

**CASE 2301: Application of MURPHY
CORP. for approval of NORTHWEST
CABOTAGE WITH AGREEMENT**

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2301

Application, Transcript,
and all Exhibits, Etc.

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JUNE 7, 1961

EXAMINER HEARING

IN THE MATTER OF:

CASE 2301

Application of the Murphy Corporation
for approval of the Northwest Caprock
Unit Agreement, Lea County, New Mexico.

TRANSCRIPT OF HEARING

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JUNE 7, 1961

EXAMINER HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.
PHONE CH 3-6691
ALBUQUERQUE, NEW MEXICO

IN THE MATTER OF:

CASE 2301 Application of the Murphy Corporation for approval of the Northwest Caprock Unit Agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Northwest Caprock Unit Agreement, which unit embraces approximately 1525 acres of State land in Townships 11 and 12 South, Range 32 East, Lea County, New Mexico.

BEFORE:

Daniel S. Nutter, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. NUTTER: We will call next Case 2301.

MR. MORRIS: Case 2301. Application of the Murphy Corporation for approval of the Northwest Caprock Unit Agreement, Lea County, New Mexico.

MR. HINKLE: Clarence Hinkle of Hervey, Dow & Hinkle, Roswell, appearing on behalf of the applicant, Murphy Corporation.

MR. NUTTER: Any other appearances in this case?

MR. HINKLE: We have two witnesses we would like to have

sworn.

(Witnesses sworn)



(Whereupon, Murphy's Exhibits Nos. 1 and 2 were marked for identification).

MR. HINKLE: Call Mr. Simmons first.

HARRY SIMMONS,

called as a witness, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. HINKLE:

Q Your name is Harry Simmons?

A Yes, sir.

Q You are employed by the Murphy Corporation?

A Yes.

Q Where do you reside?

A I live in Denver, Colorado.

Q What is your capacity with the Murphy Corporation?

A I am the division Landman for the Denver Division, which has the responsibility, among other areas, the Southeastern part of New Mexico.

Q Are you familiar with the area that is involved in this application, which is the Northwest Caprock Unit?

A Yes, I am.

Q Are you familiar with the application which has been filed with the Commission?

A Yes.

Q Please refer to Murphy's Exhibit No. 1. Does this show the proposed Northwest Caprock Unit area?

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ALBUQUERQUE, NEW MEXICO



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PHONE CH 3-6891

A Yes. This Unit area is outlined in red on the Exhibit 1 plat. It shows the land ownership in the area with the proposed Unit as outlined with the proposed location of the Unit well circled in red.

Q Does it show the ownership of the acreage?

A Yes, sir. That is the leasehold interest.

Q What is the characteristic of the land involved, is it State or fee or Federal land?

A This Unit covers 1525.37 acres. It is all State of New Mexico common school land.

Q Are you familiar with the form of unit agreement which has been filed with this application?

A Yes, sir, I am.

Q Is the Murphy Corporation named as a unit operator?

A Yes, sir.

Q Does that form follow substantially the same form that has heretofore been approved by the Commissioner of Public Lands and the Commission where only State lands are involved?

A Yes, it does.

Q Has this particular form been approved by the Commissioner of Public Lands or his staff or his office --

A Yes, it has.

Q -- as to form?

A Yes, sir.

Q Does the unit agreement require a test well to be drilled?



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PHONE CH 3-6691

A Yes, sir, it does.

Q When is the well to be commenced?

A The well is to be commenced sixty days after official approval of the Unit. The well location will be in the northeast of the northwest of Section 8, Township 12 South, Range 32 East.

Q What is the projected depth of the test well?

A The projected depth is 11,600 feet.

Q What formations will that test at that depth?

A The objective formation is the Devonian.

Q Have you approached all of the lease owners within this proposed area to see whether or not they would join in the Unit?

A Yes, we have, and we have one hundred percent leasehold commitment to this Unit if it is approved by the Commission.

Q Promises of commitment?

A Yes.

Q In the event this unit agreement is approved, a well is drilled, and you should discover oil or gas in paying quantities, state whether or not, in your opinion, this agreement would be in the interest of conservation and the prevention of waste.

A In my opinion, it would be.

Q Would it promote the greatest ultimate recovery of unitized substances in the area?

A Yes, it would.

MR. HINKLE: I might say at this time, Mr. Examiner, that we have another witness who will go into the geology of this thing.



That's all the questions I have of Mr. Simmons.

CROSS-EXAMINATION

BY MR. NUTTER:

Q Mr. Simmons, the tabulation at the end of Exhibit B on the unit agreement indicates that Union Oil has 362 acres in this Unit. Which 362 acres is that, please?

A First, let me say this: The Union is an owner of 241 acres inside the Unit area. What we have done, we have gotten commitments from the other operators who do not wish to participate in the initial cost of the first well, and which Murphy Corporation and other participants in the cost of the first well will pay their part, and, in turn, earn part of the acreage inside the Unit. Consequently, the Union's percentage was approximately fifteen percent of the Unit, and there was 120 acres to be earned, and by taking that fifteen percent of the one hundred twenty, you come up with the twenty additional acres. I'm talking in round figures, of course.

Q In other words, this acreage is a part of some of this other acreage; it's not the acreage that's shown on the plat as being Union's?

A That is correct.

Q It is an earned acreage?

A Yes.

MR. HINKLE: That's what you will earn?

A Earn by the drilling of the well.

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Q (By Mr. Nutter) The tabulation does not reflect the actual surface acres that the companies own?

A That is correct. It will be the ownership of the Unit acreage after the initial test well, and the way the income will be distributed, Mr. Examiner.

Q Is all of the acreage in here State acreage?

A Yes, sir. Same beneficiary.

Q And one hundred percent of the working interest has been committed or committed to be committed?

A That is correct.

MR. NUTTER: Any further questions of Mr. Simmons? He may be excused.

(Witness excused)

FRANK L. GLAZE,

called as a witness, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. HINKLE:

Q Your name is Frank L. Glaze?

A Yes, sir.

Q Are you employed by the Murphy Corporation?

A Yes, sir.

Q In what capacity?

A Permian Basin geologist.

Q How do you spell that name, please?



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ALBUQUERQUE, NEW MEXICO

A G-l-a-z-e.

Q Are you located in Denver at the present time?

A Yes, sir.

Q Are you a graduate geologist?

A Yes, I am.

Q Have you ever testified before the Oil Conservation Commission?

A No, sir.

Q What school did you graduate from?

A Texas Western College, El Paso, Texas.

Q What year?

A 1949.

Q What degree?

A B.S. degree.

Q In geology?

A Yes, B. S. degree in geology.

Q Since your graduation, have you practiced your profession --

A Yes.

Q -- in the geological field?

A Yes, sir.

Q Have you always been employed by the Murphy Corporation since you finished school?

A No, sir.

Q What other companies have you been employed by?

A Rotary Engineering Company, Tidewater Oil Company,



Austral Oil Company, Ada Oil Company and Murphy Corporation.

Q In your work with these different companies, did any of it entail work in New Mexico and Southeastern New Mexico?

A Yes, sir. All of it did.

Q All of it in what you would call the Permian Basin?

A Yes, sir.

Q At the present time, does your work with the Murphy Corporation require you to be familiar with operations in Southeastern New Mexico?

A Yes, sir, it does.

Q Do you know whether or not the Murphy Corporation has made a geophysical survey of this proposed Northwest Caprock area?

A Yes, sir. They have.

Q I hand you Murphy's Exhibit 2, and ask you to explain what it is, and what it shows.

A It's a reflex seismograph map of the top of the Devonian formation.

Q It's contoured on top of the Devonian?

A Contoured on the top of the Devonian at 50-foot intervals, showing a structural anticline which has been broken by two major faults trending north-south, the major fault on the west having approximately 400 feet of displacement, the major fault on the east having approximately 500 feet of displacement, and within the up-thrown fault block a structural enclosure or a combination of structural fault enclosers of approximately 300 feet.

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Q Is the red line the outline of the proposed Unit area?

A Yes, sir, it is.

Q Is the location of the initial test well also shown?

A It's marked in red in the northeast of the northwest of Section 8, 12 South, 32 East.

Q Is it your opinion that if production should be obtained, that the area that's involved or enclosed within the Unit area would be all or substantially all of the producing area of this particular structure?

A We believe that it would be.

Q This is Murphy Corporation's interpretation of the seismicographic survey, which was made of the area?

A Yes, it is.

Q Is it your opinion that a well drilled to 11,600 feet, as provided by the unit agreement, will test the Devonian formation?

A Yes, sir, that's my opinion.

MR. HINKLE: I believe that's all.

CROSS-EXAMINATION

BY MR. NUTTER:

Q Mr. Glaze, is this seismic contour on the top of the Devonian?

A Yes, sir, it is.

Q What is the actual enclosure here that's contained within the Unit area?

A It would be some one hundred and fifty plus feet.



Q The highest complete contour line within the Unit area would be a minus 6850, would it not?

A No, sir. It would be a minus 6800 feet.

Q You feel that this Unit area is sufficiently similar to allow the Murphy Corporation adequate control of the structure in the event that unitized substances should be discovered?

A Yes.

Q Do you feel the Unit area is unduly similar to encompass acreage which is not included within the structure?

A No, sir, I do not.

Q Have any wells been drilled to the Devonian formation between the two major faults, the East and West fault?

A No, sir.

MR. WUTTER: Any further questions of Mr. Glaze?

MR. HINKLE: I might ask him one other question here.

REDIRECT EXAMINATION

BY MR. HINKLE:

Q Was this seismographic plat or structure map presented to the Commissioner of Public Lands and discussed with the Land Office there, in arriving at the outlines of the Unit area?

A Yes, sir, it was.

Q And they have indicated that it's satisfactory, as far as they're concerned?

A Yes, sir.

MR. HINKLE: That's all.

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MR. NUTTER: Any further questions of Mr. Glaze? He may be excused.

(Witness excused)

MR. HINKLE: That's all we have. I want to offer in evidence Murphy Corporation's Exhibits 1 and 2.

MR. NUTTER: Murphy's Exhibits 1 and 2 will be admitted in evidence.

(Whereupon, Murphy's Exhibits Nos. 1 and 2 were received in evidence.)

MR. NUTTER: Do you have anything further, Mr. Hinkle?

MR. HINKLE: We would like to withdraw the seismographic plat after the time has elapsed for appeal of the case, which I think has been the practice or been permitted before.

MR. NUTTER: Yes, it has in several instances. So this Exhibit No. 2 is being offered under those conditions?

MR. HINKLE: That's the only one.

MR. NUTTER: Does anyone have anything further to offer in Case 2301? We will take the case under advisement.

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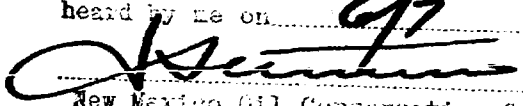
STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record, to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 11th day of June, 1961, in the City of Albuquerque, County of Bernalillo, State of New Mexico.


NOTARY PUBLIC

My Commission expires:
June 19, 1963

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2501, heard by me on 6/7, 1964.
, Examiner
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-4501

ALBUQUERQUE, NEW MEXICO



BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JUNE 7, 1961

EXAMINER HEARING

IN THE MATTER OF:

CASE 2301

APPLICATION OF THE MURPHY CORPORATION
FOR APPROVAL OF THE NORTHWEST CAPROCK
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

TRANSCRIPT OF HEARING

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JUNE 7, 1961

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IN THE MATTER OF: :
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the above-styled cause, seeks approval of the :
Northwest Caprock Unit Agreement, which unit :
embraces approximately 1525 acres of State :
land in Townships 11 and 12 South, Range 32 :
East, Lea County, New Mexico. :

BEFORE:

Daniel S. Nutter, Examiner.

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Roswell, appearing on behalf of the applicant, Murphy Corporation.

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MR. HINKLE: We have two witnesses we would like to have

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(Witnesses sworn)

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PHONE C/I 3-4691

ALBUQUERQUE, NEW MEXICO



(Whereupon, Murphy's Exhibits Nos. 1 and 2 were marked for identification).

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HARRY SIMMONS,

called as a witness, having been first duly sworn on oath, testified as follows:

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PHONE CH 3-6897

ALBUQUERQUE, NEW MEXICO

A Yes. This Unit area is outlined in red on the Exhibit 1 plat. It shows the land ownership in the area with the proposed Unit as outlined with the proposed location of the Unit well circled in red.

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A Yes, it does.

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A Yes, it has.

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Q How do you spell that name, please?

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ALBUQUERQUE, NEW MEXICO

PHONE CN 3-6991

A G-l-a-z-e.

Q Are you located in Denver at the present time?

A Yes, sir.

Q Are you a graduate geologist?

A Yes, I am.

Q Have you ever testified before the Oil Conservation Commission?

A No, sir.

Q What school did you graduate from?

A Texas Western College, El Paso, Texas.

Q What year?

A 1949.

Q What degree?

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A Yes, B. S. degree in geology.

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PHONE CH 3-4691

ALBUQUERQUE, NEW MEXICO

Q Is the red line the outline of the proposed unit area?

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Q And they have indicated that it's satisfactory, as far as they're concerned?

A Yes, sir.

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DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6611

ALBUQUERQUE, NEW MEXICO



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(Witness excused)

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MR. NUTTER: Murphy's Exhibits 1 and 2 will be admitted in evidence.

(Whereupon, Murphy's Exhibits Nos. 1 and 2 were received in evidence.)

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MR. NUTTER: Yes, it has in several instances. So this Exhibit No. 2 is being offered under these conditions?

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MR. NUTTER: Does anyone have anything further to offer in Case 2301? We will take the case under advisement.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6591

ALBUQUERQUE, NEW MEXICO



STATE OF NEW MEXICO)
) --
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record, to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 11th day of June, 1961, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley
NOTARY PUBLIC

My Commission expires:

June 19, 1963

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1001 heard by me on 6/7, 1961.

W. Steiner Examiner
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

*Case
2301
Hink*

August 2, 1961

Murphy Corporation
940 Petroleum Club Building
Denver, Colorado

Attention: Mr. Hervey Simmons

Gentlemen:

Enclosed herewith are two copies of the seismic structure plat which were introduced as exhibits in the recent hearing of Case No. 2301.

These are being returned to you in accordance with the request of your attorney, Mr. Clarence E. Hinkle, inasmuch as time for rehearing or appeal of the case has elapsed.

Very truly yours,

DANIEL S. MUTTER
Chief Engineer

DSM/pg
Encls.

cc: Hervey, Dow & Hinkle

C
O
P
Y

J. M. HERVEY 1874-1963
HIRAN W. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON
S. B. CHRISTY IV
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COPFIELD

LAW OFFICES
HERVEY, DOW & HINKLE
HINKLE BUILDING
ROSWELL, NEW MEXICO

TELEPHONE MAIN 2-6510
POST OFFICE BOX 10

July 20, 1961

Mr. Daniel S. Nutter, Examiner
N. M. Oil Conservation Commission
Land Office Building
Santa Fe, New Mexico

Re: Case No. 2301, Application of the Murphy
Corporation for Approval of the Northwest
Caprock Unit Agreement, Lea County

Dear Mr. Nutter:

You will recall that a hearing was had on the above
unit proposed by the Murphy Corporation on June 7, 1961. At
the conclusion of the hearing we requested permission to
withdraw the plat showing the seismographic survey made of
the area after the time had elapsed for the appeal of the
case.

The Murphy Corporation has called our attention to
the fact that this plat has not been returned, and we would
appreciate your arranging to have the same withdrawn from
the exhibits and mailed direct to Mr. Harry Simmons, Divi-
sion Landman, Murphy Corporation, 940 Petroleum Club Build-
ing, Denver, Colorado.

Very truly yours,

HERVEY, DOW & HINKLE

By 

CEH:bc

cc: Murphy Corporation

~~FROM 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. 2301
Order No. R-2001

APPLICATION OF MURPHY CORPORATION
FOR APPROVAL OF THE NORTHWEST CAP-
ROCK UNIT AGREEMENT EMBRACING 1525
ACRES, MORE OR LESS, LOCATED IN
TOWNSHIPS 11 AND 12 SOUTH, RANGE
32 EAST, HMPM, LEA COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
June 7, 1961, at Santa Fe, New Mexico, before Daniel S. Nutter,
Examiner duly appointed by the Oil Conservation Commission of New
Mexico, hereinafter referred to as the "Commission," in accordance
with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 16th day of June, 1961, the Commission, a
quorum being present, having considered the application, the
evidence adduced, and the recommendations of the Examiner,
Daniel S. Nutter, 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 proposed unit plan will in principle tend to
promote the conservation of oil and gas and the prevention of
waste.

IT IS THEREFORE ORDERED:

- (1) That this order shall be known as the NORTHWEST CAPROCK
UNIT AGREEMENT ORDER.
- (2) (a) That the project herein referred to shall be known
as the Northwest Caprock Unit Agreement and shall hereinafter be
referred to as the "Project."
- (b) That the Plan by which the project shall be opera-
ted shall be embraced in the form of a unit agreement for the
development and operation of the Northwest Caprock Unit Area,
referred to in the Petitioner's petition and filed with said

petition, and such plan shall be known as the Northwest Caprock Unit Agreement Plan.

(3) (a) That the Northwest Caprock Unit Agreement Plan shall be, and hereby is, 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, duties or obligations which are now, or may hereafter be, vested in the New Mexico Oil Conservation Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said Northwest Caprock Unit Agreement, or relative to the production of oil and gas therefrom.

(b) That the unit operator periodically shall file with the Commission a statement of progress, summarizing operations for the exploration and development of any lands committed to said Northwest Caprock Unit Agreement. This statement of progress shall be filed within 30 days after the expiration of each six-months period during the term of the unit agreement, and shall contain such pertinent data as may be necessary for the Commission to determine the progress being made in the unit.

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN,
LEA COUNTY, NEW MEXICO

TOWNSHIP 11 SOUTH, RANGE 32 EAST
Section 32: SE/4

TOWNSHIP 12 SOUTH, RANGE 32 EAST
Section 5: All
Section 6: Lot 1, SE/4 NE/4 and
the E/2 SE/4
Section 7: E/2 SE/4
Section 8: N/2 and the E/2 S/2

containing 1525 acres, more or less.

(b) The unit area may be enlarged or contracted as provided in said Plan, provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Northwest Caprock Unit Agreement within 30 days after the effective date thereof.

-3-
CASE No. 2301
Order No. R-2001

(6) That any party owning rights in the unitized substances who does not commit such rights to said unit agreement before the effective date thereof may thereafter become a party thereto by subscribing to such agreement or counterpart thereof, or by ratifying the same. The unit operator shall file with the Commission within 30 days an original of any such counterpart or ratification.

(7) 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 shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall immediately notify the Commission in writing of such termination.

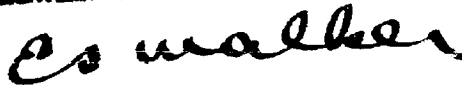
(8) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

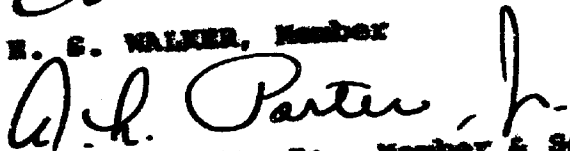
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



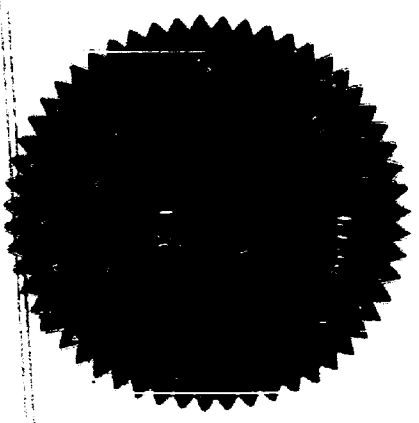
EDWIN L. MECHEM, Chairman



H. S. WALKER, Member



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



esc/

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER



STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 871
SANTA FE

June 16, 1961

Mr. Clarence Hinkle
Harvey, Dow & Hinkle
Box 10
Roswell, New Mexico

Re: CASE NO. 2301

ORDER NO. R-2001

APPLICANT:

Murphy Corporation

Dear Sir:

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

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC X

Artesia OCC

Aztec OCC

OTHER

DOM
6/9

DRAFT

RSM/esr
June 9, 1961

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. 2301

Order No. R-7001

DOM
6/15

APPLICATION OF MURPHY CORPORATION
FOR APPROVAL OF THE NORTHWEST CAP-
ROCK UNIT AGREEMENT EMBRACING 1525
ACRES, MORE OR LESS, LOCATED IN
TOWNSHIPS 11 AND 12 SOUTH, RANGE
32 EAST, NMPM, LEA COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
June 7, 1961, at Santa Fe, New Mexico, before Daniel S. Nutter,
Examiner duly appointed by the Oil Conservation Commission of New
Mexico, hereinafter referred to as the "Commission," in accordance
with Rule 1214 of the Commission Rules and Regulations.

NOW, on this day of June, 1961, the Commission,
a quorum being present, having considered the application, the
evidence adduced, and the recommendations of the Examiner,
Daniel S. Nutter, 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 proposed unit plan will in principle tend to
promote the conservation of oil and gas and the prevention of
waste.

IT IS THEREFORE ORDERED:

(1) That this order shall be known as the NORTHWEST CAPROCK
UNIT AGREEMENT ORDER.

(2) (a) That the project herein referred to shall be known
as the Northwest Caprock Unit Agreement and shall hereinafter be
referred to as the "Project."

(b) That the Plan by which the project shall be opera-
ted shall be embraced in the form of a unit agreement for the
development and operation of the Northwest Caprock Unit Area,
referred to in the Petitioner's petition and filed with said

petition, and such plan shall be known as the Northwest Caprock Unit Agreement Plan.

(3) (a) That the Northwest Caprock Unit Agreement Plan shall be, and hereby is, 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, duties or obligations which are now, or may hereafter be, vested in the New Mexico Oil Conservation Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said Northwest Caprock Unit Agreement, or relative to the production of oil and gas therefrom.

(b) That the unit operator periodically shall file with the Commission a statement of progress, summarizing operations for the exploration and development of any lands committed to said Northwest Caprock Unit Agreement. This statement of progress shall be filed within 30 days after the expiration of each six-months period during the term of the unit agreement, and shall contain such pertinent data as may be necessary for the Commission to determine the progress being made in the unit.

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN,
LEA COUNTY, NEW MEXICO

TOWNSHIP 11 SOUTH, RANGE 32 EAST
Section 32: SE/4

TOWNSHIP 12 SOUTH, RANGE 32 EAST
Section 5: All

Section 6: Lot 1, SE/4 NE/4 and
the E/2 SE/4

Section 7: E/2 NE/4

Section 8: N/2 and the N/2 S/2

containing 1525 acres, more or less.

(b) The unit area may be enlarged or contracted as provided in said Plan, provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Northwest

Caprock Unit Agreement within 30 days after the effective date thereof.

(6) That any party owning rights in the unitized substances who does not commit such rights to said unit agreement before the effective date thereof may thereafter become a party thereto by subscribing to such agreement or counterpart thereof, or by ratifying the same. The unit operator shall file with the Commission within 30 days an original of any such counterpart or ratification.

(7) 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 shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall immediately notify the Commission in writing of such termination.

(8) 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.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO.
Order No.

THE APPLICATION OF _____

FOR THE APPROVAL OF _____

AGREEMENT EMBRACING _____ UNIT

ACRES, MORE OR LESS, LOCATED IN TOWNSHIP _____

_____, RANGE _____

NMPM, _____ COUNTY, NEW

MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at _____ o'clock _____ m. on _____
19____ at _____, New Mexico, before _____

NOW, on this _____ day of _____ 19____, the Commission, a quorum being
present, having considered _____

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 proposed unit plan will in principle tend to promote the conservation
of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That this order shall be known as the

_____ UNIT AGREEMENT ORDER.

(2) (a) That the project herein referred to shall be known as the _____
Unit Agreement and shall hereinafter be referred to as the "Project."

(b) That the Plan by which the project shall be operated shall be embraced
in the form of a unit agreement for the development and operation of the _____
Unit Area, referred to in the Petitioner's petition and filed with said
petition, and such plan shall be known as the _____ Unit Agreement Plan.

(3) (a) That the _____ Unit Agreement Plan shall be, and
hereby is, 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, duties or obligations
which are now, or may hereafter, be vested in the New Mexico Oil Conservation Commission by
law relative to the supervision and control of operations for exploration and development of
any lands committed to said _____ Unit Agreement, or relative
to the production of oil and gas therefrom.

*Use letter (a) only if
Paragraph (b) is used.*

Order No.

Use 3(b) only if
no Federal acreage
is included

(b) That the unit operator periodically shall file with the Commission a Unit Statement of Progress, summarizing operations for the exploration and development of any lands committed to said Unit Agreement. This statement of progress shall be filed within 30 days after the expiration of each six-months period during the term of the unit agreement, and shall contain such pertinent data as may be necessary for the Commission to determine the progress being made in the Unit Area.

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP _____, RANGE _____

containing _____ acres more or less.

Note

(b) The unit area may be enlarged or contracted as provided in said Plan. (Omit if Agreement does not so provide.)

(5) 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.

(6) That any party owning rights in the unitized substances who does not commit such rights to said unit agreement before the effective date thereof may thereafter become a party thereto by subscribing to such agreement or counterpart thereof, or by ratifying the same. The unit operator shall file with the Commission within 30 days an original of any such counterpart or ratification.

(7) That this Order shall become effective upon the approval of said unit agreement by the _____

and shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall immediately notify the Commission in writing of such termination.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

, Chairman

, Member

, Member & Secretary

S E A L

project in the Square Lake Pool, Eddy County, New Mexico, to permit the expansion of said waterflood project to include lands in Sections 27, 28, 32, 33, and 34, all in Township 16 South, Range 31 East, Eddy County, New Mexico, and to further define the horizontal limits of said project. Applicant also seeks the establishment of special rules governing the expansion of said waterflood and providing for capacity allowables therein.

CASE 2300:

Application of Southwest Production Company for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 321-acre non-standard gas proration unit in the Basin-Dakota Gas Pool consisting of the NE/4 NE/4 of Section 27 and all of the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico, excepting from the E/2 of said Section 22 a 13-acre and a 26-acre tract owned by Dwight L. Millett, Gladys L. Millett, Julian Coffey and Pan American Petroleum Corporation. In the alternative, applicant seeks the establishment of a 281-acre non-standard gas proration unit in said pool consisting of all of the E/2 of said Section 22 excepting therefrom the aforesaid 13-acre and 26-acre tracts.

CASE 2301:

Application of the Murphy Corporation for approval of the Northwest Caprock Unit Agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Northwest Caprock Unit Agreement, which unit embraces approximately 1525 acres of State land in Townships 11 and 12 South, Range 32 East, Lea County, New Mexico.

CASE 2302:

Application of Atlantic Refining Company for an oil-oil-oil triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing the triple completion of its Carlson Federal "A" Well No. 1, located in Unit I, Section 23, Township 25 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Paddock formation adjacent to the Justis-Paddock Pool, the production of oil from the Justis-Blinebry Pool and the production of oil from the Justis-Tubb-Drinkard Pool, through parallel strings of 2-inch tubing.

CASE 2303:

Application of Redfern & Herd, Inc. for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to locate its

No. 16-61

DOCKET: EXAMINER HEARING - WEDNESDAY, JUNE 7, 1961

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

The following cases will be heard before Daniel S. Nutter, examiner, or Elvis A. Utz, as alternate examiner:

CASE 2297:

Application of Pan American Petroleum Corporation for two non-standard oil proration units and two unorthodox oil well locations, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 46.74-acre non-standard oil proration unit in the Cha Cha-Gallup Oil Pool consisting of the E/2 NE/4 SE/4 of Section 17, Township 29 North, Range 14 West, San Juan County, New Mexico, plus 20.73 acres in Lot 8 of said Section 17 and 6.01 acres lying North of the mid-channel of the San Juan River and along the South boundary of that portion of said Lot 8 included in the unit. Said unit is to be dedicated to the Frank L. Wood Well No. 1 at an unorthodox location 990 feet from the South line and 660 feet from the East line of said Section 17. Applicant further seeks the establishment of a 57.31-acre non-standard oil proration unit in said pool consisting of Lots 3, 4 and 5 of said Section 17 plus the S/2 of that portion of the San Juan River channel lying in the W/2 of said Section 17 and along the North boundary of Lots 3, 4 and 5. Said unit is to be dedicated to the Navajo Tribal "G" Well No. 8 at an unorthodox location 1415 feet from the South line and 335 feet from the West line of said Section 17.

CASE 2298:

Application of Chambers & Kennedy for a gas-oil dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Monument State Well No. 1, located in Unit J, Section 34, Township 19 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of gas from the Eumont Gas Pool and the production of oil from the Eunice-Monument Pool through the 5½-inch by 2½-inch casing-tubing annulus and through 2½-inch tubing respectively.

CASE 2299:

Application of Newmont Oil Company for an amendment of Orders Nos. R-1110 and R-1110-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an amendment of Orders Nos. R-1110 and R-1110-A, which authorized a pilot waterflood

Airport Well No. 1 at an unorthodox gas well location in the Basin-Dakota Gas Pool at a point 200 feet from the North line and 500 feet from the East line of Section 8, Township 29 North, Range 13 West, San Juan County, New Mexico.

CONTINUED CASES

CASE 2286:

Application of Aztec Oil & Gas Company for an exception to Rule 309 (a), San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to commingle the Totah-Gallup Pool production from the following-described leases, all in Township 29 North, Range 13 West, San Juan County, New Mexico.

Federal Lease No. SF 079065 in Sections 19, 20 and 29.

State Lease B-11017-23 comprising in pertinent part the SW/4 NW/4 of Section 20.

State Lease B-11017-21 comprising in pertinent part the NW/4 NW/4 of Section 20.

Smith-Eaton Lease comprising in pertinent part the NE/4 SE/4, SE/4 NE/4 and the E/2 NW/4 of Section 20.

Applicant proposes to commingle said production in a common tank battery located on the SW/4 of said Section 20 after separately metering the production from the State and fee leases only.

CASE 2287:

Application of Aztec Oil & Gas Company for an exception to Rule 309 (a), San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to commingle the Totah-Gallup Pool production from five separate fee leases, all located in Section 18, Township 29 North, Range 13 West, San Juan County, New Mexico.

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 6/8/61

CASE 2301

Hearing Date 9am 6/7/61 JSN@SF

My recommendations for an order in the above numbered cases are as follows:

*Enter an order approving the
unit as requested.*

San Juan
Staff Member

Case 2301

J. M. HERVEY 1874-1963
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON
S. B. CHRISTY IV
LEWIS C. COX, JR.
W. W. EATON, JR.
CONRAD E. COFFIELD

LAW OFFICES
HERVEY, DOW & HINKLE
HINKLE BUILDING
ROSWELL, NEW MEXICO

TELEPHONE MAIN 2-6510
POST OFFICE BOX 10

May 12, 1961

Mr. A. L. Porter
Executive Director
New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

all 4/27/61

Dear Mr. Porter:

We enclose, in triplicate, application of the Murphy Corporation for approval of the Northwest Caprock Unit Agreement. It is our understanding that there will be an Examiner's hearing on June 7, 1961, and we would like to have the hearing in connection with this matter at that time.

We would appreciate your sending us copies of the notice published in connection with this matter.

Yours very truly,

HERVEY, DOW & HINKLE

By *James Hinkle*

CEH:bc
Encls.
cc: Murphy Corporation

*Booklet
Mailed 5/26/61
per*

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION OF MURPHY CORPORATION
FOR APPROVAL OF THE NORTHWEST
CAPROCK UNIT AGREEMENT EMBRACING
1,527.37 ACRES, MORE OR LESS, OF
LANDS OF THE STATE OF NEW MEXICO
WITHIN TOWNSHIPS 11 AND 12 SOUTH,
RANGE 32 EAST, N.M.P.M., LEA
COUNTY, NEW MEXICO.

Case 239

New Mexico Oil Conservation Commission
Santa Fe
New Mexico

COMES the undersigned, the Murphy Corporation, with
offices at 940 Petroleum Club Building, Denver 2, Colorado,
and files herewith three copies of the proposed Unit Agreement
for the development and operation of the Northwest Caprock Unit
Area, Lea County, New Mexico, and hereby makes application for
the approval of said Unit Agreement as provided by law, and in
support thereof, shows:

1. That the proposed unit area covered by said agree-
ment embraces 1,525.37 acres, more or less, situated in Lea
County, New Mexico, more particularly described as follows:

Township 11 South, Range 32 East, N.M.P.M.

Section 32: SE $\frac{1}{4}$

Township 12 South, Range 32 East, N.M.P.M.

Section 5: Lots 1, 2, 3 and 4, S $\frac{1}{2}$ N $\frac{1}{2}$; S $\frac{1}{2}$ (All)

Section 6: Lot 1, SE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$

Section 7: E $\frac{1}{2}$ NE $\frac{1}{4}$

Section 8: N $\frac{1}{2}$, N $\frac{1}{2}$ S $\frac{1}{2}$

Handwritten:
Kordeck
Minted
5/26/61
M

2. That all of the lands above described embraced within the proposed unit area are lands of the State of New Mexico.

3. That to the best of applicant's knowledge and belief the proposed unit area covers all, or substantially all, of the geologic feature involved, and in the event of the discovery of oil or gas thereon, that said Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste.

4. That the Murphy Corporation is designated as Unit Operator in said Unit Agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area, subject to all applicable laws and regulations. That said Unit Agreement provides for the commencement of a test well for oil and gas upon some part of the lands embraced in the unit area within sixty (60) days from the effective date of the agreement and for the drilling thereof with due diligence to a depth sufficient to test the Devonian Formation or to such a depth as unitized substances shall be discovered in paying quantities if at a lesser depth; provided, however, Unit Operator is not required in any event to drill said well to a depth in excess of 11,600 feet.

5. That said Unit Agreement is in substantially the same form as unit agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico and by the

New Mexico Oil Conservation Commission which only embrace lands of the State of New Mexico, and it is believed that in the event oil or gas in paying quantities is discovered on the lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said agreement, to the end that the maximum recovery will be obtained and that said Unit Agreement is in the interest of conservation and the prevention of waste as contemplated by the Oil Conservation Commission statutes of the State of New Mexico.

6. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval thereof by the Commissioner of Public Lands of the State of New Mexico, an approved copy thereof will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that this matter be set down for hearing before an Examiner and that due notice thereof be given and published as provided by law, and that said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and prevention of waste.

DATED this the 12th day of May, 1961.

Respectfully submitted,

HERVEY, DOW & HINKLE

By 

Attorneys for Applicant
Murphy Corporation

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
NORTHWEST CAPROCK UNIT AREA
LEA COUNTY, NEW MEXICO

2301

NO. _____

THIS AGREEMENT, entered into as of the _____ day of _____, 1961, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by 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 operation and development of part or all of any oil or gas pool, field or area; and

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

WHEREAS, the parties hereto hold sufficient interests in the Northwest Caprock 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:

STATE OF NEW MEXICO
COUNTY OF LEA

TOWNSHIP 11 SOUTH, RANGE 32 EAST

Section 32: SE 1/4

TOWNSHIP 12 SOUTH, RANGE 32 EAST

Section 5: Lots 1, 2, 3, and 4,
S 1/2 N 1/2; S 1/2 (All)

Section 6: Lot 1, SE 1/4 NE 1/4, E 1/2 SE 1/4

Section 7: E 1/2 NE 1/4

Section 8: N 1/2, N 1/2 S 1/2

1525.37 acres, more or less

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. Murphy Corporation, with offices at 940 Petroleum Club Building, Denver 2, Colorado, 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 Devonian 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 11,600 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, sub-leases, 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 term of each such lease as to lands within the unitized area to the provisions and term 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 so 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 effect 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 capable of 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 if 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 can be produced from the unitized land in paying quantities, 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 Commissioner 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 interested 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 either by the Commission or Commissioner may, with the consent of an aggregate of at least seventy-five per cent (75%) of the total working interests then committed to this agreement, 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 filing with the Commissioner and 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 of 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 by 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.

UNIT OPERATOR

ATTEST:

MURPHY CORPORATION

Assistant Secretary

By _____
Vice President

WORKING INTEREST OWNERS

ATTEST:

AMERADA PETROLEUM CORPORATION

By _____

ATTEST:

MOBIL OIL COMPANY

By _____

ATTEST:

TEXAS PACIFIC COAL AND OIL COMPANY

By _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

ACKNOWLEDGMENTS

STATE OF ARKANSAS X
 X
COUNTY OF UNION X

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, Vice President of Murphy Corporation, a Louisiana corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____
COUNTY OF _____

X
X
X

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, _____ of Amerada Petroleum Corporation, a _____ corporation, on behalf of said corporation.

(Name)

(Title)

Notary Public

My Commission Expires:

STATE OF _____
COUNTY OF _____

X
X
X

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, _____ of Mobil Oil Company a _____ corporation, on behalf of said corporation.

(Name)

(Title)

Notary Public

My Commission Expires:

STATE OF _____
COUNTY OF _____

X
X
X

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, _____ of Texas Pacific Coal and Oil Company, a _____ corporation, on behalf of said corporation.

(Name)

(Title)

Notary Public

My Commission Expires:

STATE OF _____
COUNTY OF _____

X
X
X

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, _____ of Union Oil Company of California, a _____ corporation, on behalf of said corporation.

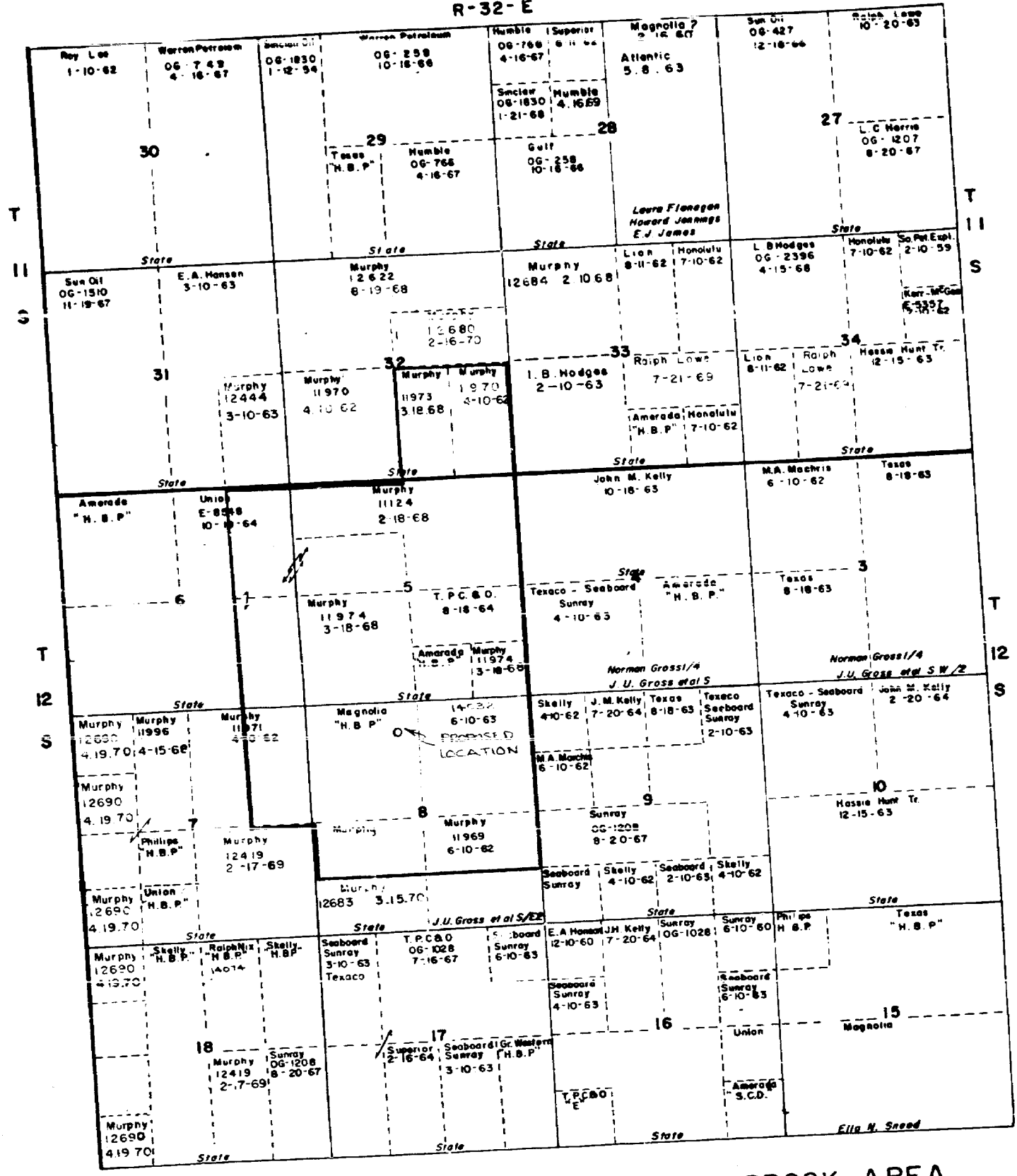
(Name)

(Title)

Notary Public

My Commission Expires:

R-32-E



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PROPOSED UNIT AREA

N.W. GAPROCK AREA
LEA COUNTY, NEW MEXICO
289

EXHIBIT 'A'

Attached to and made a part of this Agreement dated _____, 1961, by and between Murphy Corporation, Mobil Oil Company, Union Oil Company of California, Texas Pacific Coal and Oil Company and Amstar Petroleum Corporation, covering the Purchase (Leases) of, Los Angeles, New Mexico.

Section/Lease	Holder/Interest/Owner	Description	Number of Acres	Lease Burden Other Than Baffle Burden	Burden Owner's Name and Address
00 2271	Murphy Corporation	Township 11 South, Range 22 East Section 22: W/2 NE/4	90.00	None	
R 6126-1	Murphy Corporation	Township 11 South, Range 22 East Section 22: E/2 NE/4	90.00	1/16 of 8/8 OREI	M. A. Muehlen - 1500 Reactor Center 900 Wilshire Blvd. - Los Angeles 17, California
01 1209	Murphy Corporation	Township 12 South, Range 22 East Section 5: Lots 1, 2, 3 and 4 and W/2 NE/4	244.20	None	
R 6340-2	Union Oil Company of California	Township 12 South, Range 22 East Section 5: NE/4 NW/4 Section 5: Lot 1, NE/4 NW/4, SW/4 NW/4	161.17	None	
R 6340-3	Union Oil Company of California	Township 12 South, Range 22 East Section 5: NW/4 NE/4 Section 6: NW/4 SE/4	90.00	None	
R 6410	Texas Pacific Coal and Oil Company	Township 12 South, Range 22 East Section 5: W/2 SE/4	90.00	None	
R 350-1	Amstar Petroleum Corporation	Township 12 South, Range 22 East Section 5: NW/4 NE/4	40.00	None	

EXHIBIT "Y" - PAGE 2

Section Name	Section Interest	Description	Number of Acres	Lease Duration Other Than Basic Lessee	Section Owner's Name and Address
08 2163	Murphy Corporation	Township 12 South, Range 32 East Section 5: NW/4, SW/4, SE/4	200.00	None	
K 7164	Murphy Corporation	Township 12 South, Range 32 East Section 8: NW/4	160.00	7-1/2% None	John M. Kelly - P. O. Box 5671 Renwell, New Mexico
B 399-11	Michell Oil Company	Township 12 South, Range 32 East Section 8: NW/4	160.00	None	
K 6121-1	Murphy Corporation	Township 12 South, Range 32 East Section 7: E/2 NW/4	80.00	1/16 of 8/11 OMT	H. A. Macfarle - 1500 Senator Center 900 Wilshire Blvd. - Los Angeles 17, California
K 6861-2	Murphy Corporation	Township 12 South, Range 32 East Section 11: N/2 NW/4	80.00	1/16 of 8/11 OMT	Wylee A. Colligan and C. L. Wilburn 310 Leggett Building - Midland, Texas
B 399-31	Murphy Corporation	Township 12 South, Range 32 East Section 11: N/2 NW/4	80.00	7-1/2%	Leonard Oil Company - P. O. Box 708 Renwell, New Mexico and Estate of William C. Lawrence - c/o E. Bernard Johnston, Renwell - P. O. Box 915 - Renwell, New Mexico

"INTEREST OF PARTIES"

Section	Acres	Interest/Lease
Murphy Corporation	1,097.95	71.9719
Michell Oil Company of California	263.00	17.2810
Michell Oil Company	80.00	5.2016
American Petroleum Corporation	43.73	2.8418
Trono Pacific Coal and Oil Company	48.82	3.2412
Total	1,532.50	100.0005

EXHIBIT "Y"

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION OF MURPHY CORPORATION

FOR APPROVAL OF THE NORTHWEST
CAPROCK UNIT AGREEMENT EMBRACING
1,527.37 ACRES, MORE OR LESS, OF
LANDS OF THE STATE OF NEW MEXICO
WITHIN TOWNSHIPS 11 AND 12 SOUTH,
RANGE 32 EAST, N.M.P.M., LEA
COUNTY, NEW MEXICO.

2000-2301

New Mexico Oil Conservation Commission
Santa Fe
New Mexico

COMES the undersigned, the Murphy Corporation, with
offices at 940 Petroleum Club Building, Denver 2, Colorado,
and files herewith three copies of the proposed Unit Agreement
for the development and operation of the Northwest Caprock Unit
Area, Lea County, New Mexico, and hereby makes application for
the approval of said Unit Agreement as provided by law, and in
support thereof, shows:

1. That the proposed unit area covered by said agree-
ment embraces 1,525.37 acres, more or less, situated in Lea
County, New Mexico, more particularly described as follows:

Township 11 South, Range 32 East, N.M.P.M.

Section 32: SE $\frac{1}{4}$

Township 12 South, Range 32 East, N.M.P.M.

Section 5: Lots 1, 2, 3 and 4, S $\frac{1}{2}$ N $\frac{1}{2}$; S $\frac{1}{2}$ (All)

Section 6: Lot 1, SE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{4}$ SE $\frac{1}{4}$

Section 7: E $\frac{1}{4}$ NE $\frac{1}{4}$

Section 8: N $\frac{1}{4}$, N $\frac{1}{4}$ S $\frac{1}{2}$

2. That all of the lands above described embraced within the proposed unit area are lands of the State of New Mexico.

3. That to the best of applicant's knowledge and belief the proposed unit area covers all, or substantially all, of the geologic feature involved, and in the event of the discovery of oil or gas thereon, that said Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste.

4. That the Murphy Corporation is designated as Unit Operator in said Unit Agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area, subject to all applicable laws and regulations. That said Unit Agreement provides for the commencement of a test well for oil and gas upon some part of the lands embraced in the unit area within sixty (60) days from the effective date of the agreement and for the drilling thereof with due diligence to a depth sufficient to test the Devonian Formation or to such a depth as unitised substances shall be discovered in paying quantities if at a lesser depth; provided, however, Unit Operator is not required in any event to drill said well to a depth in excess of 11,600 feet.

5. That said Unit Agreement is in substantially the same form as unit agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico and by the

New Mexico Oil Conservation Commission which only embrace lands of the State of New Mexico, and it is believed that in the event oil or gas in paying quantities is discovered on the lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said agreement, to the end that the maximum recovery will be obtained and that said Unit Agreement is in the interest of conservation and the prevention of waste as contemplated by the Oil Conservation Commission statutes of the State of New Mexico.


6. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval thereof by the Commissioner of Public Lands of the State of New Mexico, an approved copy thereof will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that this matter be set down for hearing before an Examiner and that due notice thereof be given and published as provided by law, and that said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and prevention of waste.

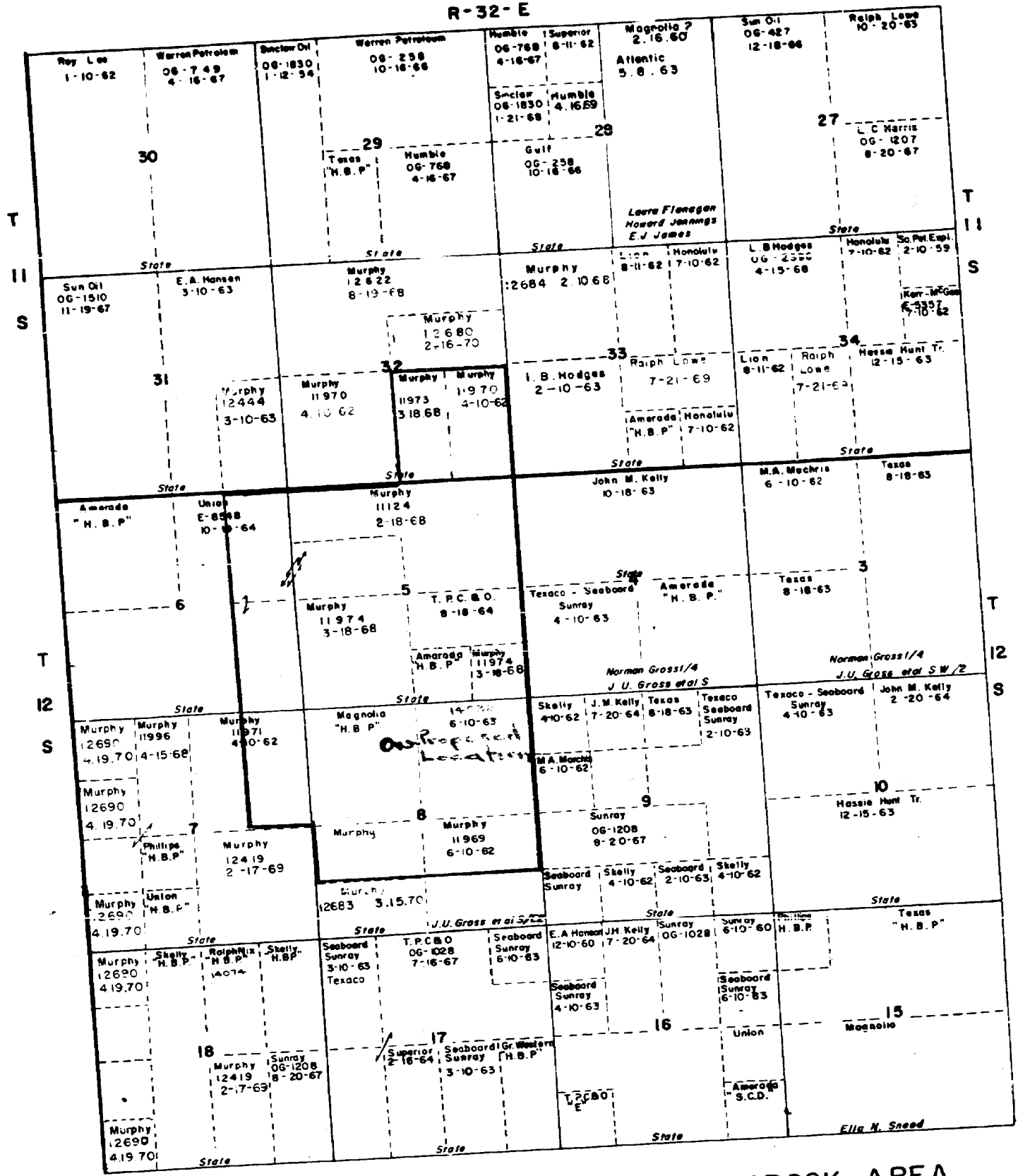
DATED this the 12th day of May, 1961.

Respectfully submitted,

HERVEY, DOW & HINKLE

By 
Attorneys for Applicant
Murphy Corporation

R-32-E



PROPOSED UNIT AREA

N.W. CAPROCK AREA
LEA COUNTY, NEW MEXICO
2-8-63

Murphy Ex 1
Case 2301

100% WI committed

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION OF MURPHY CORPORATION
FOR APPROVAL OF THE NORTHWEST
CAPROCK UNIT AGREEMENT EMBRACING
1,527.37 ACRES, MORE OR LESS, OF
LANDS OF THE STATE OF NEW MEXICO
WITHIN TOWNSHIPS 11 AND 12 SOUTH,
RANGE 32 EAST, N.M.P.M., LEA
COUNTY, NEW MEXICO.

Case 2301

New Mexico Oil Conservation Commission
Santa Fe
New Mexico

COMES the undersigned, the Murphy Corporation, with
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1. That the proposed unit area covered by said agree-
ment embraces 1,525.37 acres, more or less, situated in Lea
County, New Mexico, more particularly described as follows:

Township 11 South, Range 32 East, N.M.P.M.

Section 32: SE $\frac{1}{4}$

Township 12 South, Range 32 East, N.M.P.M.

Section 5: Lots 1, 2, 3 and 4, S $\frac{1}{2}$ N $\frac{1}{2}$; S $\frac{1}{2}$ (All)

Section 6: Lot 1, SE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$

Section 7: E $\frac{1}{2}$ NE $\frac{1}{4}$

Section 8: N $\frac{1}{2}$, N $\frac{1}{2}$ S $\frac{1}{2}$

2. That all of the lands above described embraced within the proposed unit area are lands of the State of New Mexico.

3. That to the best of applicant's knowledge and belief the proposed unit area covers all, or substantially all, of the geologic feature involved, and in the event of the discovery of oil or gas thereon, that said Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste.

4. That the Murphy Corporation is designated as Unit Operator in said Unit Agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area, subject to all applicable laws and regulations. That said Unit Agreement provides for the commencement of a test well for oil and gas upon some part of the lands embraced in the unit area within sixty (60) days from the effective date of the agreement and for the drilling thereof with due diligence to a depth sufficient to test the Devonian Formation or to such a depth as unitized substances shall be discovered in paying quantities if at a lesser depth; provided, however, Unit Operator is not required in any event to drill said well to a depth in excess of 11,600 feet.

5. That said Unit Agreement is in substantially the same form as unit agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico and by the

New Mexico Oil Conservation Commission which only embrace lands of the State of New Mexico, and it is believed that in the event oil or gas in paying quantities is discovered on the lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said agreement, to the end that the maximum recovery will be obtained and that said Unit Agreement is in the interest of conservation and the prevention of waste as contemplated by the Oil Conservation Commission statutes of the State of New Mexico.

6. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval thereof by the Commissioner of Public Lands of the State of New Mexico, an approved copy thereof will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that this matter be set down for hearing before an Examiner and that due notice thereof be given and published as provided by law, and that said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and prevention of waste.

DATED this the 12th day of May, 1961.

Respectfully submitted,

HERVEY, DOW & HINKLE



Attorneys for Applicant
Murphy Corporation

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
NORTHWEST CAPROCK UNIT AREA
LEA COUNTY, NEW MEXICO

Case 2391

NO. _____

THIS AGREEMENT, entered into as of the _____ day of _____, 1961, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by 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 operation and development of part or all of any oil or gas pool, field or area; and

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

WHEREAS, the parties hereto hold sufficient interests in the Northwest Caprock 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:

STATE OF NEW MEXICO
COUNTY OF LEA

TOWNSHIP 11 SOUTH, RANGE 32 EAST

Section 32: SE 1/4

TOWNSHIP 12 SOUTH, RANGE 32 EAST

Section 5: Lots 1, 2, 3, and 4,

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. Murphy Corporation, with offices at 940 Petroleum Club Building, Denver 2, Colorado, 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 Devonian 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 11,600 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, sub-leases, 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 term of each such lease as to lands within the unitized area to the provisions and term 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 so 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 effect 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 capable of 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 if 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 can be produced from the unitized land in paying quantities, 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 Commissioner 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 interested 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 or 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 either by the Commission or Commissioner may, with the consent of an aggregate of at least seventy-five per cent (75%) of the total working interests then committed to this agreement, 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 filing with the Commissioner and 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 of 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 by 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.

UNIT OPERATOR

ATTEST:

MURPHY CORPORATION

Assistant Secretary

By _____
Vice President

WORKING INTEREST OWNERS

AMERADA PETROLEUM CORPORATION

By _____

MOBIL OIL COMPANY

By _____

TEXAS PACIFIC COAL AND OIL COMPANY

By _____

UNION OIL COMPANY OF CALIFORNIA

By _____

ATTEST:

ATTEST:

ATTEST:

ATTEST:

ACKNOWLEDGMENTS

STATE OF ARKANSAS I
COUNTY OF UNION I

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, Vice President of Murphy Corporation, a Louisiana corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____
COUNTY OF _____

||
||
||

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, _____ of Amerada Petroleum Corporation, a _____ corporation, on behalf of said corporation.

(Name)

(Title)

Notary Public

My Commission Expires:

STATE OF _____
COUNTY OF _____

||
||
||

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, _____ of Mobil Oil Company a _____ corporation, on behalf of said corporation.

(Name)

(Title)

Notary Public

My Commission Expires:

STATE OF _____
COUNTY OF _____

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||
||

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, _____ of Texas Pacific Coal and Oil Company, a _____ corporation, on behalf of said corporation.

(Name)

(Title)

Notary Public

My Commission Expires:

STATE OF _____
COUNTY OF _____

||
||
||

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, _____ of Union Oil Company of California, a _____ corporation, on behalf of said corporation.

(Name)

(Title)

Notary Public

My Commission Expires:

R-32-E

T II S	Roy Lee 1-10-62 30 State	Warren Petroleum OG-749 4-16-67	Sinclair Oil OG-1830 1-12-54	Warren Petroleum OG-258 10-18-66	Humble OG-768 4-16-67 Smclair OG-1830 1-21-68	Superior 8-11-62 Magnolia 7 2-16-60 Atlantic 5.8.63	Sun Oil OG-427 12-18-66	Ralph Lowe 10-20-63 L.C. Harris OG-1207 8-20-67	T II S
	Sun Oil OG-1510 11-19-67	E.A. Hansen 3-10-63	Murphy 12622 8-19-68 Murphy 12680 2-16-70	Murphy 12684 2-10-68	Lion 8-11-62 Honolulu 7-10-62	L.B. Hodges OG-2396 4-15-68	Honolulu 7-10-62 Sa. Pet. Exp. 2-10-59 (Rev. McGinn) 6-5357 7-10-62	Hesse Hunt Tr. 12-15-63	
T II S	Amerade "H.B.P." 6 State	Union E-8548 10-9-64	Murphy 11124 2-18-68	John M. Kelly 10-18-63	M.A. Machris 6-10-62 Texas 8-18-63	M.A. Machris 6-10-62	Texas 8-18-63	T II S	
	Murphy 11974 3-18-68	Murphy 11970 4-10-62	Murphy 11973 3-18-68	Murphy 11970 4-10-62	T.P.C.B.O. 8-18-64	Texaco - Seaboard Sunray 4-10-63	Amerade "H.B.P."		Norman Gross I/A J.U. Gross et al S
T II S	Murphy 12690 4-19-70	Murphy 11996 4-15-68	Murphy 11971 4-10-62	Magnolia "H.B.P." 14-7-64 PROPOSED LOCATION	Skelly 4-10-62 J.M. Kelly 7-20-64 Texas 8-18-63	Texaco - Seaboard Sunray 4-10-63	John M. Kelly 2-20-64	T II S	
	Murphy 12690 4-19-70	Murphy 12419 2-17-69	Murphy 11969 6-10-62	Sunray OG-1208 8-2-67	M.A. Machris 6-10-62	Seaboard Sunray 4-10-63	Skelly 4-10-62 Seaboard 2-10-63 Skelly 4-10-62		Hesse Hunt Tr. 12-15-63
T II S	Murphy 12690 4-19-70	Union "H.B.P."	Murphy 12683 3-15-70	Seaboard Sunray 3-10-63 Tezaco	T.P.C.B.O. OG-1028 7-16-67	Seaboard Sunray 6-10-63	E.A. Hansen 12-10-60 J.M. Kelly 7-20-64 Sunray 106-1028 6-10-60	Sunray 6-10-60 Phillips H.B.P.	Texas "H.B.P."
	Murphy 12690 4-19-70	Skelly "H.B.P."	Skelly "H.B.P."	Superior 2-16-64	Seaboard Sunray 3-10-63 Gr. Western "H.B.P."	T.P.C.B.O. E	Union	Magnolia	Ella M. Speed

PROPOSED UNIT AREA

N.W. CAPROCK AREA
LEA COUNTY, NEW MEXICO

EXHIBIT "B"

According to and under a part of said Agreement dated _____, 1961, by and between Murphy Corporation, Mobil Oil Company, Union Oil Company of California, Texas Pacific Coal and Oil Company and Amstar Petroleum Corporation, covering the Northwest Coastal Field, Los Angeles and San Joaquin.

Block Number	Section Interest Owner	Description	Number of Acres	Lease Burden (Other Than Field Burden)	Block Owner Name and Address
00 2277	Murphy Corporation	Tract 11 South, Range 22 East Section 28: W/2 NW/4	60.00	None	H. A. Madaris - 1500 Sculler Center 900 Wilshire Blvd. - Los Angeles 17, California
R 6124-1	Murphy Corporation	Tract 11 South, Range 22 East Section 28: E/2 NW/4	60.00	1/16 of 8/8 GRAY	
00 1909	Murphy Corporation	Tract 12 South, Range 22 East Section 5: Lots 1, 2, 3 and 4 and S/2 NW/4	244.20	None	
R 0340-2	Union Oil Company of California	Tract 12 South, Range 22 East Section 5: NW/4 NW/4 Section 6: Lot 1, NW/4 NW/4, NW/4 NW/4	161.17	None	
R 0340-3	Union Oil Company of California	Tract 12 South, Range 22 East Section 5: NW/4 NW/4 Section 6: NW/4 NW/4	60.00	None	
R 0412	Texas Pacific Coal and Oil Company	Tract 12 South, Range 22 East Section 5: W/2 NW/4	60.00	None	
R 150-1	Amstar Petroleum Corporation	Tract 12 South, Range 22 East Section 5: NW/4 NW/4	40.00	None	

Survey Name	Parties Interest Given	Description	Number of Acres	Area	Percentage	Lessor Burden Other Than Burd's Beneficiary	Burden Owner's Name and Address
00 2003	Murphy Corporation	Tract 12 South, Range 32 East Section 31: SW/4, SW/4 NW/4	200.00			None	John H. Kelly - P. O. Box 3671 Roswell, New Mexico
R 7165	Murphy Corporation	Tract 12 South, Range 32 East Section 8: NW/4	160.00			None	
B 300-11	Mobil Oil Company	Tract 12 South, Range 32 East Section 8: NW/4	80.00			1/16 of 8/8 GRI	H. A. Roberts - 1500 Seafair Center 900 Wilshire Blvd. - Los Angeles 17, California
R 6135-1	Murphy Corporation	Tract 12 South, Range 32 East Section 7: N/2 NW/4	80.00			1/16 of 8/8 GRI	Nyles A. Colligan and C. L. Wilson 310 Laguerre Building - Oakland, Texas
R 6060-2	Murphy Corporation	Tract 12 South, Range 32 East Section 8: N/2 NW/4	80.00			7-1/2%	Lawrence Oil Company - P. O. Box 708 Roswell, New Mexico and Estate of William C. Lawrence - c/o R. Bernard Johnson, Roswell - P. O. Box 915 - Roswell, New Mexico
B 300-31	Murphy Corporation	Tract 12 South, Range 32 East Section 8: N/2 NW/4	80.00			7-1/2%	

"INTEREST OF PARTIES"

Area	Percentage
Murphy Corporation	71.9792
Indian Oil Company of California	17.2670
Mobil Oil Company	5.2446
Amoco Petroleum Corporation	2.0000
David Pacific Coal and Oil Company	3.5092
Total	100.0000

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
NORTHWEST CAPROCK UNIT AREA
LEA COUNTY, NEW MEXICO

234

NO. _____

THIS AGREEMENT, entered into as of the _____ day of _____, 1961, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by 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 operation and development of part or all of any oil or gas pool, field or area; and

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

WHEREAS, the parties hereto hold sufficient interests in the Northwest Caprock 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:

STATE OF NEW MEXICO
COUNTY OF LEA

TOWNSHIP 11 SOUTH, RANGE 32 EAST

Section 32: SE 1/4

TOWNSHIP 12 SOUTH, RANGE 32 EAST

Section 5: Lots 1, 2, 3, and 4,
S 1/2 N 1/2; S 1/2 (All)

Section 6: Lot 1, SE 1/4 NE 1/4, E 1/2 SE 1/4

Section 7: E 1/2 NE 1/4

Section 8: N 1/2, N 1/2 S 1/2

1525.37 acres, more or less

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. Murphy Corporation, with offices at 940 Petroleum Club Building, Denver 2, Colorado, 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 Devonian 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 11,600 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, sub-leases, 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 term of each such lease as to lands within the unitized area to the provisions and term 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 so 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 effect 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 capable of 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 if 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 can be produced from the unitized land in paying quantities, 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 Commissioner 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 interested 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 either by the Commission or Commissioner may, with the consent of an aggregate of at least seventy-five per cent (75%) of the total working interests then committed to this agreement, 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 filing with the Commissioner and 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 of 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 by 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.

UNIT OPERATOR

ATTEST:

MURPHY CORPORATION

Assistant Secretary

By _____
Vice President

WORKING INTEREST OWNERS

ATTEST:

AMERADA PETROLEUM CORPORATION

By _____

ATTEST:

MOBIL OIL COMPANY

By _____

ATTEST:

TEXAS PACIFIC COAL AND OIL COMPANY

By _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

ACKNOWLEDGMENTS

STATE OF ARKANSAS I
 I
COUNTY OF UNION I

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, Vice President of Murphy Corporation, a Louisiana corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____
COUNTY OF _____

X
X
X

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, _____ of Amerada Petroleum Corporation, a _____ (Name) _____ (Title) corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____
COUNTY OF _____

X
X
X

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, _____ of Mobil Oil Company a _____ (Name) _____ (Title) corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____
COUNTY OF _____

X
X
X

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, _____ of Texas Pacific Coal and Oil Company, a _____ (Name) _____ (Title) corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____
COUNTY OF _____

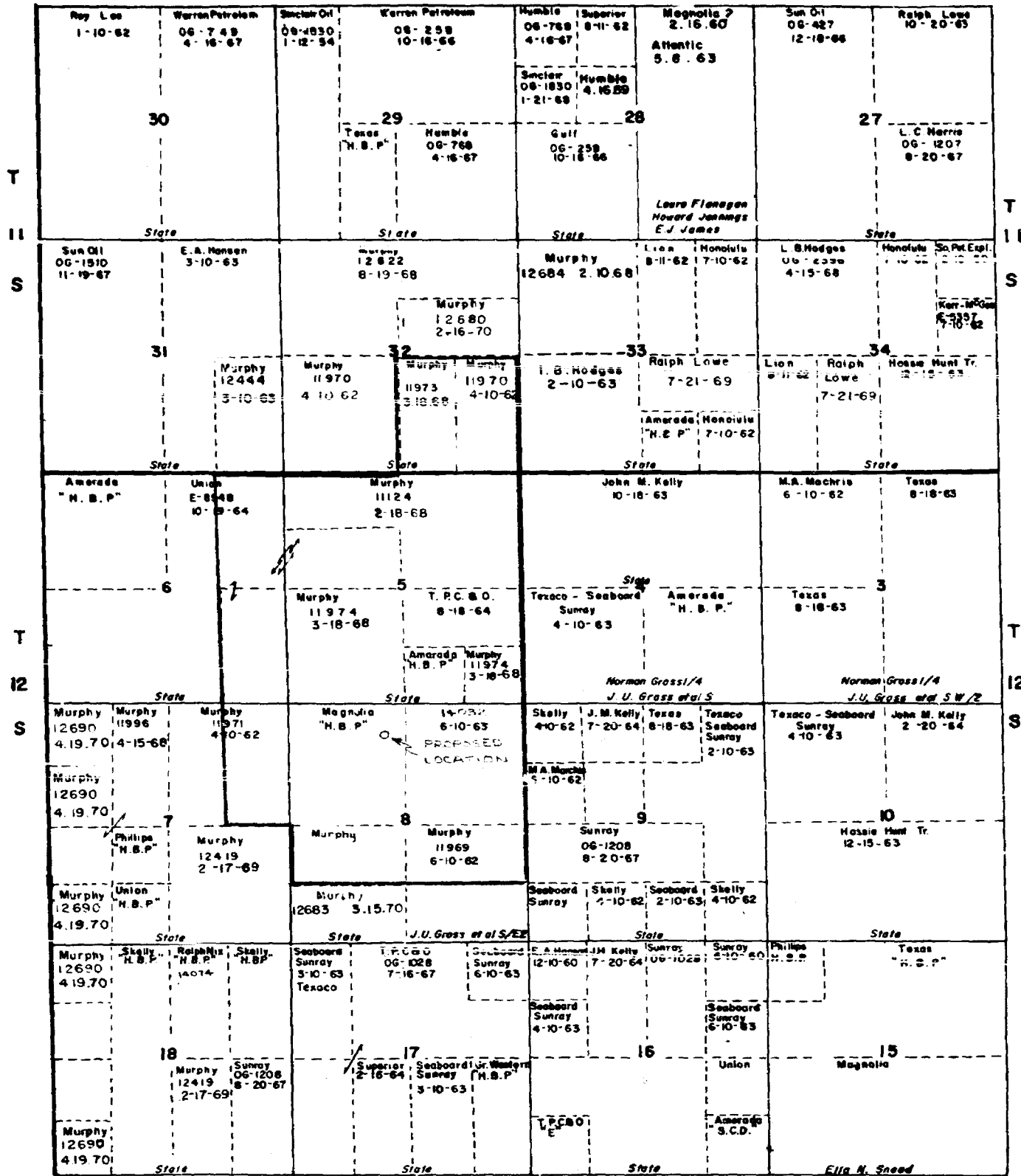
X
X
X

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, _____ of Union Oil Company of California, a _____ (Name) _____ (Title) corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

R-32-E



PROPOSED UNIT AREA

N.W. CAPROCK AREA
LEA COUNTY, NEW MEXICO

2-8-61

EXHIBIT "g"

Attached to and made a part of this Agreement dated 1961, by and between Murphy Corporation, Mobil Oil Company, Union Oil Company of California, Texas Pacific Coal and Oil Company and Amstar Petroleum Corporation, covering the Merchants Caprock Unit, Los County, New Mexico.

<u>Section Lease</u>	<u>Marketing Interest Owner</u>	<u>Description</u>	<u>Number of Acres</u>	<u>Leases Burden Other Than Lease Royalty</u>	<u>Burden Owners Name and Address</u>
E 6121-1	Murphy Corporation	Township 11 South, Range 32 East Section 32: W/2 SW/4	80.00	None	
E 6121-1	Murphy Corporation	Township 11 South, Range 32 East Section 32: E/2 SW/4	80.00	1/16 of 8/8 ORRI	M. A. Roberts - 1500 Section Center 900 Wilshire Blvd. - Los Angeles 17, California
E 6340-1	Murphy Corporation	Township 12 South, Range 32 East Section 5: Lots 1, 2, 3 and 4 and 8/2 NE/4	244.20	None	
E 6340-1	Union Oil Company of California	Township 12 South, Range 32 East Section 5: SW/4 NW/4	161.17	None	
E 6340-1	Union Oil Company of California	Township 12 South, Range 32 East Section 6: NE/4 SW/4	80.00	None	
E 6418	Texas Pacific Coal and Oil Company	Township 12 South, Range 32 East Section 5: W/2 SW/4	80.00	None	
E 359-1	Amstar Petroleum Corporation	Township 12 South, Range 32 East Section 5: SW/4 SW/4	16.00	None	

EXHIBIT "Y" - PAGE 1

Section Name	Well Name, Substratum, Owner	Description	Number of Acres	Issue Date or Other Than Field Record	Section Name and Address
00 2203	Nirphy Corporation	Trumbull 12 South, Range 32 East Section 5: SW/4, NW/4 SW/4	200.00	None	
E 7165	Nirphy Corporation	Trumbull 12 South, Range 32 East Section 8: NE/4	160.00	7-1/278	John M. Kelly - P. O. Box 5671 Reno, Nev Nevada
B 399-11	Nirphy Oil Company	Trumbull 12 South, Range 32 East Section 8: NW/4	80.00	1/16 of 8/8 GRIT	M. A. Macbride - 1500 Seafarer Center 900 Wilshire Blvd. - Los Angeles 17, California
E 6125-1	Nirphy Corporation	Trumbull 12 South, Range 32 East Section 7: N/2 NW/4	80.00	1/16 of 8/8 GRIT	Nyles A. Colligan and C. L. Wilburn 310 Laggett Building - Midland, Texas
E 6260-2	Nirphy Corporation	Trumbull 12 South, Range 32 East Section 8: N/2 SW/4	80.00	7-1/278	Leonard Oil Company - P. O. Box 708 Reno, Nev Nevada and Estate of William C. Lawrence - c/o R. Bernard Johnston, Reno - P. O. Box 915 - Reno, Nev Nevada
B 399-31	Nirphy Corporation				

"INTEREST OF PARTIES"

Party	Acres	Percentage
Nirphy Corporation of California	1,097.95	71.0793
Buller Oil Company of California	243.69	17.1870
Nirphy Oil Company	80.00	5.2446
Amerada Petroleum Corporation	43.73	2.8668
Trans Pacific Coal and Oil Company	49.89	3.5222
Total	1,525.37	100.0000

EXHIBIT "Y"