

CASE 5677: YATES PET. CORP. FOR
APPROVAL OF THE DUNKEN NOSE UNIT 120
AGREEMENT, CHAVES COUNTY, NM

CASE NO.

5677

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

Unit Name Dunken Nose Unit - Exploratory
Operator Yates Petroleum Corporation
County Chaves

DATE	OCC CASE NO.	5677	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	SEPARATE-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO.	R-5228	June 14, 1976	6,231.90	5,591.90	-0-	640.00	Yes	2 yrs.
Commissioner	June 22, 1976								
June 14, 1976									

UNIT AREA

TOWNSHIP 17 SOUTH, RANGE 18 EAST, N.M.P.M.
Sections 1, 10, 11, 12, 13, 14, 15 and the S/2 and S/2N/2; Section 2

TOWNSHIP 17 SOUTH, RANGE 19 EAST, N.M.P.M.
Section 6 and 7

TERMINATED

CH: 7-18-77

Unit Name DUNKEN NOSE UNIT - EXPLORATORY
 Operator YATES PETROLEUM CORPORATION
 County CHAVES

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
1	LG-1837 ✓	C.S.	2	17S	18E	S/2, S/2N/2	4-29-76	480.00		Yates Petroleum Corp.
2	LG-1838 ✓	C.S.	1	17S	18E	A11	4-29-76	641.18		Yates Petroleum Corp.
3	LG-1839 ✓	C.S.	11 12	17S 17S	18E 18E	N/2, N/2SW/4, NW/4SE/4, SE/4SE/4 A11	4-29-76	1,120.00		Yates Petroleum Corp.
4.	K-6138	C.S.	10 15	17S 17S	18E 18E	N/2N/2, S/2NE/4, NE/4SE/4, W/2SW/4, SE/4SW/4 A11	4-29-76	1,040.00		Yates Petroleum Corp.
5.	K-6139	C.S.	11 13 14	17S 17S 17S	18E 18E 18E	NE/4SE/4 N/2N/2, S/2 SW/4NE/4, W/2, SE/4	4-29-76	1,040.00		Yates Petroleum Corp.
6.	K-6145	C.S.	6 7	17S 17S	19E 19E	A11 A11	4-29-76	1,270.72		Yates Petroleum Corp.

TERMINATED
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PHIL R. LUCERO
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

June 14, 1976

TELEPHONE
505-827-2743

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

Yates Petroleum Corporation
Yates Building-207 South 4th St.
Artesia, New Mexico 88210

Re: Dunken Moss Unit
Chaves County, New Mexico

ATTENTION: Jack W. McCaw

Gentlemen:

The Commissioner of Public Lands has this date approved the Dunken Moss Unit agreement, Chaves County, New Mexico. The effective date to be as of the date of approval.

Enclosed are five (5) Certificates of approval.

Your One Hundred (\$100.00) Dollar filing fee has been received.

Will you please submit any Geological Data or Engineering Report that you might have on this unit.

Enclosed are assignments from C&K Petroleum, et al which are not acceptable by this office.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY:
RAY D. GRAHAM, Director
Oil and Gas Division

PRL/RDG/s
encls.
cc:

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5677
Order No. R-5228

APPLICATION OF YATES PETROLEUM
CORPORATION FOR APPROVAL OF THE
DUNKEN NOSE UNIT AGREEMENT, CHAVES
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
May 12, 1976, at Santa Fe, New Mexico, before Examiner
Daniel S. Nutter.

NOW, on this 22nd day of June, 1976, the Commission, a
quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

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

(2) That the applicant, Yates Petroleum Corporation,
seeks approval of the Dunken Nose Unit Agreement covering
6,231.90 acres, more or less, of State and Fee lands described
as follows:

CHAVES COUNTY, NEW MEXICO
TOWNSHIP 17 SOUTH, RANGE 18 EAST, NMPM

Section 1: All
Section 2: S/2 N/2 and S/2
Sections 10 through 15: All

TOWNSHIP 17 SOUTH, RANGE 19 EAST, NMPM
Sections 6 and 7: All

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

-2-

Case No. 5677
Order No. R-5228

IT IS THEREFORE ORDERED:

(1) That the Dunken Nose Unit Agreement is hereby approved.

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

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

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

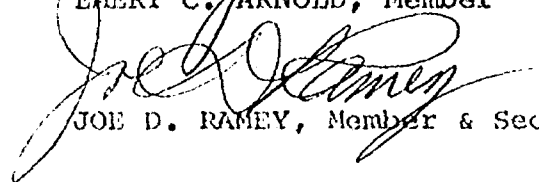
(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

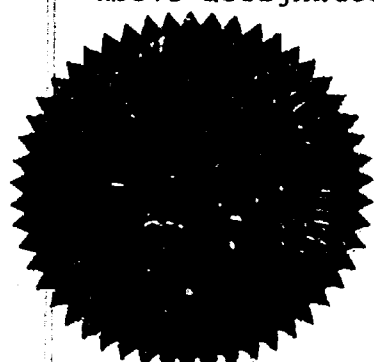
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary


S E A L

dr/

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 12, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corpora-) CASE
tion for a unit agreement, Chaves) 5677
County, New Mexico.)

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: William F. Carr, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: Joel M. Carson, Esq.
LOSEE & CARSON, P.A.
Attorneys at Law
300 American Home Building
Artesia, New Mexico

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I N D E X

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4	Direct Examination by Mr. Carson	3
5	Cross Examination by Mr. Nutter	5

EXHIBIT INDEX

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12	Yates' Exhibit No. One, Land Plat	7
13	Yates' Exhibit No. Two, Surface Structural Map	7
14	Unit Agreement	7

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 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
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1 MR. NUTTER: We will call Case Number 5677.

2 MP. CARR: Case 5677, application of Yates Petroleum
3 Corporation for a unit agreement, Chaves County, New Mexico.

4 MR. CARSON: Mr. Hearing Officer, I have just one
5 witness in this case that was sworn in the previous case, Mr.
6 Ray Beck.

7 MR. NUTTER: He is still under oath.

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9 RAY BECK

10 called as a witness, having been previously sworn, was
11 examined and testified as follows:

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13 DIRECT EXAMINATION

14 BY MR. CARSON:

15 Q For purposes of the record will you state your
16 name again?

17 A Ray Beck.

18 Q And, Mr. Beck, what is your employment?

19 A Geologist for Yates Petroleum Company, Artesia,
20 New Mexico.

21 Q And you have previously testified before this
22 Commission, have you not?

23 A Yes, I have.

24 Q And your qualifications have been accepted?

25 A They have.

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1 MR. NUTTER: Proceed.

2 Q (Mr. Carson continuing.) Mr. Beck, would you state
 3 the purpose of this application?

4 A Yates Petroleum Corporation seeks approval of its
 5 Dunken, D-u-n-k-e-n, Nose Unit Area outlining six thousand,
 6 two hundred and thirty-two acres, more or less, of State and
 7 fee lands in Sections 1, 2, 10, 11, 12, 13, 14 and 15 of
 8 17 South, 18 East and Sections 6 and 7 of 17 South, 19 East of
 9 Chaves County.

10 Q I hand you what has been marked as Applicant's
 11 Exhibit One and ask if you would explain that exhibit to the
 12 Hearing Officer?

13 A Exhibit One is a land plat showing the proposed
 14 Dunken Nose Unit outline, the acreage situation around the
 15 proposed unit.

16 Q I hand you what has been marked as Applicant's
 17 Exhibit Number Two and ask if that was prepared by you or
 18 under your supervision?

19 A It was.

20 Q Would you explain that exhibit to the Hearing Officer?

21 A Exhibit Two is a surface structural map resulting
 22 from a photogeologic study of the region around the proposed
 23 unit. The mapped outcropping rocks are Permian-San Andres.
 24 The regional dip is to the east and east-southeast. Projecting
 25 into the western portion of the unit is a surface structural

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1 nose coming off of the northern Dunken dome. Just to the
2 east of the unit and just to the south of the unit are surface
3 synclines. Surface faults in Section 3 of 17 South, 18 East
4 may very well extend to a depth to intersect the easterly
5 plunging nose at the western side of the unit.

6 We think that probably the structure increases in
7 depth because the dip meter on the Yates Dunken Dome Well,
8 for instance, indicated a steadily increasing structural dip
9 formation of depth. Also a very porous permeable gas and
10 water bearing Lower Pennsylvania sand was present in the Yates
11 Dunken Dome Well. The primary objective then of the Dunken
12 Nose Unit would be a Pennsylvanian sand reservoir crossing the
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15 proposed unit and we have no further questions of this
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20 Q What is the objective of this unit, Mr. Beck, does
21 it call for the drilling of a well?

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23 Q What formation is that well to be drilled to?

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25 Pennsylvanian and bottom up in the Mississippian lime.

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4 in Section 10, in the northeast quarter, right now, from our
5 preliminary look at the topography and the geology.

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7 to the unit agreement?

8 A I understand that from the Yates' landman that he
9 has contacted these people and they are all willing to
10 cooperate in the unit on one basis or another.

11 Q What percentage of the land in the unit is operated
12 by Yates?

13 MR. CARSON: Have you figured that out, Ray?

14 A Well, about sixty percent, I guess, fifty-five or
15 something like that, just a guess.

16 MR. CARSON: It would be about sixty percent.

17 Q (Mr. Nutter continuing.) It would appear that
18 C & K Petroleum is another owner of large interests in the
19 unit area, what is the status of C & K Petroleum as far as
20 the unit is concerned?

21 A Well, I understand that acreage once under lease to
22 Tom Brown, as indicated on this land plat, has been taken over
23 by C & K and our landman has been contacting them or attempting
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25 Q But they have not as yet committed their acreage to

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2 A. Not in writing, as far as I know.

3 Q And how about the status as far as the State Land
4 Commissioner is concerned, does he approve the unit?

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6 sure.

7 MR. NUTTER: How about the USGS, have they approved
8 the unit? I know that there is fee land, that's correct.
9 There is no Federal land.

10 MR. CARSON: No Federal lands.

11 MR. NUTTER: Are there any further questions of this
12 witness? He may be excused.

13 (THEREUPON, the witness was excused.)

14 MR. CARSON: May I offer those exhibits. I believe
15 there are two in this case.

16 MR. NUTTER: Okay, Yates' Exhibits One and Two
17 and the Unit Agreement will be accepted into evidence.

18 (THEREUPON, Yates' Exhibits One and Two and
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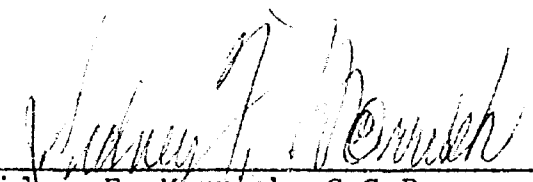
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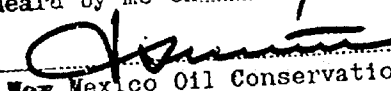
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.


Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is
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, Examiner
New Mexico Oil Conservation Commission

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RAY BECK

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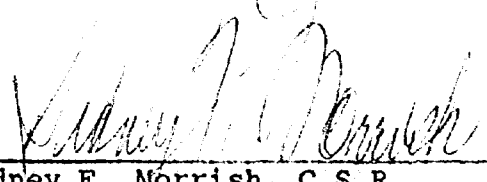
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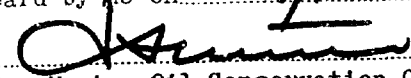
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was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.

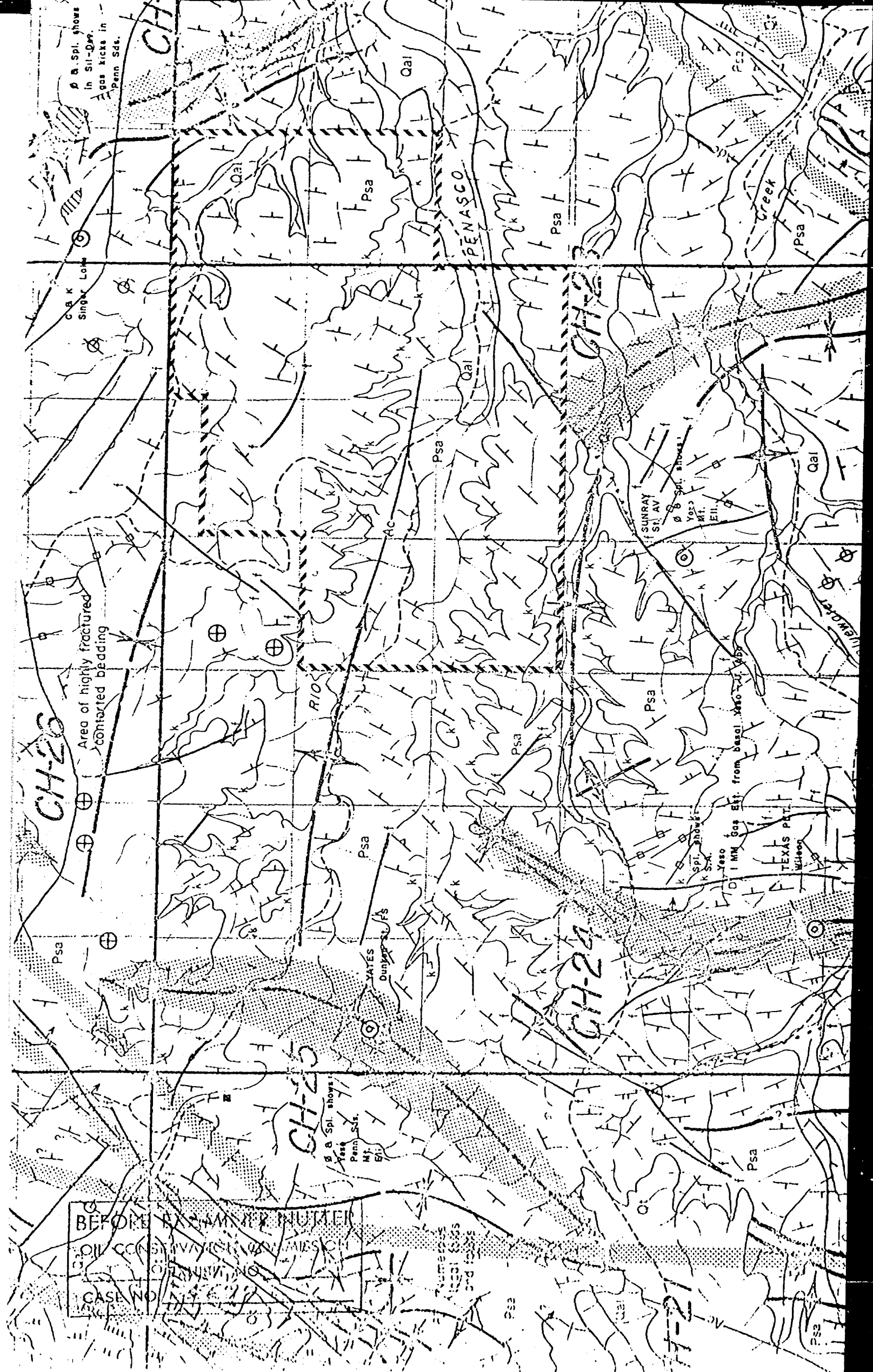

Sidney F. Morrish, C.S.R.

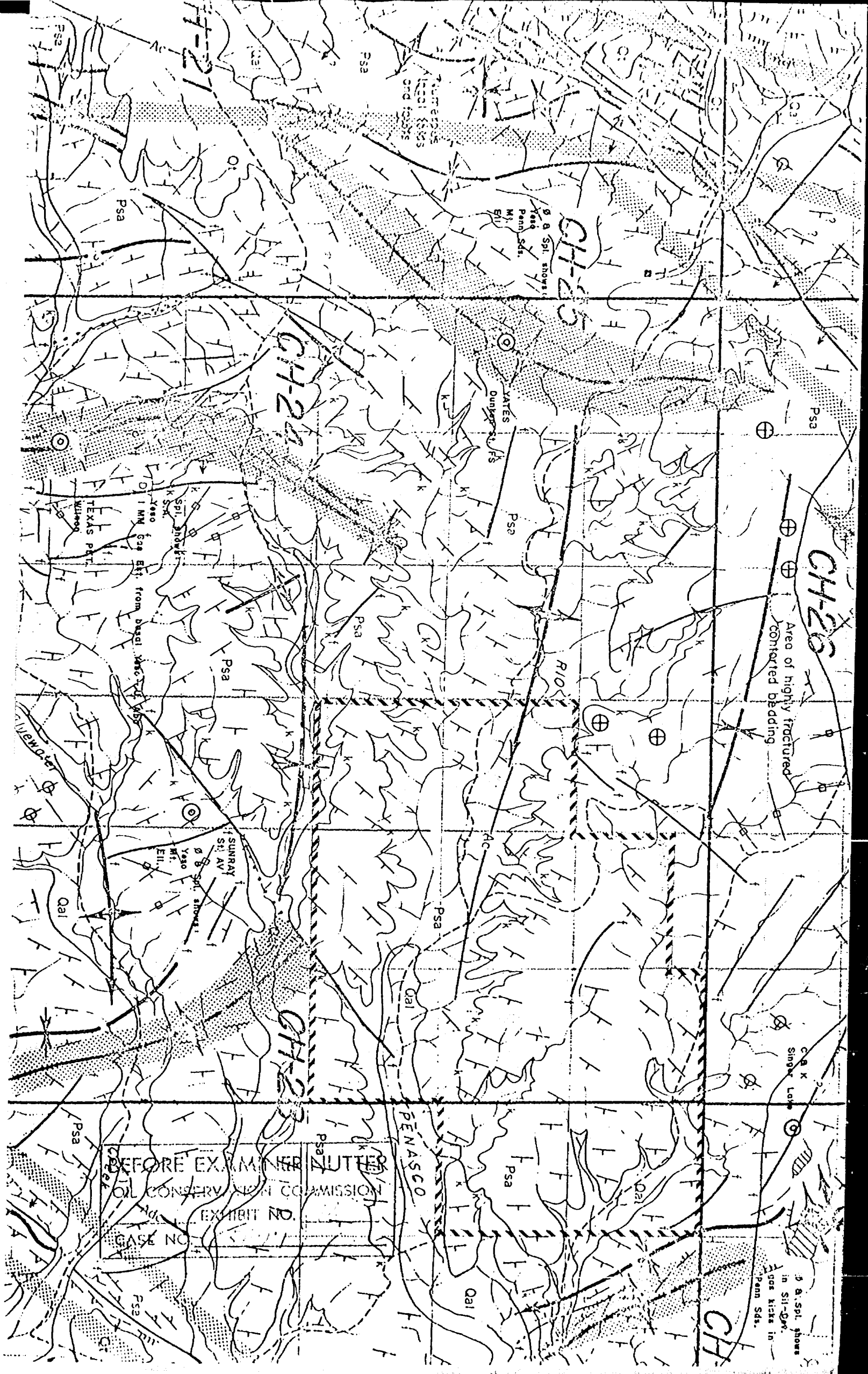
I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5677.
heard by me on 7/12, 1974.

, Examiner
New Mexico Oil Conservation Commission

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212





CH-26

Area of highly fractured
contorted bedding

CH-25

5 & 8 Spl. shows
in Sil-Dev.
Penn Sds.

CH-24

CH-23

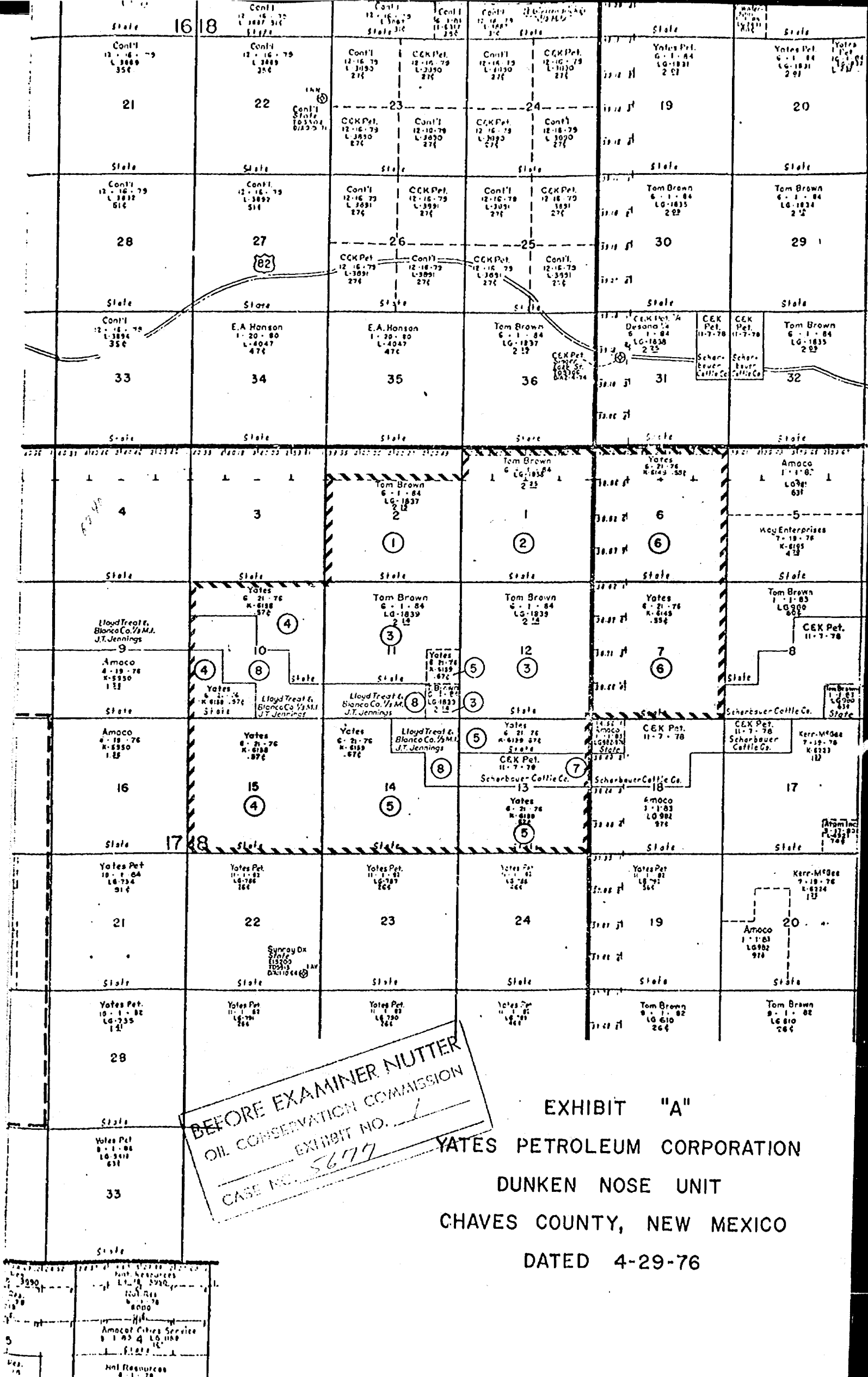
5 & 8 Spl. shows
in Sil-Dev.
Penn Sds.

CH-22

CH-21

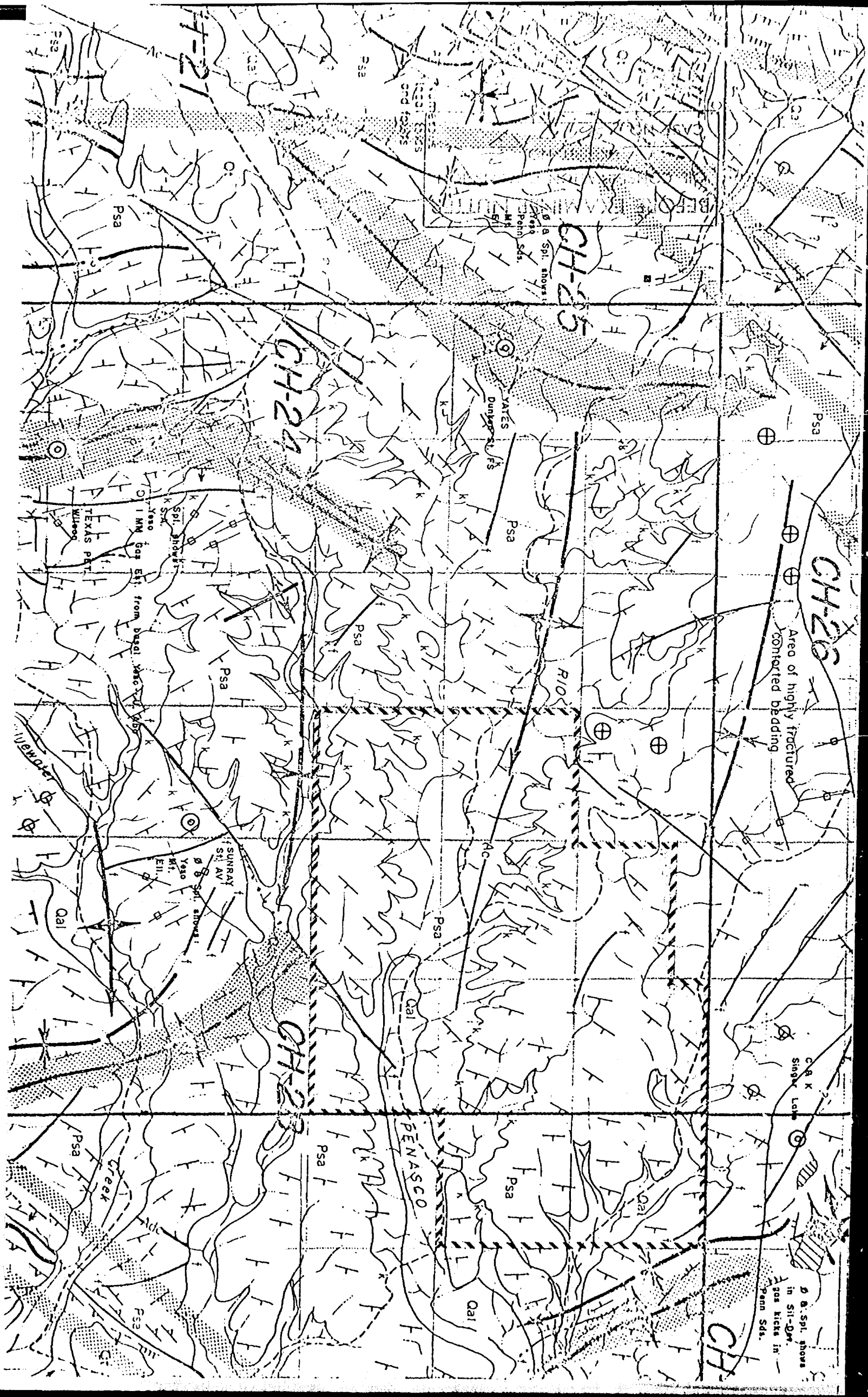
CH-20

BEFORE EXAMINER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1
CASE NO. 1



BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1
CASE NO. 5677

EXHIBIT "A"
YATES PETROLEUM CORPORATION
DUNKEN NOSE UNIT
CHAVES COUNTY, NEW MEXICO
DATED 4-29-76



CH-26

Area of highly fractured
contacted bedding

CAK
Snow Lake

D & Spl. shows
in Sil-Gw
gas kicks in
Penn Sdt.

CH

CH-25

D & Spl. shows
in Sil-Gw
gas kicks in
Penn Sdt.

YATES
Dunkard St. FS

Psa

RIO

Qal

Psa

PENASCO

Qal

CH-24

CH-23

CH-21

Psa

Spl. shows
in Sil-Gw
gas kicks in
Penn Sdt.

TEXAS PT.

Psa

Psa

SUNRAY
St. AV

Yates
Mt. Ell.

Psa

Creek

Psa

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

DUNKEN NOSE UNIT AREA
CHAVES COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 29th day of April 19 76
by and between the parties subscribing, ratifying or consenting hereto,
and herein referred to, as the "parties hereto,"

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of
New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 28,
Laws 1943) as amended by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 7,
Art. 11, Sec. 39, N.M. Statutes 1953 Annot.), to consent to and approve
the development or operation of State lands under agreements made by
lessees of State land jointly or severally with other lessees where
such agreements provide for the unit operation or development of part
of or all of any oil or gas pool, field, or area; and

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

WHEREAS, the Oil Conservation Commission of the State of
New Mexico (hereinafter referred to as the "Commission") is authorized

by an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N.M. Statutes 1953 Amended) to approve this agreement and the conservation provisions hereof; and

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

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

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

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 17 South, Range 18 East, N.M.P.M.
Sections 1, 10, 11, 12, 13, 14, 15 and the S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ of Section 2
Township 17 South, Range 19 East, N.M.P.M.
Sections 6 and 7

Containing 6,231.90 acres, more or less
Chaves County, New Mexico

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit B attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

2. UNITIZED SUBSTANCES. All oil, gas natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR. YATES PETROLEUM CORPORATION whose address is 207 South 4th Street, Artesia, N.M. 88210 is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances; and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the unit operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor unit operator, or to the owners thereof if no such new unit operator is elected, to be used for the purpose of conducting unit operations hereunder.

Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR. Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five per cent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned, among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and

duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY. The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Basal Pennsylvanian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 4,800 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the

drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event, the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N. M. Statutes 1953 Annotated of intention to cancel on account of any

alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N.M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION. All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized

land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES:

All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the

unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

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

15. DRAINAGE: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the

interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder the the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES. Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to

apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interest party shall also have the right at his own expense to appear and to participate in any such proceeding.

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

21. UNAVOIDABLE DELAY. All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the unit operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator whether similar to matters herein enumerated or not.

22. LOSS OF TITLE. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld.

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

23. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to unit operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment or revenue.

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

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

ATTEST:

Assistant Secretary

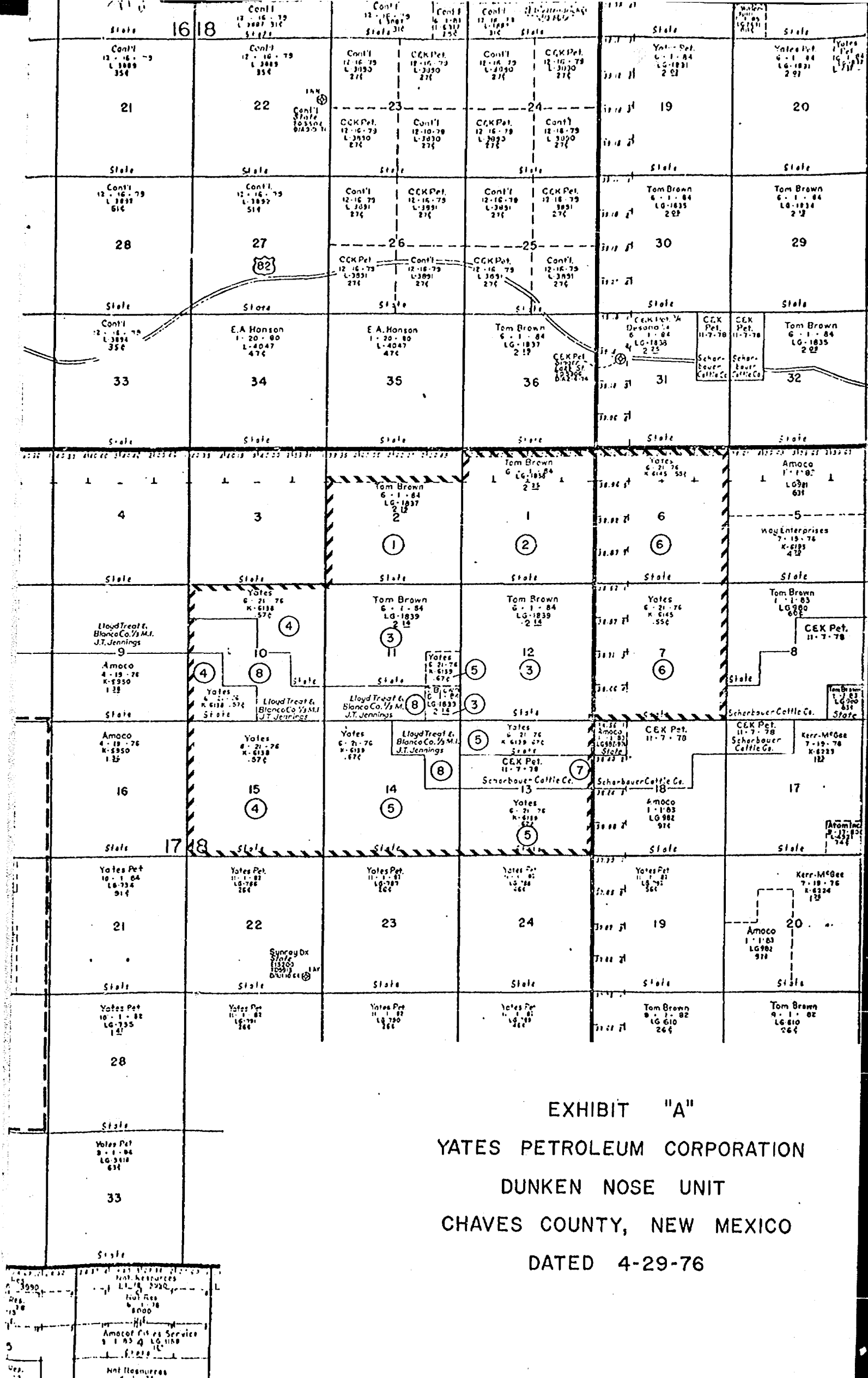
By

UNIT OPERATOR

YATES PETROLEUM CORPORATION

Vice President

Date: April 29, 1976



4-29-76

DUNKEN NOSE UNIT, CHAVES COUNTY, NEW MEXICOSchedule of Tract Numbers, Ownership and Participation

TRACT NO.	DESCRIPTION	ACRES	LEASE NO. & EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDE OR PRO-DUCTION PAYMENT AND PERCENTAGE	WORKING INTEREST OWNER - PERCENTAGE
1	T17S-R18E Sec. 2: S $\frac{1}{2}$, S $\frac{1}{2}$ N $\frac{1}{2}$	480.00	LG-1837 6-1-84	State 12 $\frac{1}{2}$ %	C & K Petroleum	None	C & K Pet. - 100%
2	T17S-R18E Sec. 1: A11	641.18	LG-1838 6-1-84	State 12 $\frac{1}{2}$ %	C & K Petroleum	None	C & K Pet. - 100%
3	T17S-R18E Sec. 11: N $\frac{1}{2}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 12: A11	1,120.00	LG-1839 6-1-84	State 12 $\frac{1}{2}$ %	C & K Petroleum	None	C & K Pet. - 100%
4	T17S-R18E Sec. 10: N $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 15: A11	1,040.00	K-6138 6-21-76	State 12 $\frac{1}{2}$ %	Yates Petroleum	None	Yates Pet. - 100%
5	T17S-R18E Sec. 11: NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 13: N $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ Sec. 14: SW $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, SE $\frac{1}{4}$	1,040.00	K-6139 6-21-76	State 12 $\frac{1}{2}$ %	Yates Petroleum	None	Yates Pet. - 100%
6	T17S-R19E Sec. 6: A11 Sec. 7: A11	1,270.72	K-6145 6-21-76	State 12 $\frac{1}{2}$ %	Yates Petroleum	None	Yates Pet. - 100%
<u>TOTAL: 5,591.90 acres State New Mexico Lands</u>							

4-29-76

TRACT NO.	DESCRIPTION	ACRES	LEASE NO. & EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDE OR PRO-DUCTION PAYMENT AND PERCENTAGE	WORKING INTEREST OWNER - PERCENTAGE
7	T17S-R18E Sec. 13: S $\frac{1}{2}$ N $\frac{1}{2}$	160.00	Fee 11-7-78	18 3/4%	C & K Petroleum	None	C & K Pet. - 100%
8	T17S-R18E Sec. 10: S $\frac{1}{2}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 11: S $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 14: N $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{2}$ NE $\frac{1}{4}$	480.00	Fee	None	Unleased	None	None
<u>TOTAL: 640.00 acres Fee Lands</u>							

RECAPITULATION

5,591.90 Acres State Lands, 89.73% of UNIT AREA
640.00 Acres Fee Lands, 10.27% of UNIT AREA
6,231.90 Acres All Lands 100.00% of UNIT AREA

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
DUNKEN NOSE UNIT AREA
CHAVES COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 29th day of April 1976
by and between the parties subscribing, ratifying or consenting hereto,
and herein referred to, as the "parties hereto,"

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of
New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 38,
Laws 1943) as amended by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 7,
Art. 11, Sec. 39, N.M. Statutes 1953 Annot.), to consent to and approve
the development or operation of State lands under agreements made by
lessees of State land jointly or severally with other lessees where
such agreements provide for the unit operation or development of part
of or all of any oil or gas pool, field, or area; and

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

WHEREAS, the Oil Conservation Commission of the State of
New Mexico (hereinafter referred to as the "Commission") is authorized

by an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N.M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

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

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

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

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 17 South, Range 18 East, N.M.P.M.
Sections 1, 10, 11, 12, 13, 14, 15 and the S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ of Section 2
Township 17 South, Range 19 East, N.M.P.M.
Sections 6 and 7

Containing 6,231.90 acres, more or less
Chaves County, New Mexico

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit B attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

2. UNITIZED SUBSTANCES. All oil, gas natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR. YATES PETROLEUM CORPORATION whose address is 207 South 4th Street, Artesia, N.M. 88210 is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances; and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the unit operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor unit operator, or to the owners thereof if no such new unit operator is elected, to be used for the purpose of conducting unit operations hereunder.

Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR. Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five per cent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned, among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and

duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided.

Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator.

Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY. The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Basal Pennsylvanian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 4,800 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the

drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N. M. Statutes 1953 Annotated of intention to cancel on account of any

alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N.M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default; failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION. All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized

land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES:

All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the

unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

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

15. DRAINAGE. In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the

interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES. Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to

apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interest party shall also have the right at his own expense to appear and to participate in any such proceeding.

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

21. UNAVOIDABLE DELAY. All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the unit operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator whether similar to matters herein enumerated or not.

22. LOSS OF TITLE. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld.

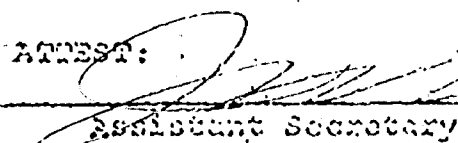
Unit operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to unit operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment or revenue.

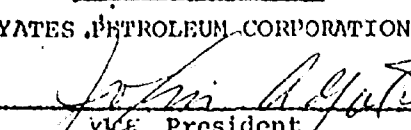
24. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties or may be ratified or consented to be separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a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

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

ATTEST:


Assistant Secretary

By

UNIT OPERATOR
YATES PETROLEUM CORPORATION

Vice President

Date: April 29, 1976

4-29-76

DUNKEN NOSE UNIT, CHAVES COUNTY, NEW MEXICOSchedule of Tract Numbers, Ownership and Participation

TRACT NO.	DESCRIPTION	ACRES	LEASE NO. & EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDE OR PRO-DUCTION PAYMENT AND PERCENTAGE	WORKING INTEREST OWNER - PERCENTAGE
1	T17S-R18E Sec. 2: S $\frac{1}{2}$, S $\frac{1}{2}$ N $\frac{1}{2}$	480.00	LG-1837 6-1-84	State 12 $\frac{1}{2}$ %	C & K Petroleum	None	C & K Pet. - 100%
2	T17S-R18E Sec. 1: A11	641.18	LG-1838 6-1-84	State 12 $\frac{1}{2}$ %	C & K Petroleum	None	C & K Pet. - 100%
3	T17S-R18E Sec. 11: N $\frac{1}{2}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 12: A11	1,120.00	LG-1839 6-1-84	State 12 $\frac{1}{2}$ %	C & K Petroleum	None	C & K Pet. - 100%
4	T17S-R18E Sec. 10: N $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 15: A11	1,040.00	K-6138 6-21-76	State 12 $\frac{1}{2}$ %	Yates Petroleum	None	Yates Pet. - 100%
5	T17S-R18E Sec. 11: NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 13: N $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ Sec. 14: SW $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, SE $\frac{1}{4}$	1,040.00	K-6139 6-21-76	State 12 $\frac{1}{2}$ %	Yates Petroleum	None	Yates Pet. - 100%
6	T17S-R19E Sec. 6: A11 Sec. 7: A11	1,270.72	K-6145 6-21-76	State 12 $\frac{1}{2}$ %	Yates Petroleum	None	Yates Pet. - 100%
<u>TOTAL: 5,591.90 acres State New Mexico Lands</u>							

4-29-76

TRACT NO.	DESCRIPTION	ACRES	LEASE NO. & EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDE OR PRO-DUCTION PAYMENT AND PERCENTAGE	WORKING INTEREST OWNER - PERCENTAGE
7	<u>T17S-R18E</u> Sec. 13: S $\frac{1}{2}$ N $\frac{1}{2}$	160.00	Fee 11-7-78	18 3/4%	C & K Petroleum	None	C & K Pet. - 100%
8	<u>T17S-R18E</u> Sec. 10: S $\frac{1}{2}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 11: S $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 14: N $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$	480.00	Fee	None	Unleased	None	None

TOTAL: 640.00 acres Fee Lands

RECAPITULATION

5,591.90 Acres State Lands, 89.73% of UNIT AREA
640.00 Acres Fee Lands, 10.27% of UNIT AREA
 6,231.90 Acres All Lands 100.00% of UNIT AREA

Dockets Nos. 15-76 and 16-76 are tentatively set for hearing on May 26 and June 9, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 12, 1976

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

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for June, 1976, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.

(2) Consideration of the allowable production of gas for June, 1976, from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 5676: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Federal GC Com Well to be drilled 660 feet from the South and East lines of Section 32, Township 17 South, Range 25 East, Eddy County, New Mexico, to test the Morrow formation, the E/2 of said Section 32 to be dedicated to the well.

CASE 5677: Application of Yates Petroleum Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Dunken Nose Unit Area comprising 6393 acres, more or less, of State and Fee lands in Township 17 South, Ranges 18 and 19 East, Chaves County, New Mexico.

CASE 5678: Application of Amoco Production Company for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to deviate its State "E" Tract 18 Well No. 15, the surface location of which is 330 feet from the North line and 2310 feet from the West line of Section 1, Township 17 South, Range 36 East, Lovington-Abo Pool, Lea County, New Mexico, by directionally drilling said well and bottoming it in the Abo formation within 100 feet of a point 600 feet from the North line and 2310 feet from the West line of said Section 1.

CASE 5679: Application of Amoco Production Company for approval of an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Empire South Deep Unit Well No. 9 to be drilled 660 feet from the North line and 990 feet from the West line of Section 5, Township 18 South, Range 29 East, South Empire-Morrow Gas Pool, Eddy County, New Mexico, the W/2 of said Section 5 to be dedicated to the well.

CASE 5680: Application of Amoco Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 21, Township 20 South, Range 25 East, Cemetery-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to David Fasken's Cemetery Federal Com Well No. 1 located in Unit L of said Section 21. 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 David Fasken as operator of the well and a charge for the risk involved in drilling said well.

CASE 5681: Application of A. H. Rains for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Yates formation through the open-hole interval from approximately 550 feet to 561 feet in his Pure State Well No. 1, located in Unit J of Section 15, Township 21 South, Range 27 East, Magruder-Yates Pool, Eddy County, New Mexico.

CASE 5098: (Reopened)

In the matter of Case 5098 being reopened pursuant to the provisions of Order No. R-4682, which order established special rules for the Red Tank-Morrow Gas Pool, Lea County, New Mexico, including a provision for 640-acre spacing. All interested parties may appear and show cause why said pool should not be developed on 320-acre spacing.

CASE 5473: (Reopened)

In the matter of Case 5473 being reopened pursuant to the provisions of Order No. R-5029, which order established special rules and regulations for the West Knowles-Drinkard Pool, Lea County, New Mexico, including a provision for 80-acre spacing and proration units. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

A. J. LOSEE
JOEL M. CARSON
CHAD DICKERSON

LAW OFFICES
LOSEE & CARSON, P.A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88210

AREA CODE 505
746-3508

30 April 1976

Mr. Joe D. Ramey, Director
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

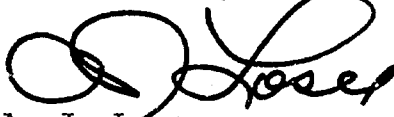
Dear Mr. Ramey:

Enclosed, please find Application, in triplicate, of Yates Petroleum Corporation for approval of the Dunken Nose Unit Agreement covering lands in Township 17 South, Ranges 18 and 19 East, Chaves County, New Mexico.

Please set this application for hearing before an examiner at the earliest possible date, and advise us of the hearing date.

Very truly yours,

LOSEE & CARSON, P.A.


A. J. Losee

AJL:jw
Enclosures

cc w/enclosure: Yates Petroleum Corporation

RECEIVED
MAY - 3 1966
OIL CONSERVATION COMMISSION
SANDIA

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
YATES PETROLEUM CORPORATION FOR :
APPROVAL OF THE DUNKEN NOSE UNIT : CASE NO. _____
AGREEMENT, CHAVES COUNTY, NEW MEXICO :
_____ :

APPLICATION

COMES YATES PETROLEUM CORPORATION, and respectfully
states:

1. That applicant seeks approval of the Dunken Nose
Unit Agreement, covering 6,231.90 acres, more or less, of State
and fee oil and gas leased lands in Chaves County, New Mexico,
and described as follows:

Township 17 South, Range 18 East, N.M.P.M.

Sections 1, 10, 11, 12, 13, 14, 15,
S/2 N/2, S/2 Section 2

Township 17 South, Range 19 East, N.M.P.M.

Sections 6 and 7

2. That applicant holds sufficient interest in the
Dunken Nose Unit Area covering the lands described above, to
give reasonably effective control of operations therein.

3. The approval of the proposed unit agreement will
promote the prevention of waste and the protection of correla-
tive rights within the unit area.

WHEREFORE, applicant prays:

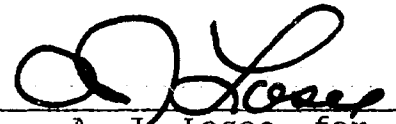
A. That this matter be set for hearing before an
examiner at the earliest possible date.

B. That the Commission approve the Dunken Nose Unit Agreement and the conservation provisions thereof.

C. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By:


A. J. Losee, for

LOSEE & CARSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
YATES PETROLEUM CORPORATION FOR :
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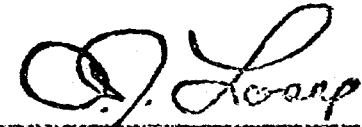
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YATES PETROLEUM CORPORATION

By: _____



A. J. Losee, for

LOSEE & CARSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
YATES PETROLEUM CORPORATION FOR :
APPROVAL OF THE DUNKEN NOSE UNIT : CASE NO. _____
AGREEMENT, CHAVES COUNTY, NEW MEXICO :
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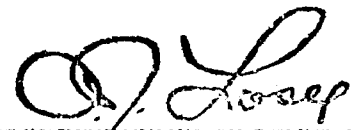
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C. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By:



A. J. Losee, for

LOSEE & CARSON, P.A.

P. O. Drawer 239

Artesia, New Mexico 88210

Attorneys for Applicant

DRAFT

dr/

[Handwritten signature]

Held

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 5677

Order No. R- 5228

APPLICATION OF YATES PETROLEUM CORPORATION
FOR APPROVAL OF THE DUNKEN NOSE
UNIT AGREEMENT, CHAVES, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 12, 1976
at Santa Fe, New Mexico, before Examiner
Daniel S. Nutter.

NOW, on this day of May, 1976, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Yates Petroleum Corporation,
seeks approval of the Dunken Nose Unit Agreement
covering 6231.90 acres, more or less, of State lands
~~6000~~ and Fee
described as follows:

CHAVES COUNTY, NEW MEXICO
TOWNSHIP 17 S, RANGE 18 E, NMPM

Section 1: All
Section 2: 3/2 N/2 and S/2
Sections 10 through 15: All

Township 17 South, Range 19 East, NMPM

Sections 6 and 7: All

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

IT IS THEREFORE ORDERED:

(1) That the Dunken Nose Unit Agreement is hereby approved.

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

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

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

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

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

Appl Yates Pet Corp.
for Unit agreement
Chaves Co., N.M.

~~Dunk~~ Dunken Nose Unit Area
6392.76 acres more or less of
State and Fee lands

TWP 17 S R 18⁸¹⁹ E Chaves
Co.

Jerry Lossee

4:30 4/20/76 RLS