate plans may be submitted for separate productive zones, subject  
9 to the approval of the Supervisor, the Commissioner and the Division.

10 Plans shall be modified or supplemented when necessary to meet  
11 changed conditions or to protect the interests of all parties to this  
12 agreement. Reasonable diligence shall be exercised in complying with  
13 the obligations of the approved plan of development. The Supervisor and  
14 Commissioner are authorized to grant a reasonable extension of the  
15 6-month period herein prescribed for submission of an initial plan of  
16 development where such action is justified because of unusual conditions  
17 or circumstances. After completion hereunder of a well capable of  
18 producing any unitized substances in paying quantities, no further  
19 wells, except such as may be necessary to afford protection against  
20 operations not under this agreement and such as may be specifically  
21 approved by the Supervisor and the Commissioner, shall be drilled except  
22 in accordance with a plan of development approved as herein provided.

23 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well  
24 capable of producing unitized substances in paying quantities or as soon  
25 thereafter as required by the Supervisor and Commissioner, the Unit  
26 Operator shall submit for approval by the Supervisor and Commissioner a  
27 schedule, based on subdivisions of the public land survey or aliquot  
28 parts thereof, of all land then regarded as reasonably proved to be  
29 productive in paying quantities; all lands in said schedule on approval  
30 of the Supervisor and Commissioner to constitute a participating area,  
31 effective as of the date of completion of such well or the effective  
32 date of this unit agreement, whichever is later. The acreages of both  
33 Federal and non-Federal lands shall be based upon appropriate computa-  
34 tions from the courses and distances shown on the last approved public  
35 land survey as of the effective date of each initial participating area.

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

28 It is the intent of this section that a participating area shall  
29 represent the area known or reasonably estimated to be productive in  
30 paying quantities, but, regardless of any revision of the participating  
31 area, nothing herein contained shall be construed as requiring any  
32 retroactive adjustment for production obtained prior to the effective  
33 date of the revision of the participating area.

34 In the absence of agreement at any time between the Unit Operator  
35 and the Supervisor and Commissioner as to the proper definition or



1 redefinition of a participating area, or until a participating area has,  
2 or areas have, been established as provided herein, the portion of all  
3 payments affected thereby shall be impounded in a manner mutually accept-  
4 able to the owners of working interests and the Supervisor and Commissioner.  
5 Royalties due the United States and the State of New Mexico, which shall  
6 be determined by the Supervisor for Federal land and the Commissioner  
7 for State land and the amount thereof shall be deposited, as directed by  
8 the Supervisor and Commissioner respectively, to be held as unearned  
9 money until a participating area is finally approved and then applied as  
10 earned or returned in accordance with a determination of the sum due as  
11 Federal and State royalty on the basis of such approved participating  
12 area.

13 Whenever, it is determined, subject to the approval of the Supervisor  
14 as to wells drilled on Federal land and of the Commissioner as to wells  
15 drilled on State land, that a well drilled under this agreement is not  
16 capable of production in paying quantities and inclusion of the land on  
17 which it is situated in a participating area is unwarranted, production  
18 from such well shall, for the purposes of settlement among all parties  
19 other than working interest owners, be allocated to the land on which  
20 the well is located unless such land is already within the participating  
21 area established for the pool or deposit from which such production is  
22 obtained. Settlement for working interest benefits from such a well  
23 shall be made as provided in the unit operating agreement.

24 12. ALLOCATION OF PRODUCTION. All unitized substances produced  
25 from each participating area established under this agreement, except  
26 any part thereof used in conformity with good operating practices within  
27 the unitized area for dilling, operating, camp and other production or  
28 development purposes, for repressuring or recycling in accordance with a  
29 plan of development approved by the Supervisor and Commissioner, or  
30 unavoidably lost, shall be deemed to be produced equally on an acreage  
31 basis from the several tracts of unitized land of the participating area  
32 established for such production and, for the purpose of determining any  
33 benefits accruing under this agreement, each such tract of unitized land  
34 shall have allocated to it such percentage of said production as the  
35 number of acres of such tract included in said participating area bears

1 to the total acres of unitized land in said participating area, except  
2 that allocation of production hereunder for purposes other than for  
3 settlement of the royalty, overriding royalty, or payment out of pro-  
4 duction obligations of the respective working interest owners, shall be  
5 on the basis prescribed in the unit operating agreement whether in  
6 conformity with the basis of allocation herein set forth or otherwise.  
7 It is hereby agreed that production of unitized substances from a par-  
8 ticipating area shall be allocated as provided herein regardless of  
9 whether any wells are drilled on any particular part or tract of said  
10 participating area. If any gas produced from one participating area is  
11 used for repressuring or recycling purposes in another participating  
12 area, the first gas withdrawn from such last mentioned participating  
13 area for sale during the life of this agreement shall be considered to  
14 be the gas so transferred until an amount equal to that transferred  
15 shall be so produced for sale and such gas shall be allocated to the  
16 participating area from which initially produced as such area was last  
17 defined at the time of such final production.

18 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATION.

19 Any party hereto owning or controlling the working interest in any  
20 unitized land having thereon a regular well location may with the approval  
21 of the Supervisor as to Federal land or the Commissioner as to State  
22 land, at such party's sole risk, cost and expense, drill a well to test  
23 any formation for which a participating area has not been established or  
24 to test any formation for which a participating area has been established  
25 if such location is not within said participating area, unless within 90  
26 days of receipt of notice from said party of his intention to drill the  
27 well the Unit Operator elects and commences to drill such a well in like  
28 manner as other wells are drilled by the Unit Operator under this agree-  
29 ment.

30 If any well drilled as aforesaid by a working interest owner results  
31 in production such that the land upon which it is situated may properly  
32 be included in a participating area, such participating area shall be  
33 established or enlarged as provided in this agreement and the well shall  
34 thereafter be operated by the Unit Operator in accordance with the terms  
35 of this agreement and the unit operating agreement.

1        If any well drilled as aforesaid by a working interest owner obtains  
2        production in quantities insufficient to justify the inclusion of the  
3        land upon which such well is situated in a participating area, such well  
4        may be operated and produced by the party drilling the same subject to  
5        the conservation requirements of this agreement. The royalties in  
6        amount or value of production from any such well shall be paid as speci-  
7        fied in the underlying lease and agreement affected.

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

23       If gas obtained from lands not subject to this agreement is intro-  
24       duced into any participating area hereunder, for use in repressuring,  
25       stimulation of production, or increasing ultimate recovery, in conformity  
26       with a plan of operations approved by the Supervisor, the Commissioner,  
27       and Division, a like amount of gas, after settlement as herein provided  
28       for any gas transferred from any other participating area and with  
29       appropriate deduction for loss from any cause, may be withdrawn from the  
30       formation in which the gas is introduced, royalty free as to dry gas,  
31       but not as to any products which may be extracted therefrom; provided  
32       that such withdrawal shall be at such time as may be provided in the  
33       approval plan of operations or as may otherwise be consented to by the  
34       Supervisor, the Commissioner and Division as conforming to good petroleum  
35       engineering practice; and provided further, that such right of withdrawal  
36       shall terminate on the termination of this unit agreement.

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

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

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

24       Rentals on State of New Mexico lands subject to this agreement  
25   shall be paid at the rates specified in the respective leases.

26       With respect to any lease on non-Federal land containing provisions  
27   which would terminate such lease unless drilling operations are commenced  
28   upon the land covered thereby within the time therein specified or  
29   rentals are paid for the privilege of deferring such drilling operations,  
30   the rentals required thereby shall, notwithstanding any other provisions  
31   of this agreement, be deemed to accrue and become payable during the  
32   term thereof as extended by this agreement and until the required drill-  
33   ing operations are commenced upon the land covered thereby or until some  
34   portion of such land is included within a participating area.

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

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

9        18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,  
10 conditions and provisions of all leases, subleases and other contracts  
11 relating to exploration, drilling, development or operations for oil or  
12 gas on lands committed to this agreement are hereby expressly modified  
13 and amended to the extent necessary to make the same conform to the  
14 provision hereof, but otherwise to remain in full force and effect; and  
15 the parties hereto hereby consent that the Secretary as to Federal  
16 leases and the Commissioner as to State leases shall and each by his  
17 approval hereof, or by the approval hereof by their duly authorized  
18 representatives, do hereby establish, alter, change or revoke the drill-  
19 ing, producing, rental, minimum royalty and royalty requirements of  
20 Federal and State leases committed hereto and the regulations in respect  
21 thereto to conform said requirements to the provisions of this agreement,  
22 and, without limiting the generality of the foregoing, all leases,  
23 subleases, and contracts are particularly modified in accordance with  
24 the following:

25            a) The development and operation of lands subject to this  
26 agreement under the terms hereof shall be deemed full performance  
27 of all obligations for development and operation with respect to  
28 each and every separately owned tract subject to this agreement,  
29 regardless of whether there is any development of any particular  
30 tract of the unit area.

31            b) Drilling and producing operations performed hereunder  
32 upon any tract of unitized land will be accepted and deemed to be  
33 performed upon and for the benefit of each and every tract of  
34 unitized land, and no lease shall be deemed to expire by reason of  
35 failure to drill or produce wells situated on the land therein  
36 embraced.

1           c)   Suspension of drilling or producing operations on all  
2           unitized lands pursuant to direction or consent of the Secretary  
3           and Commissioner or their duly authorized representatives shall be  
4           deemed to constitute such suspension pursuant to such direction or  
5           consent as to each and every tract of unitized land. A suspension  
6           of drilling or producing operations limited to specified lands  
7           shall be applicable only to such lands.

8           d)   Each lease, sublease or contract relating to the explora-  
9           tion, drilling, development or operation for oil or gas of lands  
10          other than those of the United States or State of New Mexico com-  
11          mitted to this agreement, which, by its terms might expire prior to  
12          the termination of this agreement, is hereby extended beyond any  
13          such term so provided therein so that it shall be continued in full  
14          force and effect for and during the term of this agreement.

15          e)   Any Federal lease for a fixed term of twenty (20) years  
16          or any renewal thereof or any part of such lease which is made  
17          subject to this agreement shall continue in force beyond the term  
18          provided therein until the termination hereof. Any other Federal  
19          lease committed hereto shall continue in force beyond the term so  
20          provided therein or by law as to the land committed so long as such  
21          lease remains subject hereto, provided that production is had in  
22          paying quantities under this unit agreement prior to the expiration  
23          date of the term of such lease, or in the event actual drilling  
24          operations are commenced on unitized lands, in accordance with the  
25          provisions of this agreement, prior to the end of the primary term  
26          of such lease and are being diligently prosecuted at that time,  
27          such lease shall be extended for two years and so long thereafter  
28          as oil or gas is produced in paying quantities in accordance with  
29          the provisions of the Mineral Leasing Act Revision of 1960.

30          f)   Each sublease or contract relating to the operation and  
31          development of unitized substances from lands of the United States  
32          committed to this agreement, which by its terms would expire prior  
33          to the time at which the underlying lease, as extended by the  
34          immediately preceding paragraph, will expire, is hereby extended  
35          beyond any such term so provided therein so that it shall be continued

1 in full force and effect for and during the term of the underlying  
2 lease as such term is herein extended.

3 g) Any lease embracing lands of the State of New Mexico  
4 which is made subject to this agreement, shall continue in force,  
5 beyond the term provided therein as to the lands committed hereto  
6 until the termination hereof, subject to the provisions of subsec-  
7 tion (c) of Section 2 and subsection (i) of this Section 18.

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

21 i) Any lease embracing lands of the State of New Mexico  
22 having only a portion of its lands committed hereto, shall be  
23 segregated as to the portion committed and the portion not committed,  
24 and the provisions of such lease shall apply separately to such  
25 segregated portions commencing as of the effective date hereof;  
26 provided, however, notwithstanding any of the provisions of this  
27 agreement to the contrary any lease embracing lands of the State of  
28 New Mexico having only a portion of its lands committed hereto  
29 shall continue in full force and effect beyond the term provided  
30 therein as to all lands embraced in such lease, if oil or gas is  
31 discovered and is capable of being produced in paying quantities  
32 from some part of the lands embraced in such lease at the expira-  
33 tion of the secondary term of such lease; or if, at the expiration  
34 of the secondary term, the lessee or Unit Operator is then engaged  
35 in bona fide drilling or reworking operations on some part of the

1 lands embraced in such lease, the same, as to all lands embraced  
2 therein, shall remain in full force and effect so long as such  
3 operations are being diligently prosecuted, and if they result in  
4 the production of oil or gas, said lease shall continue in full  
5 force and effect as to all of the lands embraced therein, so long  
6 thereafter as oil or gas in paying quantities is being produced  
7 from any portion of said lands.

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

16 19. COVENANTS RUN WITH LAND. The covenants herein shall be con-  
17 strued to be covenants running with the land with respect to the interest  
18 of the parties hereto and their successors in interest until this agree-  
19 ment terminates, and any grant, transfer, or conveyance of interest in  
20 land or leases subject hereto shall be and hereby is conditioned upon  
21 the assumption of all privileges and obligations hereunder by the grantee,  
22 transferee or other successor in interest. No assignment or transfer of  
23 any working interest, royalty, or other interest subject hereto shall be  
24 binding upon Unit Operator until the first day of the calendar month  
25 after Unit Operator is furnished with the original, photostatic, or  
26 certified copy of the instrument of transfer.

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

31 a) such date of expiration is extended by the Director and  
32 Commissioner, or

33 b) it is reasonably determined prior to the expiration of  
34 the fixed term or any extension thereof that the unitized land is  
35 incapable of production of unitized substances in paying quantities



1 in the formations tested hereunder and after notice of intention to  
2 terminate the agreement on such ground is given by the Unit Operator  
3 to all parties in interest at their last known addresses, the  
4 agreement is terminated with the approval of the Supervisor and the  
5 Commissioner, or

6 c) a valuable discovery of unitized substances has been made  
7 or accepted on unitized land during said initial term or any exten-  
8 sion thereof, in which event the agreement shall remain in effect  
9 for such term and so long as unitized substances can be produced as  
10 to federal lands and are being produced as to state lands in quanti-  
11 ties sufficient to pay for the cost of producing same from wells on  
12 unitized land within any participating area established hereunder  
13 and, should production cease, so long thereafter as diligent opera-  
14 tions are in progress for the restoration of production or discovery  
15 of new production and so long thereafter as unitized substances so  
16 discovered can be produced as aforesaid, or

17 d) it is terminated as heretofore provided in this agreement.  
18 This agreement may be terminated at any time by not less than 75  
19 per centum, on an acreage basis, of the working interest owners  
20 signatory hereto, with the approval of the Supervisor and Commis-  
21 sioner; notice of any such approval to be given by the Unit Operator  
22 to all parties hereto.

23 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director  
24 is hereby vested with authority to alter or modify from time to time in  
25 his discretion the quantity and rate of production under this agreement  
26 when such quantity and rate is not fixed pursuant to Federal or State  
27 law or does not conform to any statewide voluntary conservation or  
28 allocation program, which is established, recognized and generally  
29 adhered to by the majority of operators in such State, such authority  
30 being hereby limited to alteration or modification in the public interest,  
31 the purpose thereof and the public interest to be served thereby to be  
32 stated in the order of alteration or modification. Without regard to  
33 the foregoing, the Director is also hereby vested with authority to  
34 alter or modify from time to time in his discretion the rate of pros-  
35 pecting and development and the quantity and rate of production under

1 this agreement when such alteration or modification is in the interest  
2 of attaining the conservation objectives stated in this agreement and is  
3 not in violation of any applicable Federal or State law; provided,  
4 further, that no such alteration or modification shall be effective as  
5 to any land of the State of New Mexico, as to the rate of prospecting  
6 and developing in the absence of the specific written approval thereof  
7 by the Commissioner and as to any lands of the State of New Mexico  
8 subject to this agreement as to the quantity and rate of production in  
9 the absence of specific written approval thereof by the Division.

10 Powers in this section vested in the Director shall only be exer-  
11 cised after notice to Unit Operator and opportunity for hearing to be  
12 held not less than 15 days from notice.

13 22. APPEARANCES. Unit Operator shall, after notice to other  
14 parties affected, have the right to appear for and on behalf of any and  
15 all interests affected hereby before the Department of the Interior, the  
16 Commissioner of Public Lands of the State of New Mexico and the Oil  
17 Conservation Division of the Energy and Minerals Department of the State  
18 of New Mexico and to appeal from orders issued under the regulations of  
19 said Department, the Division or Commissioner or to apply for relief  
20 from any of said regulations or in any proceedings relative to opera-  
21 tions before the Department of the Interior, the Commissioner, or  
22 Division, or any other legally constituted authority; provided, however,  
23 that any other interested party shall also have the right at his own  
24 expense to be heard in any such proceeding.

25 23. NOTICES. All notices, demands or statements required here-  
26 under to be given or rendered to the parties hereto shall be deemed  
27 fully given if given in writing and personally delivered to the party or  
28 sent by postpaid registered or certified mail, addressed to such party  
29 or parties at their respective addresses set forth in connection with  
30 the signatures hereto or to the ratification or consent hereof or to  
31 such other address as any such party may have furnished in writing to  
32 party sending the notice, demand or statement.

33 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement con-  
34 tained shall be construed as a waiver by any party hereto of the right  
35 to assert any legal or constitutional right or defense as to the validity

1 or invalidity of any law of the State wherein said unitized lands are  
2 located, or of the United States, or regulations issued thereunder in  
3 any way affecting such party, or as a waiver by any such party of any  
4 right beyond his or its authority to waive.

5 25. UNAVOIDABLE DELAY. All obligations under this agreement  
6 requiring the Unit Operator to commence or continue drilling to  
7 operate on or produce unitized substances from any of the lands covered  
8 by this agreement shall be suspended while the Unit Operator, despite  
9 the exercise of due care and diligence, is prevented from complying with  
10 such obligations, in whole or in part, by strikes, acts of God, Federal,  
11 State or municipal law or agencies, unavoidable accidents, uncontrollable  
12 delays in transportation, inability to obtain necessary materials in  
13 open market, or other matters beyond the reasonable control of the Unit  
14 Operator whether similar to matters herein enumerated or not. No unit  
15 obligation which is suspended under this section shall become due less  
16 than thirty (30) days after it has been determined that the suspension  
17 is no longer applicable. Determination of creditable "Unavoidable  
18 Delay" time shall be made by the Unit Operator subject to approval of  
19 the Supervisor and Commissioner.

20 26. NONDISCRIMINATION. In connection with the performance of work  
21 under this agreement, the operator agrees to comply with all of the  
22 provisions of Section 202 (1) to (7) inclusive of Executive Order 11246  
23 (30 F. R. 12319), as amended, which are hereby incorporated by reference  
24 in this agreement.

25 27. LOSS OF TITLE. In the event title to any tract of unitized  
26 land shall fail and the true owner cannot be induced to join in this  
27 unit agreement, such tract shall be automatically regarded as not com-  
28 mitted hereto and there shall be such readjustment of future costs and  
29 benefits as may be required on account of the loss of such title. In  
30 the event of a dispute as to title to any royalty, working interest or  
31 other interests subject thereto, payment or delivery on account thereof  
32 may be withheld without liability for interest until the dispute is  
33 finally settled; provided, that, as to Federal and State land or leases,  
34 no payments of funds due the United States or State of New Mexico should  
35 be withheld, but such funds of the United States shall be deposited as

1 directed by the Supervisor and such funds of the State of New Mexico  
2 shall be deposited as directed by the Commissioner to be held as unearned  
3 money pending final settlement of the title dispute, and then applied as  
4 earned or returned in accordance with such final settlement.

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

7 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any  
8 substantial interest in a tract within the unit area fails or refuses to  
9 subscribe or consent to this agreement, the owner of the working interest  
10 in that tract may withdraw said tract from this agreement by written  
11 notice delivered to the Supervisor and the Commissioner and the Unit  
12 Operator prior to the approval of this agreement by the Supervisor and  
13 Commissioner. Any oil or gas interests in lands within the unit area  
14 not committed hereto prior to submission of this agreement for final  
15 approval may thereafter be committed hereto by the owner or owners  
16 thereof subscribing or consenting to this agreement, and, if the interest  
17 is a working interest, by the owner of such interest also subscribing to  
18 the unit operating agreement. After operations are commenced hereunder,  
19 the right of subsequent joinder, as provided in this section, by a  
20 working interest owner is subject to such requirements or approvals, if  
21 any, pertaining to such joinder, as may be provided for in the unit  
22 operating agreement. After final approval hereof, joinder by a non-  
23 working interest owner must be consented to in writing by the working  
24 interest owner committed hereto and responsible for the payment of any  
25 benefits that may accrue hereunder in behalf of such non-working inter-  
26 est. A non-working interest may not be committed to this unit agreement  
27 unless the corresponding working interest is committed hereto. Joinder  
28 to the unit agreement by a working interest owner, at any time, must be  
29 accompanied by appropriate joinder to the unit operating agreement, if  
30 more than one committed working interest owner is involved, in order for  
31 the interest to be regarded as committed to this unit agreement. Except  
32 as may otherwise herein be provided, subsequent joinders to this agreement  
33 shall be effective as of the first day of the month following the filing  
34 with the Supervisor and the Commissioner of duly executed counterparts  
35 of all or any papers necessary to establish effective commitment of any

1 tract to this agreement unless objection to such joinder is duly made  
2 within 60 days by the Supervisor, provided, however, that as to State  
3 lands all subsequent joinders must be approved by the Commissioner.

4 29. COUNTERPARTS. This agreement may be executed in any number of  
5 counterparts no one of which needs to be executed by all parties or may  
6 be ratified or consented to by separate instrument in writing specifically  
7 referring hereto and shall be binding upon all those parties who have  
8 executed such a counterpart, ratification, or consent hereto with the same  
9 force and effect as if all such parties had signed the same document and  
10 regardless of whether or not it is executed by all other parties owning  
11 or claiming an interest in the lands within the above described unit area.

12 30. NO PARTNERSHIP. It is expressly agreed that the relation of  
13 the parties hereto is that of independent contractors and nothing in  
14 this agreement contained, expressed or implied, nor any operations  
15 conducted hereunder, shall create or be deemed to have created a part-  
16 nership or association between the parties hereto or any of them.

17 IN WITNESS WHEREOF, the parties hereto have caused this agreement  
18 to be executed and have set opposite their respective names the date of  
19 execution.

20 UNIT OPERATOR AND WORKING INTEREST OWNER

21 AMOCO PRODUCTION COMPANY

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

23 ADDRESS: \_\_\_\_\_

24 \_\_\_\_\_

25

BY: \_\_\_\_\_  
Attorney-in-Fact

26 WORKING INTEREST OWNERS

27 ATTEST: \_\_\_\_\_ YATES PETROLEUM CORPORATION

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

29 ADDRESS: \_\_\_\_\_

30 \_\_\_\_\_

31

BY: \_\_\_\_\_

32 ATTEST: \_\_\_\_\_

GULF OIL CORPORATION

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

34 ADDRESS: \_\_\_\_\_

35 \_\_\_\_\_

36

BY: \_\_\_\_\_

1 ATTEST: \_\_\_\_\_  
2 DATE: \_\_\_\_\_  
3 ADDRESS: \_\_\_\_\_  
4 \_\_\_\_\_  
5 \_\_\_\_\_

M. J. HARVEY, JR.

BY: \_\_\_\_\_

6 ATTEST: \_\_\_\_\_  
7 DATE: \_\_\_\_\_  
8 ADDRESS: \_\_\_\_\_  
9 \_\_\_\_\_  
10 \_\_\_\_\_

TOM R. CONE

BY: \_\_\_\_\_

11 ATTEST: \_\_\_\_\_  
12 DATE: \_\_\_\_\_  
13 ADDRESS: \_\_\_\_\_  
14 \_\_\_\_\_  
15 \_\_\_\_\_

MESA PETROLEUM COMPANY

BY: \_\_\_\_\_

CR/dq  
LR601/F

THE STATE OF TEXAS    |  
COUNTY OF HARRIS    |

The foregoing instrument was acknowledged before me this \_\_\_\_ day of  
\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
as Attorney-in-Fact on behalf of AMOCO PRODUCTION COMPANY.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

THE STATE OF \_\_\_\_\_ |  
COUNTY OF \_\_\_\_\_ |

The foregoing instrument was acknowledged before me this \_\_\_\_ day of  
\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
of YATES PETROLEUM CORPORATION, a \_\_\_\_\_ corporation, on  
behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_

THE STATE OF \_\_\_\_\_ |  
COUNTY OF \_\_\_\_\_ |

The foregoing instrument was acknowledged before me this \_\_\_\_ day of  
\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
of GULF OIL CORPORATION, a \_\_\_\_\_ corporation, on behalf  
of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_

THE STATE OF \_\_\_\_\_ |

COUNTY OF \_\_\_\_\_ |

BEFORE ME, a Notary Public, on this day personally appeared  
M. J. HARVEY, JR., known to me to be the person whose name is subscribed  
to the foregoing instrument, and acknowledged to me that he executed the  
same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this \_\_\_\_\_ day of  
\_\_\_\_\_, 19\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_  
County, \_\_\_\_\_

THE STATE OF \_\_\_\_\_ |

COUNTY OF \_\_\_\_\_ |

BEFORE ME, a Notary Public, on this day personally appeared  
TOM R. CONE, known to me to be the person whose name is subscribed to  
the foregoing instrument, and acknowledged to me that he executed the  
same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this \_\_\_\_\_ day of  
\_\_\_\_\_, 19\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_  
County, \_\_\_\_\_

THE STATE OF \_\_\_\_\_ |

COUNTY OF \_\_\_\_\_ |

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_,  
of MESA PETROLEUM COMPANY, a \_\_\_\_\_ corporation, on behalf  
of said corporation.

My Commission Expires:

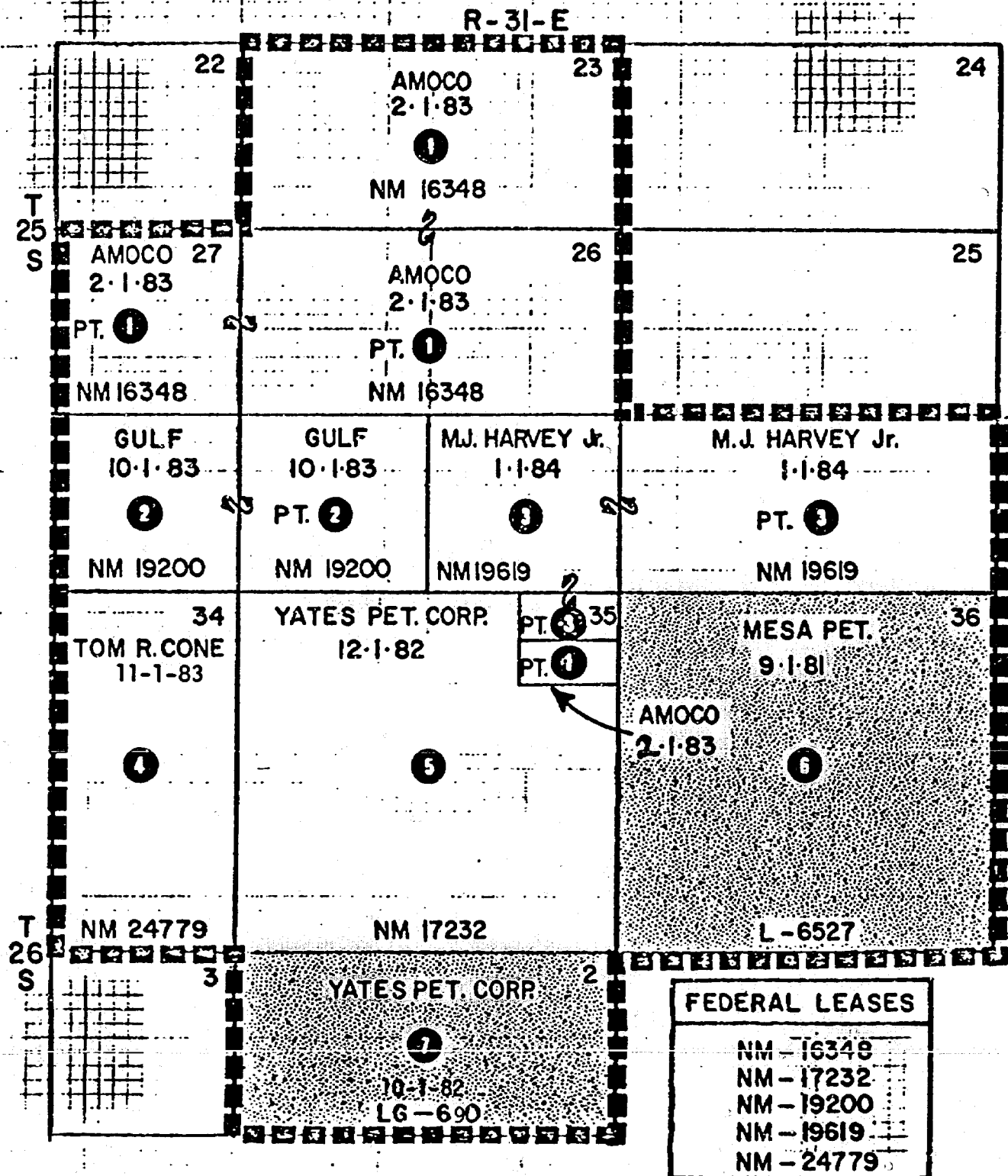
\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_  
County, \_\_\_\_\_



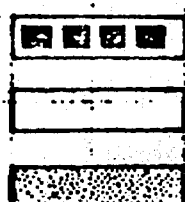
# EXHIBIT "A"

## BIG SINKS UNIT AGREEMENT

### Eddy County, New Mexico



#### LEGEND



UNIT BOUNDARY

FEDERAL LAND

STATE LAND

TRACT NUMBER

2560.00 Ac.

960.00 Ac.

3520.00 Ac.

72.72 %

27.28 %

100.00 %

**EXHIBIT "B"**  
**BIG SINKS UNIT AGREEMENT**  
**T-25-S, R-31-E and T-26-S, R-31-E, N.M.P.M.**  
**EDDY COUNTY, NEW MEXICO**

TRACT NO.	Description of Land	No. of Acres	Serial No. & Expiration Date	Basic Royalty Ownership %	Lessee of Record	Overriding Royalty & Prod. Payment Ownership	Working Interest %
<u>Township 25 South, Range 31-East</u>							
1	Section 23: S/2 Section 26: N/2 Section 27: NE/4 Section 35: S/2 NE/4 NE/4	820	NM 16348 2-1-83	USA 12.5%	Amoco Production Company	Joyce A. Dechant: 1/2 of 1% K. M. Johnston et ux 35% Eddy Land Co. 1% Production Payment of \$150.00 per acre	Amoco: 100%
2	Section 26: SW/4 Section 27: SE/4	320	NM 19200 10-1-83	USA 12.5%	Gulf Oil Corporation	Jean B. Merritt and Robert H. Merritt 5%	Gulf: 100%
3	Section 25: S/2 Section 26: SE/4 Section 35: N/2 NE/4 NE/4	500	NM 19619 1-1-84	USA 12.5%	M. J. Harvey, Jr.	None	M. J. Harvey, Jr.: 100%
4	Section 34: E/2	320	NM 24779 11-1-83	USA 12.5%	Tom R. Cone	Chloe S. Stims 6.25%	Tom R. Cone: 100%
5	Section 35: All; Save and Except NE/4 NE/4	600	NM 17232 12-1-82	USA 12.5%	Yates Petroleum Corporation	George B. Lorraine and Inez Harris Lorraine, 3%	Yates: 100%
<u>5 Federal Tracts - 2560.00 Acres - 72.72%</u>							
<u>Township 25 South, Range 31-East</u>							
6	Section 36: All	640	L-6527 9-1-82	STATE 12.5%	MTA Limited Partnership	None	MTA: 100%
<u>Township 26 South, Range 31-East</u>							
7	Section 2: N/2	320	LG-0690 10-1-82	STATE 12.5%	Yates Petroleum Corporation	None	Yates: 100%
<u>2 State Tracts - 960.00 Acres - 27.28%</u>							
<u>Total 7 Tracts - 3520.00 Acres - 100%</u>							

CR/mlm  
10034/01

Dockets Nos. 25-81 and 26-81 are tentatively set for August 12 and 26, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - MONDAY - JULY 20, 1981

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6892: (DE NOVO)

Application of Herrion & Bayless for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the South Blanco-Pictured Cliffs Pool underlying the SW/4 of Section 27, Township 24 North, Range 2 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

Upon application of Herrion & Bayless, this case will be heard De Novo pursuant to the provisions of Rule 1220.

\*\*\*\*\*

Docket No. 24-81

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 29, 1981

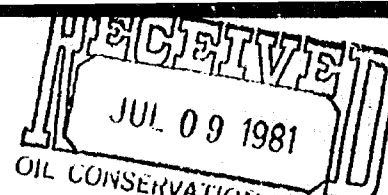
9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- CASE 7309: Application of Gulf Oil Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the South Shugart Deep Unit Area, comprising 3,806 acres, more or less, of State and Federal lands in Townships 18 and 19 South, Range 31 East.
- CASE 7310: Application of Amoco Production Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the El Alto Grande Unit Area, comprising 2,560 acres, more or less, of Federal lands in Township 22 South, Ranges 33 and 34 East.
- CASE 7311: Application of Amoco Production Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Big Sinks Federal Exploratory Unit Area, comprising 3,520 acres, more or less, of State and Federal lands in Townships 25 and 26 South, Range 31 East.
- CASE 7280: (Continued from July 15, 1981; Examiner Hearing)
- Application of Northwest Pipeline Corporation for a dual completion and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Rosa Unit Well No. 77 located in Unit L of Section 33, Township 31 North, Range 5 West, to produce gas from the Mesaverde formation and commingled Gallup and Dakota production through separate strings of tubing.
- CASE 7312: Application of Phillips Petroleum Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Atoka and Morrow production in the wellbore of its Malaga A Well No. 2 located in Unit D of Section 2, Township 24 South, Range 28 East, Malaga Field.
- CASE 7313: Application of Phillips Petroleum Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Atoka and Morrow production in the wellbore of its Drag A Well No. 1 located in Unit C of Section 18, Township 23 South, Range 27 East, South Carlsbad Field.
- CASE 7314: Application of Elliott Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gallup, Dakota, and Mesaverde production in the wellbore of its ORA Well No. 1 located in Unit E of Section 21, Township 25 North, Range 3 West.



Richard E. Ogden  
Regional Engineering  
Manager  
July 1, 1981



Amoco Production Company

Houston Region  
500 Jefferson Building  
Post Office Box 3092  
Houston, Texas 77001

File: JCA-986.51NM-2901

Re: Big Sinks Federal Exploratory Unit  
Eddy County, New Mexico

The State of New Mexico  
Energy and Minerals Department  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

Gentlemen:

Amoco Production Company respectfully requests a hearing for approval of the Big Sinks Federal Exploratory Unit, Eddy County, New Mexico. The unit area includes 2560 acres of Federal lands and 960 acres of State lands located in Sections 23 and 25 (S/2); 26, 35 and 36 (all); 27 and 34 (E/2) of T-25-S, R-31-E and Section 2 (N/2) of T-26-S, R-31-E, Eddy County, New Mexico. A copy of the proposed unit agreement and plat of the proposed unit will be furnished to your office prior to the hearing.

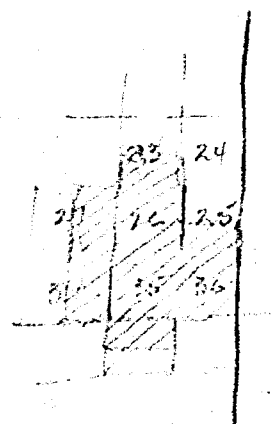
The Federal AP Com No.1 (660' FNL and 1980' FEL of Section 35, T-25-S, R-31-E) is drilling and is projected as a Morrow wildcat to 15,875'. This is the first well to be drilled within the boundary of the proposed exploratory unit.

Please place this item on the Examiner's Hearing Docket of July 29, 1981. Any questions can be directed to Mr. David Boatwright, telephone (713) 652-5472.

Yours very truly,

R.E. Ogden DAB

DAB/vjw  
481/J



Case 2311  
2560  
960  
3520  
35 640  
55  
3200  
3200  
35200

ROUGH

dr/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 7311

Order No. R-6754

APPLICATION OF AMOCO PRODUCTION COMPANY  
FOR APPROVAL OF THE BIG SINKS ~~FEDERAL EXPLORATORY~~  
UNIT AGREEMENT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 29  
1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this \_\_\_\_\_ day of \_\_\_\_\_, 1981, the  
Division Director, 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 Division has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, Amoco Production Company,  
seeks approval of the Big Sinks ~~Federal Exploratory~~ <sup>tory</sup> Unit Agreement  
covering 3,520.0 acres, more or less, of State/ Federal  
lands described as follows:

EDDY COUNTY, NEW MEXICO

Township 25 South, Range 31 East, NMPM  
Section 23 : S/2  
Section 25 : S/2  
Section 26 : A/1  
Section 27 : E/2  
Section 34 : E/2  
Sections 35 and 36 : A/1

Township 26 South, Range 31 East, NMPM

See  
Under

(4) 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 Big Sinks, ~~Federal Exploratory~~ 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 Division 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 Division 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 Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for

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 Division immediately in writing of such termination.

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

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