

CASE 2834: Application of TOM BROWN
DRLG. CO. for approval of the RUNYAN
RANCH UNIT AGREEMENT - EDDY COUNTY.

2834

Thin, Transcript,
Exhibits, Etc.

June 8, 1965

2834

Mr. Thomas C. Brown
President
Tom Brown Drilling Company, Inc.
P. O. Box 5131
Midland, Texas

Re: Runyan Ranch Unit
Eddy County, New Mexico

Dear Mr. Brown:

We have received your application for Termination of the Runyan Ranch Unit Agreement, Eddy County, New Mexico. This application is signed by the owners of more than seventy-five per cent on an acreage basis of the working interest in and to oil and gas leasehold interests which are committed to the Unit Agreement.

The Commissioner of Public Lands approves the termination of Runyan Ranch Unit as of June 8, 1965, subject to like approval by the United States Geological Survey.

Enclosed are ten originally signed copies of the Termination. We wish to be advised as to the effective date of the termination and receive a copy of the United States Geological Survey approval of this termination.

Very truly yours,

GUYTON B. HAYS
COMMISSIONER OF PUBLIC LANDS

BY:
(Mr.) Ted Bilberry, Director
Oil and Gas Department

GSM/mau/d
Enclosures

cc: United States Geological Survey
P. O. Drawer 1857, Roswell, New Mexico
Attention: Mr. John A. Anderson
New Mexico Oil Conservation Commission
P. O. Box 2088, Santa Fe, New Mexico

To:

AMOC

Santa Fe

JUL 13 1965

MAIN

15 JUL 1965 AM 10

2857

Memorandum

To: Director, Geological Survey

From: Chief, Conservation Division

RECEIVED

JUL 19 1965

Subject: Termination of the Runyan Ranch unit agreement #55. GEOLOGICAL SURVEY
14-05-0001-3545, Eddy County, New Mexico . ROSWELL, NEW MEXICO

Transmitted herewith are ten duplicate originals of an application filed with the Regional Oil and Gas Supervisor, Roswell, New Mexico, on June 14, 1965, by Tom Brown Drilling Company, Inc., P. O. Box 5131, Midland, Texas, 79702, unit operator, requesting approval of termination of the Runyan Ranch unit agreement.

The Runyan Ranch unit agreement was approved on September 3, 1963, by the Acting Director, Geological Survey, effective as of the date of approval. Unit well No. 1 in the NE1/4 sec. 12, T. 19 S., R. 21 E., N.M.P.M., was drilled to a total depth of 7,500 feet in the Mississippian and abandoned as a dry hole on October 23, 1963.

Section 20 of the unit agreement provides that it may be terminated at any time by the owners of 75 percent of the committed working interest with the approval of the Director and State Land Commissioner. The signatory parties to the application, Tom Brown Drilling Company, Inc., and Marathon Oil Company, own sufficient interest for compliance with this provision. The Commissioner of Public Lands of the State of New Mexico approved the application on June 8, 1965.

It is recommended that you approve the attached application terminating the Runyan Ranch unit agreement effective July 1, 1965, the first day of the month following the date of filing with the Supervisor.

R. J. DUNCAN

Chief, Conservation Division

Attachments: 10

JUL 13 1965

Attachments approved: _____

cc:

BEM - Santa Fe
Roswell (2)/

JMS:therland:mhc:6-16-65

John R. Baker
Acting Director, U. S. Geological Survey
and returned to the Conservation Division

2824
OIL CONSERVATION COMMISSION
1964 APR 14 AM 11:05

April 10, 1964

Tom Brown Drilling Company, Inc.
P. O. Box 5131
Midland, Texas

Re: Runyan Ranch Unit
Eddy County, New Mexico

Dear Mr. Brown:

The Commissioner of Public Lands approved as of April 10, 1964, your request for a six months extension in which to drill a second test well on the Runyan Ranch Unit, Eddy County, New Mexico, subject to like approval by the United States Geological Survey.

This six months extension gives you until October 23, 1964, in which to commence a second test well on the Runyan Ranch Unit Area.

We are returning eight approved copies of this Application. Please notify us when the United States Geological Survey approves this Application.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

ESW/mmr/v

cc: United States Geological Survey
Roswell, New Mexico

Oil Conservation Commission

MAIN OFFICE

OCT 24 AM 10 10

2834

October 13, 1964

Tom Brown Drilling Company, Inc.
P. O. Box 5131
Midland, Texas

Re: Runyan Ranch Unit
Eddy County, New Mexico

Dear Mr. Brown:

The Commissioner of Public Lands approves as of this date your Application for a six month extension to April 23, 1965, in which to commence another test well on the Runyan Ranch Unit Area. Our approval is subject to like approval by the United States Geological Survey.

Pursuant to your letter dated October 7, 1964, you will either drill another well by April 23, 1965, or you will immediately take steps to terminate the Unit Agreement.

We are returning eight approved copies of this Application.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:

Ted Bilberry, Director
Oil & Gas Department

ESW/mm/v

cc: United States Geological Survey
Roswell, New Mexico

Oil Conservation Commission
Santa Fe, New Mexico

P. O. BOX 1932

PHONE: 422-5230
AREA CODE 505

FOSTER MORRELL
PETROLEUM CONSULTANT
PETROLEUM BUILDING
ROSWELL, NEW MEXICO 88201
September 30, 1963 24

2834

Commissioner of Public Lands
P. O. Box 791
Santa Fe, New Mexico
Attention: Mrs. Marian M. Rhea

✓ Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Re: Runyan Ranch Unit
Eddy County, New Mexico

Gentlemen:

Forwarded herewith for your files is a conformed copy of the Unit Agreement for the Development and Operation of the subject unit area with approvals by the Oil Conservation Commission, the Commissioner of Public Lands and the Acting Director of the United States Geological Survey. The unit agreement is designated by the U.S.G.S. as Contract No. 14-08-0001-8545 and became effective September 5, 1963 upon approval of the Acting Director.

The initial test well was spudded September 20, 1963 and was drilling on September 30 in the NE 1/4 Sec. 12, T. 19 S., R. 21 E., N.M.P.M.

Pan American Petroleum Corporation did not execute the unit as to its interest under Tract No. 12.

Very truly yours,

TOM BROWN DRILLING CO., INC.

by Foster Morrell
Foster Morrell, Its Representative

FW/TPJ

Enclosures

cc: Mr. Thomas C. Brown

State of New Mexico
Oil Conservation Commission



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

Re: Case No. 2834
Order No. R-2513
Applicant:
Tom Brown Drilling Company

Dear Sir:

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

Very truly yours,

Very truly yours,
A. S. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

15/

Carbon copy of order also sent to:

Bobbs OCC x

Artesia OCC x

Antec OCC

OTHER _____

MAIN OFFICE 0000

1966-0000 15 AM 10 24

MAIN OFFICE 0000
1966-0000 15 AM 10 24

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
RUNYAN RANCH UNIT AREA
COUNTY OF EDDY
STATE OF NEW MEXICO

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- Exhibit "A" - Map of Unit Area
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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
RUNYAN RANCH UNIT AREA
COUNTY OF EDDY
STATE OF NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 15th day of April, 1963,
by and between the parties subscribing, ratifying, or consenting hereto, and
herein referred to as the "parties hereto,"

W I T N E S S E T H:

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

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

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes
1953 Annotated) to consent to or approve this agreement on behalf of the
State of New Mexico, in so far as it covers and includes lands and mineral
interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico
is authorized by an Act of the Legislature (Chapter 72, Laws of 1935, as
amended by Chapter 193, Laws of 1937, Chapter 166, Laws of 1941, and Chapter
168, Laws of 1949) to approve this agreement and the conservation provisions
hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Runyan
Ranch 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. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to State of New Mexico lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State of New Mexico are hereby accepted and made a part of this agreement.

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

T. 19 S., R. 21 E., N.M.P.M.

Secs. 1 through 4, inclusive: All

Secs. 9 through 16, inclusive: All

Secs. 21 through 25, inclusive: All

containing 10,890.12 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 land 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 in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor," or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner," and not less than six (6) copies of the revised exhibits shall be filed with the Supervisor, and one (1) copy thereof shall be filed with the Land Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Conservation Commission."

The above described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

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

(b) Said notice shall be delivered to the Supervisor, the Land Commissioner and the Conservation Commission and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the Land Commissioner and the Conservation Commission evidence of mailing of the

notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director, the Land Commissioner and the Conservation Commission, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within five (5) years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section entitled "Unavoidable Delay;" provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within ten (10) years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable

"Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director and the Land Commissioner. The unit operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and the Land Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2 (e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating acreage basis, respectively, with approval of the Director and the Land Commissioner provided such extension application is submitted to the Land Commissioner and the Director not later than 60 days prior to the expiration of said 10-year period.

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

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

4. UNIT OPERATOR. Tom Brown Drilling Company, Inc. is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in it 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 interest 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.

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

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

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

The 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 Director and the Land Commissioner.

The resignation or removal of Unit Operator under this agreement shall not terminate its 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.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, that, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a 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 filed with the Supervisor and approved by the Land Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Land Commissioner at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the

Unit Operator and the owners of working 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 "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Land Commissioner, prior to approval of this unit agreement by the Director.

8. 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.

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on Federal land or by the Land Commissioner if on State Land, or by the Conservation Commission if on privately owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until formations of Pennsylvanian Age have been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land, of the Land Commissioner if on State land, or of the Conservation Commission if on privately owned land, that further drilling of said well would 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 8,100 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 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 said Supervisor if it be on Federal land or of the Land Commissioner if on State land or the Conservation Commission if on privately owned land or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and Land 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.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Land Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

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

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources.

Separate plans may be submitted for separate productive zones, subject to the approval of the supervisor and the Land Commissioner.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Land Commissioner

are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and the Land Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Land Commissioner the Unit Operator shall submit for approval by the Director and the Land Commissioner a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director and the Land Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of the initial participating area. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action

appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and the Land Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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

In the absence of agreement at any time between the Unit Operator and the Director and the Land Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal lands and the Land Commissioner for State lands and the Conservation Commission as to privately owned lands and the amount thereof deposited, as directed by the Supervisor and the Land Commissioner respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor, as to wells drilled on Federal land and of the Land Commissioner as to wells drilled on State land and the Conservation Commission as to wells on privately

owned lands, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, and Land Commissioner and the Conservation Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so

transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS.

Any party or parties hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, the Land Commissioner as to State land, and the Conservation Commission as to privately owned land, and subject to the provisions of the Unit Operating Agreement, at such party's or parties' sole risk, costs, and expense drill a well at such location on such land to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, or drill any well not mutually agreed to by all interested parties, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

14. ROYALTY SETTLEMENT. The United States and any State and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall

hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor, the Land Commissioner, and the Conservation Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and 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 the plan of operations or as may otherwise be consented to by the Supervisor, the Land Commissioner and the Conservation 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.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulation; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be

determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

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

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

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

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

16. 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 or Federal law or regulation.

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or, with the consent of the

Director and the Land Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor as to Federal leases and the Land Commissioner as to State leases.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the Land Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

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

(c) Suspension of drilling, or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Land Commissioner,

or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands, other than those of the United States and State of New Mexico, committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

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

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term

provided therein as to the lands committed hereto until the termination hereof.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 731-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such lease as to the non-unitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(i) 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 the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, 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 or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease 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 in such lease, the same, as to all 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 or gas in paying quantities is being produced from any portion of said lands.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest 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 of any working interest, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

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

(a) such date of expiration is extended by the Director and the Land Commissioner, or

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and Land Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder 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, or

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper

representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Conservation Commission, agree that all powers and authority vested in the Conservation Commission in and by any provisions of this agreement are vested in the Conservation Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

23. 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 Department of the Interior, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the Conservation Commission or Land Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the Land Commissioner, or Conservation Commission or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

24. 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 personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting

such party, or as a waiver by any such party of any right beyond his or its authority to waive.

26. 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, 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.

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which are hereby incorporated by reference in this agreement.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any

defect or failure of any title hereunder.

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Land Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, provided, that as to State lands such subsequent joinder by a lessee of record must be approved by the Land Commissioner.

30. 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 parties hereto have caused this agreement to be executed and set opposite their respective names the date of execution.

UNIT OPERATOR AND WORKING INTEREST OWNER

TOM BROWN DRILLING CO., INC.

Date: July 10, 1963
ATTEST:
Warren D. Barton
Secretary

By: Thomas C. Brown
President

Address: 820 Midland Savings Building
P. O. Box 5131
Midland, Texas

OTHER WORKING INTEREST OWNERS

MARATHON OIL COMPANY

Date: July 12, 1963

By: J. G. Burrell
J. G. BURRELL Division Manager



Address: P. O. Box 552
9th Floor, Midland National
Bank Building
Midland, Texas

PAN AMERICAN PETROLEUM CORPORATION

Date: _____

By: _____
Attorney-in-Fact

ATTEST:

Address: P. O. Box 1410
Oil and Gas Building
Fort Worth, Texas

Assistant Secretary

Date: _____

ATTEST:

Assistant Secretary

Date: 8/21/63

ATTEST:

L. L. Dwyer
Secretary

Date: _____

Date: _____

Address:
930 Petroleum Club Building
Denver 2, Colorado

Date: _____

Address:
5328 Longmont Drive
Houston 27, Texas

Date: _____

Address:
501 West Broadway
Midland, Texas

Date: _____

Address:
2419 Locke Lane
Houston 19, Texas

SINCLAIR OIL & GAS COMPANY

By _____
Vice President

Address: P. O. Box 1470
Midland Savings & Loan Bldg.
Midland, Texas

TRANSMOUNTAIN PRODUCTION COMPANY

By J. W. Goodrich
President

Address: 800 San Jacinto Building
Houston 2, Texas

BEARD OIL COMPANY

By _____

Address: 466 Cameron Building
2915 Classen Boulevard
Oklahoma City 6, Oklahoma

BRUCE ANDERSON

JACQUELINE ANDERSON

JAMES D. WHEELER

MARION S. WHEELER

COE S. MILLS

BEA S. MILLS

RUTH F. KROUSE, Individually and
Executrix of the Estate of
Carl W. Krouse, deceased.

Date: _____

ATTEST:

Assistant Secretary

Date: _____

ATTEST:

Secretary

Date: 8-9-63

Date: _____

Address:
930 Petroleum Club Building
Denver 2, Colorado

Date: _____

Address:
5328 Longmont Drive
Houston 27, Texas

Date: _____

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Date: _____

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By _____
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* ~~BEARD OIL COMPANY~~

By _____

Address: 466 Cameron Building
2915 Classen Boulevard
Oklahoma City 6, Oklahoma

BRUCE ANDERSON

JACQUELINE ANDERSON

JAMES D. WHEELER

MARION S. WHEELER

COE S. MILLS

BEA S. MILLS

RUTH F. KROUSE, Individually and
Executrix of the Estate of
Carl W. Krouse, deceased.

* W. M. Beard Mrs. Jess McBee, John M. Beard,
& Emily Jo Watts, G/b/a BEARD OIL COMPANY

By W. M. Beard
W. M. Beard, Acting individually & as attorney-in-fact
for Mrs. Jess McBee, John M. Beard & Emily Jo Watts

Date: _____

ATTEST:

Assistant Secretary

Date: _____

ATTEST:

Secretary

Date: _____

Date: 8-14-63

Address:
930 Petroleum Club Building
Denver 2, Colorado

Date: _____

Address:
5328 Longmont Drive
Houston 27, Texas

Date: _____

Address:
501 West Broadway
Midland, Texas

Date: _____

Address:
2419 Locke Lane
Houston 19, Texas

SINCLAIR OIL & GAS COMPANY

By _____
Vice President

Address: P. O. Box 1470
Midland Savings & Loan Bldg.
Midland, Texas

TRANSMOUNTAIN PRODUCTION COMPANY

By _____
President

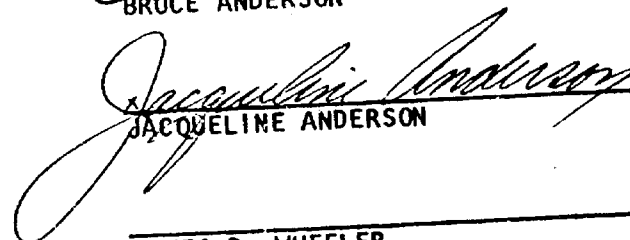
Address: 800 San Jacinto Building
Houston 2, Texas

BEARD OIL COMPANY

By _____

Address: 466 Cameron Building
2915 Classen Boulevard
Oklahoma City 6, Oklahoma


BRUCE ANDERSON


JACQUELINE ANDERSON

JAMES D. WHEELER

MARION S. WHEELER

COE S. MILLS

BEA S. MILLS

RUTH F. KROUSE, Individually and
Executrix of the Estate of
Carl W. Krouse, deceased.

Date: _____

ATTEST:

Assistant Secretary

Date: _____

ATTEST:

Secretary

Date: _____

Date: _____

Address:
930 Petroleum Club Building
Denver 2, Colorado

Date: 7-12-63

Address:
5328 Longmont Drive
Houston 27, Texas

Date: 7-9-63

Address:
501 West Broadway
Midland, Texas

Date: 7-12-63

Address:
2419 Locke Lane
Houston 19, Texas

SINCLAIR OIL & GAS COMPANY

By _____
Vice President

Address: P. O. Box 1470
Midland Savings & Loan Bldg.
Midland, Texas

TRANSMOUNTAIN PRODUCTION COMPANY

By _____
President

Address: 800 San Jacinto Building
Houston 2, Texas

BEARD OIL COMPANY

By _____

Address: 466 Cameron Building
2915 Classen Boulevard
Oklahoma City 6, Oklahoma

BRUCE ANDERSON

JACQUELINE ANDERSON

James D. Wheeler
JAMES D. WHEELER

Marion S. Wheeler
MARION S. WHEELER

Coe S. Mills
COE S. MILLS

Bea S. Mills
BEA S. MILLS

Ruth F. Krouse
RUTH F. KROUSE, Individually and
Executrix of the Estate of
Carl W. Krouse, deceased.

STATE OF Texas
COUNTY OF Midland

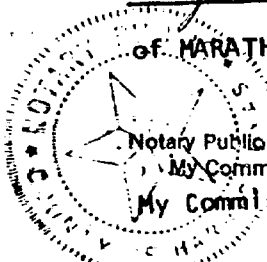
The foregoing instrument was acknowledged before me this 10th day of July, 1963, by Thomas C. Brown President of TOM. BROWN DRILLING CO., INC., a Texas corporation, on behalf of said corporation.

My Commission Expires June 1, 1965

Legina J. Neill
Notary Public in and for
Midland County, Texas

STATE OF Texas
COUNTY OF Harris

The foregoing instrument was acknowledged before me this 12th day of July, 1963, by J. G. BURRELL, Division Manager of MARATHON OIL COMPANY, an Ohio corporation, on behalf of said corporation.


IRMA GREEN
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965
My Commission Expires _____

Irma Green
Notary Public in and for
Harris County, Texas

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, Attorney-in-Fact of PAN AMERICAN PETROLEUM CORPORATION, a Delaware corporation, on behalf of said corporation.

My Commission Expires _____
Notary Public in and for _____ County, _____

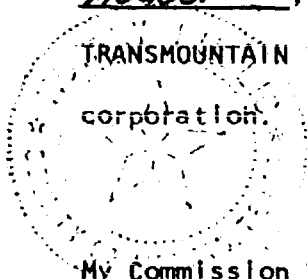
STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, Vice President of SINCLAIR OIL & GAS COMPANY, a Main corporation, on behalf of said corporation.

My Commission Expires _____
Notary Public in and for _____ County, _____

STATE OF TEXAS
COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 21st day of August, 1963, by L.W. GOODRICH, President of TRANSMOUNTAIN PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.



ONIA ROGERS
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965

Onia Rogers
Notary Public in and for _____ County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, Attorney-in-Fact of BEARD OIL COMPANY, a partnership, on behalf of said partnership.

Notary Public in and for _____ County, _____

My Commission Expires _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by BRUCE ANDERSON AND JACQUELINE ANDERSON, his wife.

Notary Public in and for _____ County, _____

My Commission Expires _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by JAMES D. WHEELER AND MARION S. WHEELER, his wife.

Notary Public in and for _____ County, _____

My Commission Expires _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, President of TRANSMOUNTAIN PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

Notary Public in and for

My Commission Expires _____ County, _____

STATE OF Oklahoma
COUNTY OF Oklahoma

The foregoing instrument was acknowledged before me this 9th day of August, 1963, by W. M. Beard, Attorney-in-Fact of BEARD OIL COMPANY, a partnership, on behalf of said partnership.

Nathaniel Dodson
Notary Public in and for

My Commission Expires 1/12/64 Oklahoma County, Oklahoma

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by BRUCE ANDERSON AND JACQUELINE ANDERSON, his wife.

Notary Public in and for

My Commission Expires _____ County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by JAMES D. WHEELER AND MARION S. WHEELER, his wife.

Notary Public in and for

My Commission Expires _____ County, _____

STATE OF _____
COUNTY OF _____

The foregoing Instrument was acknowledged before me this _____ day of _____, 1963, by _____, President of TRANSMOUNTAIN PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

Notary Public in and for

My Commission Expires _____ County, _____

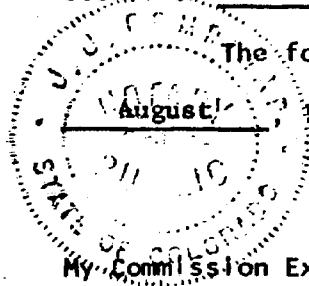
STATE OF _____
COUNTY OF _____

The foregoing Instrument was acknowledged before me this _____ day of _____, 1963, by _____, Attorney-in-Fact of BEARD OIL COMPANY, a partnership, on behalf of said partnership.

Notary Public in and for

My Commission Expires _____ County, _____

STATE OF COLORADO
COUNTY OF DENVER



The foregoing Instrument was acknowledged before me this 14th day of August, 1963, by BRUCE ANDERSON AND JACQUELINE ANDERSON, his wife.

Notary Public in and for

My Commission Expires March 1, 1967 Denver County, Colorado

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by JAMES D. WHEELER AND MARION S. WHEELER, his wife.

Notary Public in and for

My Commission Expires _____ County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, President of TRANSMOUNTAIN PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

Notary Public in and for

My Commission Expires _____ County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, Attorney-in-Fact of BEARD OIL COMPANY, a partnership, on behalf of said partnership.

Notary Public in and for

My Commission Expires _____ County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by BRUCE ANDERSON AND JACQUELINE ANDERSON, his wife.

Notary Public in and for

My Commission Expires _____ County, _____

STATE OF Texas
COUNTY OF Harris

The foregoing instrument was acknowledged before me this 12th day of July, 1963, by JAMES D. WHEELER AND MARION S. WHEELER, his wife.

JANEACE WILLIAMS
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965

Janeace Williams
Notary Public in and for

My Commission Expires _____

Harris County, Texas

STATE OF Texas
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 9 day of July, 1963, by COE S. MILLS AND BEA S. MILLS, his wife.

My Commission Expires June, 1965

Mary Law Hardin
Notary Public in and for
Midland County, Texas

STATE OF Texas
COUNTY OF Harris

The foregoing instrument was acknowledged before me this 12th day of July, 1963, by RUTH F. KROUSE, a widow, Individually and Executrix of the Estate of Carl W. Krouse, deceased.

JANEACE WILLIAMS
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965

Janeace Williams
Notary Public in and for
Harris County, Texas

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____

Notary Public in and for
My Commission Expires _____ County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____

Notary Public in and for
My Commission Expires _____ County, _____

CONSENT AND RATIFICATION
RUNYAN RANCH UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Runyan Ranch Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 15th day of April 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Runyan Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

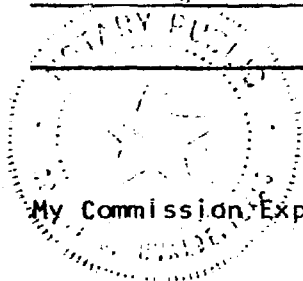
IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ADDRESS
1100 North High Street
Uvalde, Texas

SIGNATURE
Ann Kennedy Gwilliam Winslow

STATE OF TEXAS,
COUNTY OF UVALDE.

The foregoing instrument was acknowledged before me this 3rd day of June, 1963, by ANN KENNEDY GWILLIAM WINSLOW, a widow,



Charles M. Dillahunty (Charles M. Dillahunty)
Notary Public in and for

My Commission Expires June 1, 1965

Uvalde County, Texas.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____

Notary Public in and for

My Commission Expires _____

County, _____

CONSENT AND RATIFICATION
RUNYAN RANCH UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Runyan Ranch Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 15th day of April 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Runyan Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ADDRESS	SIGNATURE
<u>1100 Steller Center</u>	<u>Malcolm McDuffie</u>
<u>Los Angeles 12, Calif.</u>	<u>De S. McDuffie</u>

STATE OF CALIFORNIA X
COUNTY OF LOS ANGELES X

The foregoing instrument was acknowledged before me this 7th day of June, 1963, by Malcolm McDuffie

Audrey O'Neill
Notary Public in and for

My Commission Expires Feb. 26, 1966 Los Angeles County, California

STATE OF CALIFORNIA X
COUNTY OF LOS ANGELES X

The foregoing instrument was acknowledged before me this 7th day of June, 1963, by Mary de S. McDuffie

Audrey O'Neill
Notary Public in and for

My Commission Expires Feb. 26, 1966 Los Angeles County, California

CONSENT AND RATIFICATION
RUNYAN RANCH UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Runyan Ranch Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 15th day of April 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Runyan Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ADDRESS

SIGNATURE

Volva V. Horst Bunnell

A married woman dealing in her sole and separate property.

STATE OF New Mexico

COUNTY OF Santa Fe

The foregoing instrument was acknowledged before me this 12th day of June, 1963, by Volva V. Horst Bunnell, As her sole and separate property.

[Signature]
Notary Public in and for

My Commission Expires Feb. 18, 1965

Santa Fe County, New Mexico

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____

Notary Public in and for/

My Commission Expires _____

County, _____

CONSENT AND RATIFICATION
RUNYAN RANCH UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Runyan Ranch Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 15th day of April 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

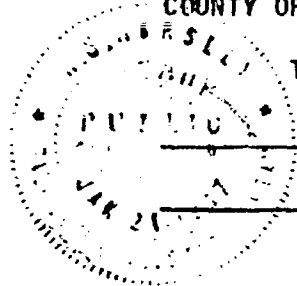
The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Runyan Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ADDRESS
1620 Vermont St.,
Houston 6, Texas
"

SIGNATURE
Walter L. Morrison
Walter L. Morrison
Kathleen Morrison
and his wife Kathleen Morrison

STATE OF Utah
COUNTY OF Salt Lake



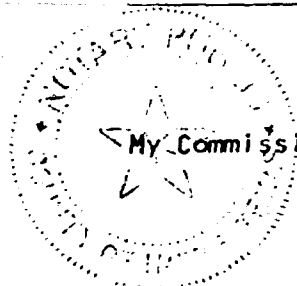
The foregoing instrument was acknowledged before me this 3rd day of June, 1963, by Walter L. Morrison

[Signature]
Notary Public in and for

My Commission Expires 1-21-67 Salt Lake County, Utah

STATE OF Texas
COUNTY OF Harris

The foregoing instrument was acknowledged before me this 7th day of June, 1963, by Kathleen Morrison, wife of Walter L. Morrison



[Signature]
Notary Public in and for
Harris County, Texas

CONSENT AND RATIFICATION
RUNYAN RANCH UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Runyan Ranch Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 15th day of April 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

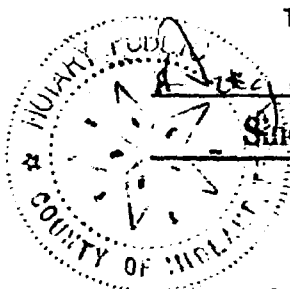
The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Runyan Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

SINCLAIR OIL & GAS COMPANY
ADDRESS
P. O. BOX 1470
MIDLAND, TEXAS
ATTEST:
R. M. Koblisch
Assistant Secretary
STATE OF TEXAS
COUNTY OF Hillland

SIGNATURE
SINCLAIR OIL & GAS COMPANY
R. M. Koblisch
Vice-President

APPROVED	
FORM	<i>OK</i>
SUBSTANCE	<i>OK</i>
DATE	<i>July</i>



The foregoing instrument was acknowledged before me this 15th day of August, 1963, by R. M. Koblisch, Vice-President
Sinclair Oil & Gas Company

Eileen Miller EILEEN MILLER
Notary Public in and for
Hillland County, TEXAS
My Commission Expires June 1, 1965

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____

Notary Public in and for
My Commission Expires _____ County, _____

R. 21 E.

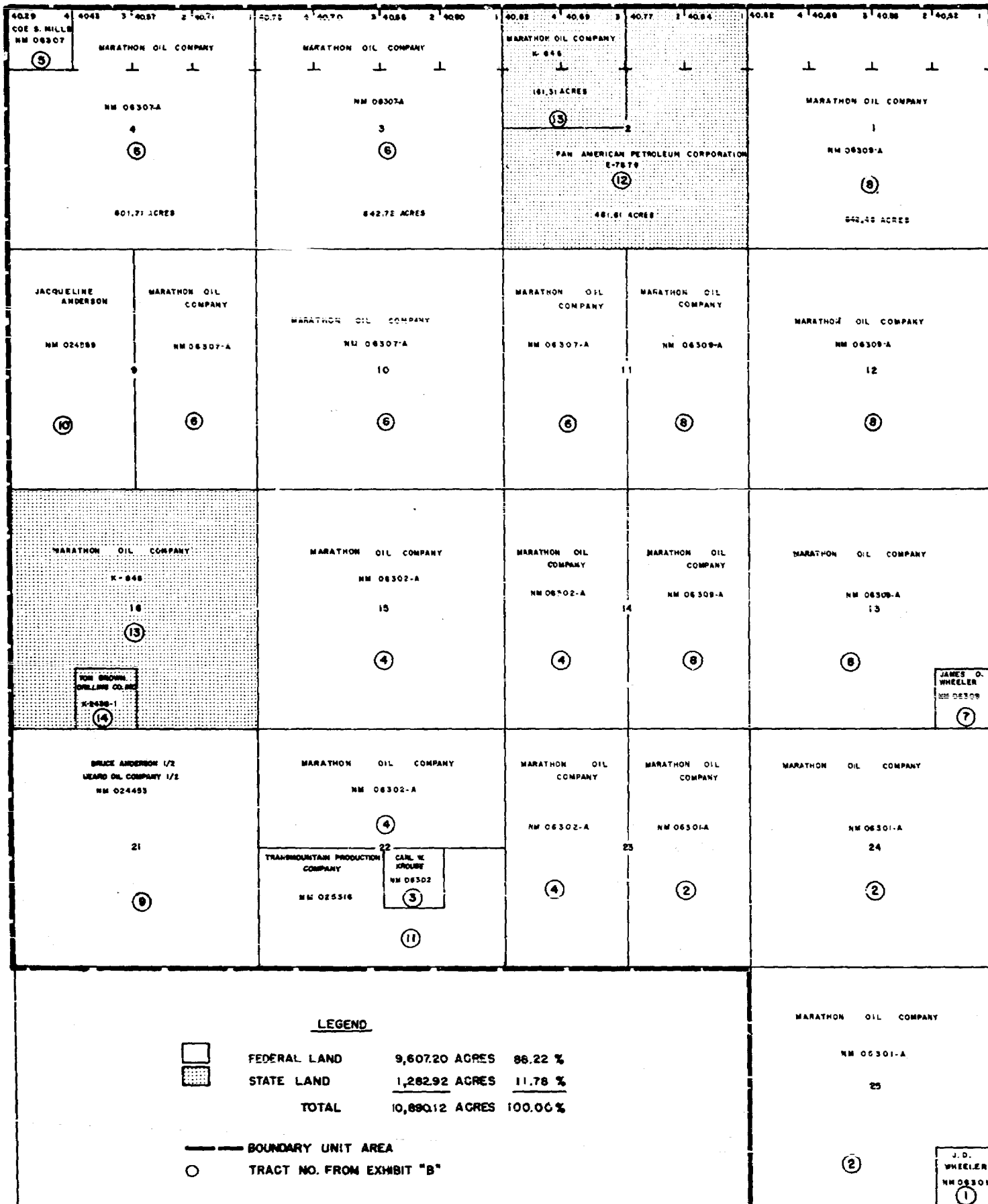


EXHIBIT "B" - RUNYAN RANCH UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 1

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
<u>FEDERAL LANDS</u>							
<u>T. 19 S., E. 21 E.</u>							
1	Sec. 25: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM 06301 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	James D. Wheeler	Ann Kennedy Gwilliam Winslow 1.00%	James D. Wheeler All
2	Sec. 23: E $\frac{1}{2}$ Sec. 24: All Sec. 25: N $\frac{1}{2}$, SW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$	1,560.00	NM 06301-A 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	Marathon Oil Company	Ann Kennedy Gwilliam Winslow James D. Wheeler: 1.00%	Marathon Oil Company All
3	Sec. 22: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM 06302 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	Ruth F. Krouse, Executrix of the Estate of Carl W. Krouse, deceased	None	Ruth F. Krouse, Executrix of the Estate of Carl W. Krouse, deceased All
4	Sec. 14: W $\frac{1}{2}$ Sec. 15: All Sec. 22: N $\frac{1}{2}$ Sec. 23: W $\frac{1}{2}$	1,600.00	NM 06302-A 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	Marathon Oil Company	Ruth F. Krouse, Executrix of the Estate of Carl W. Krouse, deceased 1.00%	Marathon Oil Company All
5	Sec. 4: Lot 4	40.29	NM 06307 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	Coe S. Mills	None	Coe S. Mills All

July 12, 1963

EXHIBIT "B" - RUNYAN RANCH UNIT AREA - EDDY COUNTY, NEW MEXICO

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty or Application	Record Owner of Lease	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
<u>FEDERAL LANDS (Continued)</u>							
<u>T. 19 S., R. 21 E.</u>							
6	Sec. 3: Lots 1, 2, 3, 4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ (All)	2,524.43	NM 06307-A 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	Marathon Oil Company	Coe S. Mills	1.00% Marathon Oil Company All
	Sec. 4: Lots 1, 2, 3, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$						
	Sec. 9: E $\frac{1}{2}$						
	Sec. 10: All						
	Sec. 11: W $\frac{1}{2}$						
7	Sec. 13: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM 06309 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	James D. Wheeler	None	James D. Wheeler All
8	Sec. 1: Lots 1, 2, 3, 4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ (All)	2,522.48	NM 06309-A 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	Marathon Oil Company	James D. Wheeler	1.00% Marathon Oil Company All
	Sec. 11: E $\frac{1}{2}$						
	Sec. 12: All						
	Sec. 13: N $\frac{1}{2}$, SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$						
	Sec. 14: E $\frac{1}{2}$						
9	Sec. 21: All	640.00	NM 024453 9-1-56 Ext. to 8-31-66	U.S.A. 12 $\frac{1}{2}$ % All	Bruce Anderson Beard Oil Company	Malcolm C. McDuffie Vola V. Horst June 1	Bruce Anderson Beard Oil Company 0.50% Vola V. Horst June 1 0.50%
10	Sec. 9: W $\frac{1}{2}$	320.00	NM 024989 2-1-58 Ext. to 1-31-68	U.S.A. 12 $\frac{1}{2}$ % All	Jacqueline Anderson	Vola V. Horst June 1	Jacqueline Anderson Beard Oil Company (Option) 0.50%

April 15, 1963

EXHIBIT "B" - RUNYAN RANCH UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 3

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
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FEDERAL LANDS (Continued)

T. 19 S., R. 21 E.

11	Sec. 22: $3\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$	280.00	NM 025318 9-1-56 Ext. to 8-31-66	U.S.A. 12 $\frac{1}{2}$ % All	Transmountain Production Company	Walter L. Morrison 5.00%	Transmountain Production Company
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TOTAL FEDERAL LANDS - 9,607.20 Acres

STATE LANDS

12	Sec. 2: Lots 1, 2, S $\frac{1}{2}$ NE $\frac{1}{4}$, S $\frac{1}{2}$	481.61	H-7876 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ % All	Pan American Petroleum Corporation	None	Pan American Petroleum Corporation
13	Sec. 2: Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$, N $\frac{1}{2}$ S $\frac{1}{2}$, SW $\frac{1}{4}$ S $\frac{1}{2}$	761.31	K-846 10-18-60 10 years	State of New Mexico 12 $\frac{1}{2}$ % All	Marathon Oil Company	None	Marathon Oil Company
14	Sec. 16: SE $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	K-2438-1 5-15-62 10 years	State of New Mexico 12 $\frac{1}{2}$ % All	Tom Brown Drilling Company, Inc.	Sinclair Oil & Gas 6.25%	Tom Brown Drilling Company, Inc.

TOTAL STATE LANDS - 1,282.92 Acres

REGULATION

LAND	ACREAGE	PERCENTAGE
Federal	9,607.20	88.22%
State	1,282.92	11.78%
Totals	10,890.12	100.00%

August 12, 1963

EXHIBIT "B" - RUNYAN RANCH UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 4

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
--------------	-------------	-----------------	---------------------------------	--	---	--	--

FOOTNOTES: Promptly upon approval of the Unit Agreement by the Director, United States Geological Survey, Option Agreements providing for the assignment of record title, together with working interest rights and stipulated overriding royalty reservations by the present lessees of record, shall be exercised by the indicated party, subject to the Runyan Ranch Unit Agreement.

Upon completion of the initial test well, Tom Brown Drilling Co., Inc., acquires one-half (1/2) interest under all tracts presently held by Marathon Oil Company in accordance with Letter Agreement with that company.

April 15, 1963

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. 2834
Order No. R-2513

APPLICATION OF TOM BROWN DRILLING
COMPANY FOR APPROVAL OF THE RUNYAN
RANCH UNIT AGREEMENT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 26, 1963, 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 9th day of July, 1963, 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 applicant, Tom Brown Drilling Company, seeks approval of the Runyan Ranch Unit Agreement covering 10,890.12 acres, more or less, of State and Federal lands in Township 19 South, Range 21 East, NMPM, Eddy County, New Mexico.

(3) That approval of the proposed Runyan Ranch Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Runyan Ranch Unit Agreement is hereby approved.

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the

-2-

CASE No. 2834
Order No. R-2513

development and operation of the Runyan Ranch Unit Area, and such plan shall be known as the Runyan Ranch Unit Agreement Plan.

(3) That the Runyan Ranch Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Runyan Ranch Unit, or relative to the production of oil or gas therefrom.

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

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO
TOWNSHIP 19 SOUTH, RANGE 21 EAST
Sections 1 through 4: All
Sections 9 through 16: All
Sections 21 through 25: All

containing 10,890.12 acres, more or less.

(b) That 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 Runyan Ranch Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

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

-3-
CASE No. 2834
Order No. R-2513

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

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

S E A L

esr/

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
RUNYAN RANCH UNIT


6
EDDY COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated April 15, 1963, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 19th day of August 19 63.


Commissioner of Public Lands
of the State of New Mexico



CERTIFICATION - DETERMINATION

14-08-0001 8545

Pursuant to the authority vested in the Secretary of Interior as to Federal Lands, under the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C.F.R. Sec. 4.611, 12 F.R. 6784, I do hereby:


A. Approve the attached agreement for the development and operation of the Runyan Ranch Unit Area, Eddy County, State of New Mexico.

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

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

SEP - 5 1963

DATED


Acting DIRECTOR, UNITED STATES GEOLOGICAL
SURVEY.

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
RUNYAN RANCH UNIT AREA
COUNTY OF EDDY
STATE OF NEW MEXICO

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EXHIBITS

- Exhibit "A" - Map of Unit Area
Exhibit "B" - Schedule of Ownership in Lands

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	2834
CASE NO.	2834

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
RUNYAN RANCH UNIT AREA
COUNTY OF EDDY
STATE OF NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 15th day of April, 1963,
by and between the parties subscribing, ratifying, or consenting hereto, and
herein referred to as the "parties hereto,"

W I T N E S S E T H:

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

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

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes
1953 Annotated) to consent to or approve this agreement on behalf of the
State of New Mexico, in so far as it covers and includes lands and mineral
interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico
is authorized by an Act of the Legislature (Chapter 72, Laws of 1935, as
amended by Chapter 193, Laws of 1937, Chapter 166, Laws of 1941, and Chapter
168, Laws of 1949) to approve this agreement and the conservation provisions
hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Runyan
Ranch 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. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to State of New Mexico lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State of New Mexico are hereby accepted and made a part of this agreement.

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

T. 19 S., R. 21 E., N.M.P.M.

Secs. 1 through 4, inclusive: All

Secs. 9 through 16, inclusive: All

Secs. 21 through 25, inclusive: All

containing 10,890.12 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 land 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 in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor," or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner," and not less than six (6) copies of the revised exhibits shall be filed with the Supervisor, and one (1) copy thereof shall be filed with the Land Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Conservation Commission."

The above described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

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

(b) Said notice shall be delivered to the Supervisor, the Land Commissioner and the Conservation Commission and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the Land Commissioner and the Conservation Commission evidence of mailing of the

notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director, the Land Commissioner and the Conservation Commission, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within five (5) years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section entitled "Unavoidable Delay," provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within ten (10) years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable

"Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director and the Land Commissioner. The unit operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and the Land Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2 (e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating-acreage basis, respectively, with approval of the Director and the Land Commissioner provided such extension application is submitted to the Land Commissioner and the Director not later than 60 days prior to the expiration of said 10-year period.

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

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

4. UNIT OPERATOR. Tom Brown Drilling Company, Inc. is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in it 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 interest 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.

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

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

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

The 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 Director and the Land Commissioner.

The resignation or removal of Unit Operator under this agreement shall not terminate its 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.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator; Provided, that, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a 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 filed with the Supervisor and approved by the Land Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Land Commissioner at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the

Unit Operator and the owners of working 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 "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Land Commissioner, prior to approval of this unit agreement by the Director.

8. 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.

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on Federal land or by the Land Commissioner if on State Land, or by the Conservation Commission if on privately owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until formations of Pennsylvanian Age have been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land, of the Land Commissioner if on State land, or of the Conservation Commission if on privately owned land, that further drilling of said well would 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 8,100 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 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 said Supervisor if it be on Federal land or of the Land Commissioner if on State land or the Conservation Commission if on privately owned land or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and Land 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.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Land Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

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

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources.

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

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Land Commissioner

are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and the Land Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Land Commissioner the Unit Operator shall submit for approval by the Director and the Land Commissioner a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director and the Land Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of the initial participating area. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action

appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and the Land Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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

In the absence of agreement at any time between the Unit Operator and the Director and the Land Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal lands and the Land Commissioner for State lands and the Conservation Commission as to privately owned lands and the amount thereof deposited, as directed by the Supervisor and the Land Commissioner respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor, as to wells drilled on Federal land and of the Land Commissioner as to wells drilled on State land and the Conservation Commission as to wells on privately

owned lands, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, and Land Commissioner and the Conservation Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so

transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS.

Any party or parties hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, the Land Commissioner as to State land, and the Conservation Commission as to privately owned land, and subject to the provisions of the Unit Operating Agreement, at such party's or parties' sole risk, costs, and expense drill a well at such location on such land to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, or drill any well not mutually agreed to by all interested parties, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

14. ROYALTY SETTLEMENT. The United States and any State and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall

hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor, the Land Commissioner, and the Conservation Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and 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 the plan of operations or as may otherwise be consented to by the Supervisor, the Land Commissioner and the Conservation 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.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulation; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be

determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

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

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

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

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

16. 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 or Federal law or regulation.

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or, with the consent of the

Director and the Land Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor as to Federal leases and the Land Commissioner as to State leases.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the Land Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Land Commissioner,

or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands, other than those of the United States and State of New Mexico, committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

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

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term

provided therein as to the lands committed hereto until the termination hereof.

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

(i) 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 the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, 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 or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease 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 in such lease, the same, as to all 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 or gas in paying quantities is being produced from any portion of said lands.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest 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 of any working interest, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

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

(a) such date of expiration is extended by the Director and the Land Commissioner, or

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and Land Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder 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, or

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper

representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Conservation Commission, agree that all powers and authority vested in the Conservation Commission in and by any provisions of this agreement are vested in the Conservation Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

23. 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 Department of the Interior, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the Conservation Commission or Land Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the Land Commissioner, or Conservation Commission or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

24. 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 personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting

such party, or as a waiver by any such party of any right beyond his or its authority to waive.

26. 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, 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.

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which are hereby incorporated by reference in this agreement.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any

defect or failure of any title hereunder.

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Land Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, provided, that as to State lands such subsequent joinder by a lessee of record must be approved by the Land Commissioner.

30. 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 parties hereto have caused this agreement to be executed and set opposite their respective names the date of execution.

UNIT OPERATOR AND WORKING INTEREST OWNER

TOM BROWN DRILLING CO., INC.

Date: _____

By _____
President

ATTEST:

Secretary

Address: 820 Midland Savings Building
P. O. Box 5131
Midland, Texas

OTHER WORKING INTEREST OWNERS

MARATHON OIL COMPANY

Date: _____

By _____
Division Manager

Address: P. O. Box 552
9th Floor, Midland National
Bank Building
Midland, Texas

PAN AMERICAN PETROLEUM CORPORATION

Date: _____

By _____
Attorney-in-Fact

ATTEST:

Assistant Secretary

Address: P. O. Box 1410
Oil and Gas Building
Fort Worth, Texas

SINCLAIR OIL & GAS COMPANY

Date: _____

By _____
Vice President

ATTEST:

Address: P. O. Box 1470
Midland Savings & Loan Bldg.
Midland, Texas

Assistant Secretary

TRANSMOUNTAIN PRODUCTION COMPANY

Date: _____

By _____
President

ATTEST:

Address: 800 San Jacinto Building
Houston 2, Texas

Secretary

BEARD OIL COMPANY

Date: _____

By _____

Address: 466 Cameron Building
2915 Classen Boulevard
Oklahoma City 6, Oklahoma

Date: _____

BRUCE ANDERSON

Address:
930 Petroleum Club Building
Denver 2, Colorado

JACQUELINE ANDERSON

Date: _____

JAMES D. WHEELER

Address:
5328 Longmont Drive
Houston 27, Texas

MARION S. WHEELER

Date: _____

COE S. MILLS

Address:
501 West Broadway
Midland, Texas

BEA S. MILLS

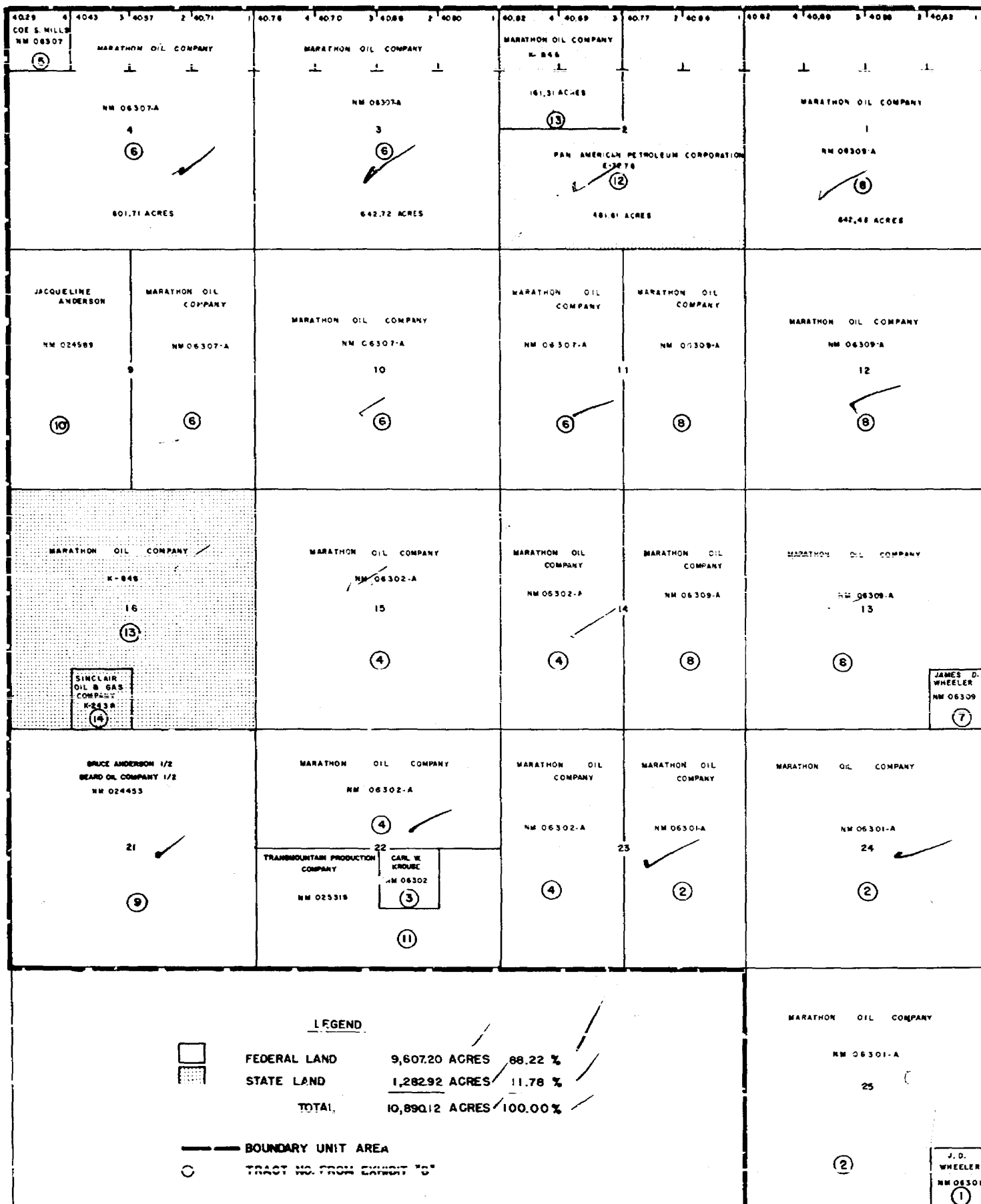
Date: _____

CARL W. KROUSE

Address:
2419 Locke Lane
Houston 19, Texas

RUTH F. KROUSE

R 21 F



T.
19
S.

EXHIBIT "B" - RUNYAN RANCH UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 1

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
<u>FEDERAL LANDS</u>							
<u>T. 19 S., R. 21 E.</u>							
1	Sec. 25: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM 06301 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	James D. Wheeler	Ann Kennedy Gwilliam Winslow 1.00 %	James D. Wheeler All
2	Sec. 23: E $\frac{1}{2}$ Sec. 24: All Sec. 25: N $\frac{1}{2}$, SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$	1,560.00	NM 06301-A 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	Marathon Oil Company	Ann Kennedy Gwilliam Winslow James D. Wheeler 1.00 %	Marathon Oil Company All
3	Sec. 22: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM 06302 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	Carl W. Krouse	None	Carl W. Krouse All
4	Sec. 14: W $\frac{1}{2}$ Sec. 15: All Sec. 22: N $\frac{1}{2}$ Sec. 23: W $\frac{1}{2}$	1,600.00	NM 06302-A 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	Marathon Oil Company	Carl W. Krouse 1.00 %	Marathon Oil Company All
5	Sec. 4: Lot 4	40.29	NM 06307 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	Coe S. Mills	None	Coe S. Mills All

April 15, 1963

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty or Application	Record Owner of Lease	Overriding Royalty Owner and Percentage	Working Interest Owner Percentage of Interest
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FEDERAL LANDS (Continued)

T. 19 S., R. 21 E.

6	Sec. 3: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ (All)	2,522.43	NM 06307-A 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	Marathon Oil Company	Coe S. Mills	1.00% Marathon Oil Company
	Sec. 4: Lots 1,2,3, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$						
	Sec. 9: E $\frac{1}{2}$						
	Sec. 10: All						
	Sec. 11: W $\frac{1}{2}$						
7	Sec. 13: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM 06309 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	James D. Wheeler	None	James D. Wheeler
8	Sec. 1: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ (All)	2,522.48	NM 06309-A 11-1-51 Ext. to 9-30-63	U.S.A. 12 $\frac{1}{2}$ % All	Marathon Oil Company	James D. Wheeler	1.00% Marathon Oil Company
	Sec. 11: E $\frac{1}{2}$						
	Sec. 12: All						
	Sec. 13: N $\frac{1}{2}$, SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$						
	Sec. 14: E $\frac{1}{2}$						
9	Sec. 21: All	640.00	NM 024453 9-1-56 Ext. to 8-31-66	U.S.A. 12 $\frac{1}{2}$ % All	Eruce Anderson Beard Oil Company	Malcolm C. McDuffie Vola V. Horst Bunnell	Bruce Anderson Beard Oil Company
10	Sec. 9: W $\frac{1}{2}$	320.00	NM 024989 2-1-58 Ext. to 1-31-68	U.S.A. 12 $\frac{1}{2}$ % All	Jacqueline Anderson	Vola V. Horst Bunnell	Jacqueline Anderson Beard Oil Company (Option)

April 15, 1953

EXHIBIT "B" - RUNYAN RANCH UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 3

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
<u>FEDERAL LANDS (Continued)</u>							
<u>T. 19 S. 2 R. 21 E.</u>							
11	Sec. 22: SW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$	280.00	NM 025318 9-1-56 Ext. to 8-31-66	U.S.A. 12 $\frac{1}{2}$ % All	Transmountain Production Company	Walter L. Morrisson 5.00%	Transmountain Production Company
TOTAL FEDERAL LANDS - 9,607.20 Acres							

STATE LANDS

T. 19 S. 2 R. 21 E.

12	Sec. 2: Lots 1, 2, 3 S $\frac{1}{2}$ NE $\frac{1}{4}$, S $\frac{1}{2}$	481.61	E-7876 2-16-54 10 years	State of New Mexico 12 $\frac{1}{2}$ % All	Pan American Petroleum Corporation	None	Pan American Petroleum Corporation
13	Sec. 2: Lots 3, 4, 5 NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$	761.31	K-846 10-18-60 10 years	State of New Mexico 12 $\frac{1}{2}$ % All	Marathon Oil Company	None	Marathon Oil Company
14	Sec. 16: SE $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	K-2438 5-15-62 10 years	State of New Mexico 12 $\frac{1}{2}$ % All	Sinclair Oil & Gas Company	None	Sinclair Oil & Gas Company
TOTAL STATE LANDS - 1,282.92 Acres							

RECAPITULATION

LAND	ACREAGE	PERCENTAGE
Federal	9,607.20	88.22%
State	1,282.92	11.78%
Totals	10,890.12	100.00%

April 15, 1963

EXHIBIT "B" - RUNYAN RANCH UNIT AREA - EDDY COUNTY, NEW MEXICO

Page 4

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage of Interest
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FOOTNOTES:

Promptly upon approval of the Unit Agreement by the Director, United States Geological Survey, Option Agreements providing for the assignment of record title, together with working interest rights and stipulated overriding royalty reservations by the present lessees of record, shall be exercised by the indicated party, subject to the Runyan Ranch Unit Agreement.

Upon completion of the initial test well, Tom Brown Drilling Co., Inc., acquires one-half (1/2) interest under all tracts presently held by Marathon Oil Company in accordance with Letter Agreement with that company.

April 15, 1963

P. O. BOX 288 1933

PHONES: MAIN 2-2226
ON MAIN 2-6422

FOSTER MORRELL
PETROLEUM CONSULTANT
HICKMAN-ROPER-BUILDING
ROSWELL, NEW MEXICO
February 27, 1963

The Director
United States Geological Survey
Department of the Interior
Washington 25, D. C.

Through: Regional Oil & Gas Supervisor
Roswell, New Mexico

Re: Area, initial test well and form of
unit agreement, Runyan Ranch Unit,
Eddy County, New Mexico

Dear Sir:

Pursuant to the unit plan regulations of December 22, 1950, 30 C.F.R. 226.3 and 226.4, Tom Brown Drilling Co., Inc., of Midland, Texas, herewith submits in triplicate application for designation of certain lands in T. 19 S., R. 21 E., N.M.P.M., Eddy County, New Mexico, as an area logically subject to development and operation under a unit agreement to be known as the Runyan Ranch Unit.

The Runyan Ranch Unit Area as proposed embraces a total of 10,890.12 acres of which 9,607.20 acres or 88.22% are Federal lands and 1,282.92 acres or 11.78% are State of New Mexico lands as shown on Exhibit "A" submitted herewith.

Attached to and made a part of this application is a geological report dated February 12, 1963, by James R. Day, Consulting Geologist for Tom Brown Drilling Co., Inc., in support and justification of the unit area. With the geological report is a structural map based on Devonian seismograph reflections with contours representing the structural configuration at the base of the Pennsylvanian formation approximately conformable with the top of the Devonian, and outline of the proposed Runyan Ranch Unit Area. This report furnishes the geologic basis for delineation of the proposed unit area, the stratigraphic sequence with estimated depths and possible productive formations.

Tom Brown Drilling Co., Inc., as designated Unit Operator, proposes to use the standard form of unit agreement 1961 reprint with the following changes:

- (i) Section 6 (b) to read in part "the selection shall have been filed with the Supervisor.", rather than "approved by the Director".

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
App. C	EXHIBIT NO. 3
CASE NO.	2834

The Director
United States Geological Survey

-2-

February 27, 1963

- (2) Replace the "Fair Employment" section with the new "Nondiscrimination" language.
- (3) Add applicable State land provisions.

The following Federal oil and gas leases are wholly or partly within the unit area:

NM 06301
NM 06301-A
NM 06302
NM 06302-A
NM 06307
NM 06307-A

NM 06309
NM 06309-A
NM 024453
NM 024989
NM 025318

It is proposed that the initial test well shall be drilled to test the Pennsylvanian formation or to a depth of not in excess of 8,100 feet.

It is respectfully requested that you designate the unit area, and approve the form of unit agreement and initial drilling program as proposed herein.

Very truly yours,

Tom Brown Drilling Co., Inc.

By Foster Morrell
Foster Morrell, Its Representative

Enclosures

cc: Tom Brown Drilling Co., Inc.
P. O. Box 5131
Midland, Texas



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

IN REPLY REFER TO:

MAR 26 1963

Mr. Foster Morrell
P. O. Box 1933
Roswell, New Mexico

RECEIVED MAR 30 1963

Dear Mr. Morrell:

Your application of February 27 filed with the Oil and Gas Supervisor, Roswell, New Mexico, in behalf of Tom Brown Drilling Company, Inc., requests the designation of 10,890.12 acres, more or less, in Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3 (1961 reprint), the land requested as outlined on your map marked "Exhibit A, Runyan Ranch unit, Eddy County, New Mexico," is hereby designated as a logical unit area. Any unit agreement submitted for the area designated should require the drilling of a well to test formations of Pennsylvanian Age, or to a depth of 8,100 feet. The 1961 reprint of the standard form of unit agreement should be used with the addition of the customary language required by the State of New Mexico and the following modifications proposed by your letter:

1. Change item 6(b), line 5, page 7 of the 1961 reprint to read:

"(b) the selection shall have been filed with the Supervisor. If no successor unit operator is selected and qualified as herein provided, the Director at his election may declare this unit agreement terminated."

2. The "Fair Employment" section of the 1961 reprint should be replaced with the following:

"Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F. R. 1977), which are hereby incorporated by reference in this agreement."

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
Appl. EXHIBIT NO.	4
CASE NO.	2834

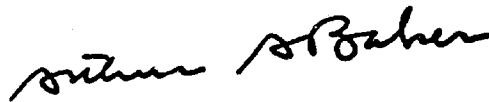
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In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical to the 1961 reprint, modified only as outlined above, will be approved if submitted in approvable status within a reasonable amount of time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

Include the latest status of all acreage when the executed agreement is transmitted to the Supervisor for approval. The format of the sample exhibits attached to the 1961 reprint of the standard form should be followed closely in preparation of Exhibits A and B. It appears that the tract number indicated by your Exhibit A for the W $\frac{1}{2}$ sec. 9, T. 19 S., R. 21 E., N.M.P.M., lease New Mexico 024989, should be corrected from tract number 9 to tract number 10 in order to avoid one tract covering two leases.

Inasmuch as this unit area contains State of New Mexico lands, we are sending a copy of this letter to the Commissioner of Public Lands at Santa Fe, and you are requested to contact said Commissioner in connection with this letter prior to soliciting joinders.

Sincerely yours,



Acting Director

May 23, 1963

Commissioner of Public Lands
State of New Mexico
P. O. Box 791
Santa Fe, New Mexico

Attention: Mrs. Marion Rhea

Re: Ranyan Ranch Unit
Eddy County, New Mexico

Dear Sir:

Reference is made to our letter to you dated May 10, 1963, and the proposed form of unit agreement for the subject unit submitted therewith.

In response to the suggestion by Mrs. Rhea the last sentence of Section 29, NON-JOINDER AND SUBSEQUENT JOINDER, Page 24 of the unit agreement, has been revised deleting references to the Conservation Commission and adding the following "provided, that as to State lands such subsequent joinder by a lessee of record must be approved by the Land Commissioner."

Two copies of the reprinted Page 24 of the subject unit agreement are enclosed herewith for your files.

Very truly yours,

TOM BROWN DRILLING CO., INC.

By _____
Foster Morrell, Its Representative

FM/rpd

Enclosures

cc: Mr. Thomas G. Brown
Tom Brown Drilling Co., Inc.

cc: Mr. Charles E. Southern
Marathon Oil Company

bcc: Oil Conservation Commission

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. <u>2834</u>
CASE NO. <u>2834</u>

5

7 105
May 10, 1963

Commissioner of Public Lands
State of New Mexico
P. O. Box 791
Santa Fe, New Mexico

Attention: Mrs. Marion Rhea

Re: Runyon Ranch Unit
Eddy County, New Mexico

Dear Sir:

Reference is made to letter dated March 26, 1963, from the Acting Director of the United States Geological Survey in response to application of February 27, 1963, in behalf of Tom Brown Drilling Co., Inc., regarding the subject unit, copy of which was sent directly to your office.

By said letter the Acting Director designated as a logical unit area certain lands embracing 10,890.12 acres more or less in Eddy County, New Mexico, and approved the use of the standard form of unit agreement with specified modifications and the addition of the customary language required by the State of New Mexico. The Acting Director further requested that we contact the Commissioner of Public Lands prior to soliciting joinders.

Accordingly, there are forwarded herewith for your consideration two (2) copies of the proposed unit agreement for the Runyon Ranch Unit Area incorporating the customary language covering references to the Commissioner of Public Lands and the Oil Conservation Commission of the State of New Mexico.

Kindly advise if this unit agreement is satisfactory with your office.

Very truly yours,

TOM BROWN DRILLING CO., INC.

By _____
Foster Marrell, Its Representative

FM/rpd

Enclosures

cc: Mr. Thomas C. Brown
cc: Mr. Charles Southard
bcc: Mr. D. J. Sorenson



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

IN REPLY REFER TO:

MAR 26 1963

Mr. Foster Morrell
P. O. Box 1933
Roswell, New Mexico

RECEIVED MAR 30 1963

Dear Mr. Morrell:

Your application of February 27 filed with the Oil and Gas Supervisor, Roswell, New Mexico, in behalf of Tom Brown Drilling Company, Inc., requests the designation of 10,890.12 acres, more or less, in Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3 (1961 reprint), the land requested as outlined on your map marked "Exhibit A, Runyan Ranch unit, Eddy County, New Mexico," is hereby designated as a logical unit area. Any unit agreement submitted for the area designated should require the drilling of a well to test formations of Pennsylvanian Age, or to a depth of 8,100 feet. The 1961 reprint of the standard form of unit agreement should be used with the addition of the customary language required by the State of New Mexico and the following modifications proposed by your letter:

1. Change item 6(b), line 5, page 7 of the 1961 reprint to read:

"(b) the selection shall have been filed with the Supervisor. If no successor unit operator is selected and qualified as herein provided, the Director at his election may declare this unit agreement terminated."

2. The "Fair Employment" section of the 1961 reprint should be replaced with the following:

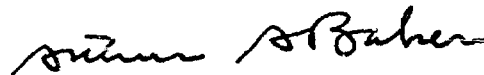
"Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F. R. 1977), which are hereby incorporated by reference in this agreement."

In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical to the 1961 reprint, modified only as outlined above, will be approved if submitted in approvable status within a reasonable amount of time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

Include the latest status of all acreage when the executed agreement is transmitted to the Supervisor for approval. The format of the sample exhibits attached to the 1961 reprint of the standard form should be followed closely in preparation of Exhibits A and B. It appears that the tract number indicated by your Exhibit A for the W $\frac{1}{2}$ sec. 9, T. 19 S., R. 21 E., N.M.P.M., lease New Mexico 024989, should be corrected from tract number 9 to tract number 10 in order to avoid one tract covering two leases.

Inasmuch as this unit area contains State of New Mexico lands, we are sending a copy of this letter to the Commissioner of Public Lands at Santa Fe, and you are requested to contact said Commissioner in connection with this letter prior to soliciting joinders.

Sincerely yours,



Acting Director



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

IN REPLY REFER TO:

MAR 26 1963

Mr. Foster Morrell
P. O. Box 1933
Roswell, New Mexico

RECEIVED MAR 30 1963

Dear Mr. Morrell:

Your application of February 27 filed with the Oil and Gas Supervisor, Roswell, New Mexico, in behalf of Tom Brown Drilling Company, Inc., requests the designation of 10,890.12 acres, more or less, in Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3 (1961 reprint), the land requested as outlined on your map marked "Exhibit A, Runyan Ranch unit, Eddy County, New Mexico," is hereby designated as a logical unit area. Any unit agreement submitted for the area designated should require the drilling of a well to test formations of Pennsylvanian Age, or to a depth of 8,100 feet. The 1961 reprint of the standard form of unit agreement should be used with the addition of the customary language required by the State of New Mexico and the following modifications proposed by your letter:

1. Change item 6(b), line 5, page 7 of the 1961 reprint to read:

"(b) the selection shall have been filed with the Supervisor. If no successor unit operator is selected and qualified as herein provided, the Director at his election may declare this unit agreement terminated."

2. The "Fair Employment" section of the 1961 reprint should be replaced with the following:


"Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F. R. 1977), which are hereby incorporated by reference in this agreement."

In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical to the 1961 reprint, modified only as outlined above, will be approved if submitted in approvable status within a reasonable amount of time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

Include the latest status of all acreage when the executed agreement is transmitted to the Supervisor for approval. The format of the sample exhibits attached to the 1961 reprint of the standard form should be followed closely in preparation of Exhibits A and B. It appears that the tract number indicated by your Exhibit A for the W $\frac{1}{2}$ sec. 9, T. 19 S., R. 21 E., N.M.P.M., lease New Mexico 024989, should be corrected from tract number 9 to tract number 10 in order to avoid one tract covering two leases.

Inasmuch as this unit area contains State of New Mexico lands, we are sending a copy of this letter to the Commissioner of Public Lands at Santa Fe, and you are requested to contact said Commissioner in connection with this letter prior to soliciting joinders.

Sincerely yours,



Acting Director

P. O. BOX 365 1933

PHONES: MAIN 2-6220
OR MAIN 2-6420

FOSTER MORRELL
PETROLEUM CONSULTANT
MINERAL-STATE-ENGINEER
ROSWELL, NEW MEXICO
February 27, 1963

The Director
United States Geological Survey
Department of the Interior
Washington 25, D. C.

Through: Regional Oil & Gas Supervisor
Roswell, New Mexico

Re: Area, initial test well and form of
unit agreement, Runyan Ranch Unit,
Eddy County, New Mexico

Dear Sir:

Pursuant to the unit plan regulations of December 22, 1950, 30 C.F.R. 226.3 and 226.4, Tom Brown Drilling Co., Inc., of Midland, Texas, herewith submits in triplicate application for designation of certain lands in T. 19 S., R. 21 E., N.M.P.M., Eddy County, New Mexico, as an area logically subject to development and operation under a unit agreement to be known as the Runyan Ranch Unit.

The Runyan Ranch Unit Area as proposed embraces a total of 10,890.12 acres of which 9,607.20 acres or 88.22% are Federal lands and 1,282.92 acres or 11.78% are State of New Mexico lands as shown on Exhibit "A" submitted herewith.

Attached to and made a part of this application is a geological report dated February 12, 1963, by James R. Day, Consulting Geologist for Tom Brown Drilling Co., Inc., in support and justification of the unit area. With the geological report is a structural map based on Devonian seismograph reflections with contours representing the structural configuration at the base of the Pennsylvanian formation approximately conformable with the top of the Devonian, and outline of the proposed Runyan Ranch Unit Area. This report furnishes the geologic basis for delineation of the proposed unit area, the stratigraphic sequence with estimated depths and possible productive formations.

Tom Brown Drilling Co., Inc., as designated Unit Operator, proposes to use the standard form of unit agreement 1961 reprint with the following changes:

- (1) Section 6 (b) to read in part "the selection shall have been filed with the Supervisor.", rather than "approved by the Director".

The Director
United States Geological Survey

February 27, 1963

-2-

- (2) Replace the "Fair Employment" section with the new "Nondiscrimination" language.
- (3) Add applicable State land provisions.

The following Federal oil and gas leases are wholly or partly within the unit area:

NM 06301
NM 06301-A
NM 06302
NM 06302-A
NM 06307
NM 06307-A

NM 06309
NM 06309-A
NM 024453
NM 024989
NM 025318

It is proposed that the initial test well shall be drilled to test the Pennsylvanian formation or to a depth of not in excess of 8,100 feet.

It is respectfully requested that you designate the unit area, and approve the form of unit agreement and initial drilling program as proposed herein.

Very truly yours,

Tom Brown Drilling Co., Inc.

Foster Morrell
By Foster Morrell, Its Representative

Enclosures

cc: Tom Brown Drilling Co., Inc.
P. O. Box 5131
Midland, Texas

P. O. BOX 222 1933

PHONES: MAIN 2-5230
OR MAIN 2-0420

FOSTER MORRELL
PETROLEUM CONSULTANT
MINERALS-HOTELS-BUILDINGS
ROSWELL, NEW MEXICO
February 27, 1963

The Director
United States Geological Survey
Department of the Interior
Washington 25, D. C.

Through: Regional Oil & Gas Supervisor
Roswell, New Mexico

Re: Area, initial test well and form of
unit agreement, Runyan Ranch Unit,
Eddy County, New Mexico

Dear Sir:

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The Runyan Ranch Unit Area as proposed embraces a total of 10,890.12 acres of which 9,607.20 acres or 88.22% are Federal lands and 1,282.92 acres or 11.78% are State of New Mexico lands as shown on Exhibit "A" submitted herewith.

Attached to and made a part of this application is a geological report dated February 12, 1963, by James R. Day, Consulting Geologist for Tom Brown Drilling Co., Inc., in support and justification of the unit area. With the geological report is a structural map based on Devonian seismograph reflections with contours representing the structural configuration at the base of the Pennsylvanian formation approximately conformable with the top of the Devonian, and outline of the proposed Runyan Ranch Unit Area. This report furnishes the geologic basis for delineation of the proposed unit area, the stratigraphic sequence with estimated depths and possible productive formations.

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The Director
United States Geological Survey

-2-

February 27, 1963

- (2) Replace the "Fair Employment" section with the new "Nondiscrimination" language.
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The following Federal oil and gas leases are wholly or partly within the unit area:

NM 06301	NM 06309
NM 06301-A	NM 06309-A
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NM 06302-A	NM 024989
NM 06307	NM 025318
NM 06307-A	

It is proposed that the initial test well shall be drilled to test the Pennsylvanian formation or to a depth of not in excess of 8,100 feet.

It is respectfully requested that you designate the unit area, and approve the form of unit agreement and initial drilling program as proposed herein.

Very truly yours,

Tom Brown Drilling Co., Inc.

By Foster Morrell
Foster Morrell, Its Representative

Enclosures

cc: Tom Brown Drilling Co., Inc.
P. O. Box 5131
Midland, Texas

RUNYAN RANCH UNIT AREA
EDDY COUNTY, NEW MEXICO

<u>Working Interest Owner</u>	<u>Federal</u>	<u>Acreage State</u>	<u>Total</u>	<u>Percentage</u>
Marathon Oil Company	8,206.91	761.31	8,968.22	82.35189%
Pan American Pet. Corp.		481.61	481.61	4.42245%
Beard Oil Company	480.00		480.00	4.40766%
Bruce (Jacqueline) Anderson	480.00		480.00	4.40766%
Transmountain Prod. Co.	280.00		280.00	2.57114%
James D. Wheeler	80.00		80.00	0.73461%
Coe S. Mills	40.29		40.29	0.36997%
Estate of Carl W. Krouse	40.00		40.00	0.36731%
Sinclair Oil & Gas Co.		40.00	40.00	0.36731%
	9,607.20	1,282.92	10,890.12	100.00000%

64/102

RUNYAN RANCH UNIT AREA
EDDY COUNTY, NEW MEXICO

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No. 18-63

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 26, 1963

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 2821: (Continued from June 5, 1963 examiner hearing)

Application of D. W. Falls, Inc., for an extension of
Order No. R-2213, San Juan County, New Mexico. Applicant,
in the above-styled cause, seeks the extension of Order
No. R-2213, which order assigned a temporary deliverability
for allowable purposes to applicant's Federal Well No. 2-11,
located in Unit 0 of Section 11, Township 28 North, Range
13 West, Basin-Dakota Gas Pool, San Juan County, New Mexico.

CASE 2833: Application of Tenneco Oil Company for approval of a unit
agreement, San Juan County, New Mexico. Applicant, in the
above-styled cause, seeks approval of the Central Cha Cha
Unit Area comprising 674.05 acres, more or less, of Federal
land located in Sections 30 and 31, Township 29 North, Range
13 West, San Juan County, New Mexico.

CASE 2834: Application of Tom Brown Drilling Company for a unit agree-
ment, Eddy County, New Mexico. Applicant, in the above-
styled cause, seeks approval of the Runyan Ranch Unit Area
comprising 10,890.12 acres of State and Federal lands in
Township 19 South, Range 21 East, Eddy County, New Mexico.

CASE 2835: Application of Jake L. Hamon for a unit agreement, Lea
County, New Mexico. Applicant, in the above-styled cause,
seeks approval of the Southeast Bell Lake Unit Area com-
prising 9,597.09 acres of State, Federal and Fee lands in
Townships 24 and 25 South, Ranges 34 and 35 East, Lea County,
New Mexico.

CASE 2836: Application of Union Oil Company of California for a unit
agreement, Lea County, New Mexico. Applicant, in the
above-styled cause, seeks approval of the West McDonald
Unit Area comprising 2,320 acres of State and Fee lands in
Township 14 South, Range 35 East, Lea County, New Mexico.

CASE 2837: Application of Continental Oil Company for a unit agreement,
Chaves County, New Mexico. Applicant, in the above-styled
cause, seeks approval of the Eastcap Queen Pool Unit Area

comprising 1430 acres of State and Fee lands, located in Township 14 South, Range 31 East, Chaves County, New Mexico.

- CASE 2838: Application of Continental Oil Company for a waterflood project, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Queen formation, Caprock Queen Pool, through 17 wells located in Sections 22, 23, 27, 34, and 35, Township 14 South, Range 31 East, Chaves County, New Mexico.
- CASE 2839: Application of Amerada Petroleum Corporation for a multiple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment of Order No. R-1750-A to permit the multiple completion (tubingless), of its Wimberley Well No. 13, located in Unit M of Section 24, Township 25 South, Range 37 East, Lea County, New Mexico, to permit the production of gas from the Langlie Mattix Pool, the production of oil from the Justis-Blinebry Oil Pool, and the disposal of salt water into the San Andres formation through parallel strings of casing cemented in a common well bore.
- CASE 2840: Application of Amerada Petroleum Corporation for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 120-acre non-standard gas proration unit comprising the S/2 NE/4 and NW/4 SE/4 of Section 19, Township 21 South, Range 37 East, Blinebry Gas Pool, Lea County, New Mexico, to be dedicated to its L. G. Warlick "A" Well No. 2 located in Unit J of said Section 19.
- CASE 2841: Application of Shell Oil Company for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to drill its Middleton Federal Well No. B-1 at an unorthodox location 660 feet from the North and West lines of Section 31, Township 19 South, Range 32 East, Lusk-Morrow Gas Pool, Lea County, New Mexico.
- CASE 2842: Application of Compass Exploration, Inc. for an amendment of Commission Order No. R-2462, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an amendment of Order No. R-2462 concerning the Largo Gallup Gas Pool to provide 320-acre gas well spacing and an increase in the maximum allowable for each spacing unit from 500 to 1,000 MCF per day.

- CASE 2843: Application of Gulf Oil Corporation for a special gas well test, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to produce and flare approximately 3000 MCF of gas per day for a period of not less than 6 nor more than 9 days from its Hackberry Hills Unit Well No. 1, located in Unit O of Section 1, Township 22 South, Range 25 East, Eddy County, New Mexico, to determine if the gas reserves in place justify the expense of a pipeline to the nearest market outlet.
- CASE 2844: Application of Sinclair Oil & Gas Company for the creation of the Teas Pennsylvanian Gas Pool and for special temporary pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Pennsylvanian Gas Pool for its Mahaffey-Federal (ARC) Well No. 1, located in Unit C of Section 14, Township 20 South, Range 33 East, Lea County, New Mexico, and for the establishment of temporary pool rules therefor, including a provision for 640 acre spacing units.
- CASE 2845: Application of Sinclair Oil & Gas Company for an exception to Order No. R-1670, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order permitting its Barber Gas Unit Well No. 1, located in Unit E of Section 8, Township 20 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to produce 600 MCF of gas per month in exception to the shut-in provisions of Rule 15(A) of Order No. R-1670, said gas to be utilized in the oil well gas-lift system on applicant's B. J. Barber Lease.
- CASE 2846: Application of Ralph Lowe to create a new pool for Upper Pennsylvanian gas production, and for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new gas pool for Upper Pennsylvanian Gas production in Section 21, Township 21 South, Range 24 East, and the establishment of temporary pool rules therefor, including a provision for 640-acre spacing and a provision restricting well locations.

P. O. BOX 1833

PHONE: 622-5230

MAIN OFFICE OCC
1963 MAY 27 AM 8:20

FOSTER MORRELL
PETROLEUM CONSULTANT
PETROLEUM BUILDING
ROSWELL, NEW MEXICO
May 23, 1963

Case 2834

Oil Conservation Commission
State of New Mexico
P. O. Box 871
Santa Fe, New Mexico

Re: Proposed Runyan Ranch Unit
Eddy County, New Mexico

Gentlemen:

Enclosed for consideration are two (2) copies of the unit agreement for the subject unit proposed by Tom Brown Drilling Co., Inc., of Midland, Texas.

Also enclosed are the following:

1. Copy of letter dated March 26, 1963, from the Acting Director, U. S. Geological Survey, designating the unit area, and accepting the proposed drilling requirement and form of unit agreement with certain conditions.
2. Copy of letters dated May 10 and May 23 to the Commissioner of Public Lands concerning the area and form of unit agreement.

It is respectfully requested that you enter this case on the docket for the next examiner hearing. Kindly acknowledge and advise the date of hearing in Santa Fe.

Very truly yours,

TOM BROWN DRILLING CO., INC.

By *Foster Morrell*
Foster Morrell, Its Representative

FM/rpd

Enclosures

cc: Commissioner of Public Lands
cc: Mr. Thomas C. Brown
Tom Brown Drilling Co., Inc.
cc: Mr. Charles L. Southard
Marathon Oil Company

DOCKET MAILED

Date 6/14/63
[Signature]

P. O. BOX 1555

PHONES: 622-5230
OR 622-0420

FOSTER MORRELL
PETROLEUM CONSULTANT
NICKSON HOTEL BUILDING
ROSWELL, NEW MEXICO
May 23, 1963

Commissioner of Public Lands
State of New Mexico
P. O. Box 791
Santa Fe, New Mexico

Attention: Mrs. Marion Rhea

Re: Runyan Ranch Unit
Eddy County, New Mexico

Dear Sir:

Reference is made to our letter to you dated May 10, 1963, and the proposed form of unit agreement for the subject unit submitted therewith.

In response to the suggestion by Mrs. Rhea the last sentence of Section 29, NON-JOINDER AND SUBSEQUENT JOINDER, Page 24, of the unit agreement, has been revised deleting references to the Conservation Commission and adding the following "provided, that as to State lands such subsequent joinder by a lessee of record must be approved by the Land Commissioner."

Two copies of the reprinted Page 24, of the subject unit agreement are enclosed herewith for your files.

Very truly yours,

TOM BROWN DRILLING CO., INC.

COPY (Original Signed) Foster Morrell

By _____
Foster Morrell, Its Representative

FM/rpd

Enclosures

cc: Mr. Thomas C. Brown
Tom Brown Drilling Co., Inc.

cc: Mr. Charles L. Southard
Marathon Oil Company

bcc: ✓ Oil Conservation Commission

May 10, 1963

Commissioner of Public Lands
State of New Mexico
P. O. Box 701
Santa Fe, New Mexico

Attention: Mrs. Marion Rhee

Re: Rayon Ranch Unit
Blair County, New Mexico

Dear Sir:

Reference is made to letter dated March 26, 1963, from the Acting Director of the United States Geological Survey in response to application of February 27, 1963, in behalf of Tom Brown Drilling Co., Inc., regarding the subject unit, copy of which was sent directly to your office.

By said letter the Acting Director designated as a logical unit area certain lands embracing 10,830.12 acres more or less in Blair County, New Mexico, and approved the use of the standard form of unit agreement with specified modifications and the addition of the customary language required by the State of New Mexico. The Acting Director further requested that we contact the Commissioner of Public Lands prior to soliciting joinders.

Accordingly, there are enclosed herewith for your consideration two (2) copies of the proposed unit agreement for the Rayon Ranch Unit Area incorporating the customary language covering references to the Commissioner of Public Lands and the Oil Conservation Commission of the State of New Mexico.

Kindly advise if this unit agreement is satisfactory with your office.

Very truly yours,

TOM BROWN DRILLING CO., INC.

COPY (Original Signed) Foster Morrell

By _____
Foster Morrell, Inc. Representative

RM/rpd

Enclosures

cc: Mr. Thomas C. Brown
cc: Mr. Charles Southard
bcc: Mr. D. J. Sorenson



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

IN REPLY REFER TO:

MAR 26 1963

Mr. Foster Morrell
P. O. Box 1933
Roswell, New Mexico

RECEIVED MAR 30 1963

Dear Mr. Morrell:

Your application of February 27 filed with the Oil and Gas Supervisor, Roswell, New Mexico, in behalf of Tom Brown Drilling Company, Inc., requests the designation of 10,890.12 acres, more or less, in Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3 (1961 reprint), the land requested as outlined on your map marked "Exhibit A, Runyan Ranch unit, Eddy County, New Mexico," is hereby designated as a logical unit area. Any unit agreement submitted for the area designated should require the drilling of a well to test formations of Pennsylvanian Age, or to a depth of 8,100 feet. The 1961 reprint of the standard form of unit agreement should be used with the addition of the customary language required by the State of New Mexico and the following modifications proposed by your letter:

1. Change item 6(b), line 5, page 7 of the 1961 reprint to read:

"(b) the selection shall have been filed with the Supervisor. If no successor unit operator is selected and qualified as herein provided, the Director at his election may declare this unit agreement terminated."

2. The "Fair Employment" section of the 1961 reprint should be replaced with the following:

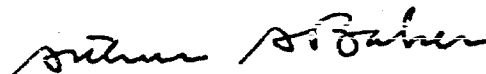
"Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F. R. 1977), which are hereby incorporated by reference in this agreement."

In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical to the 1961 reprint, modified only as outlined above, will be approved if submitted in approvable status within a reasonable amount of time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

Include the latest status of all acreage when the executed agreement is transmitted to the Supervisor for approval. The format of the sample exhibits attached to the 1961 reprint of the standard form should be followed closely in preparation of Exhibits A and B. It appears that the tract number indicated by your Exhibit A for the W $\frac{1}{2}$ sec. 9, T. 19 S., R. 21 E., N.M.P.M., lease New Mexico 024989, should be corrected from tract number 9 to tract number 10 in order to avoid one tract covering two leases.

Inasmuch as this unit area contains State of New Mexico lands, we are sending a copy of this letter to the Commissioner of Public Lands at Santa Fe, and you are requested to contact said Commissioner in connection with this letter prior to soliciting joinders.

Sincerely yours,



Acting Director

Corr 2834

GEOLOGIC REPORT

Proposed Runyan Ranch Unit
Eddy County, New Mexico

Location

The proposed unit is in the northeastern part of T-19-S, R-21-E, Eddy County, New Mexico, and approximately eight miles south of the town of Hope, New Mexico. The topography and existing access roads to the area do not indicate any exceptional difficulty in building locations for wells or lease roads.

Geophysics and Geology

The Runyan Ranch Unit is based upon a large seismic anomaly and the possible stratigraphic production indicated by the recent Sunray DX #1 New Mexico State "AH", located in Section 30, T-18-S, R-23-E. Subsurface information is quite limited because of lack of well control in the immediate area. In part, the geology is based upon similar conditions known to exist in nearby areas of better well control.

The seismic feature, as shown by the accompanying map, has between 200 feet and 300 feet of closure bounded by dip-slope and faulting. This anomaly was mapped on a reflection believed to indicate the relative structural attitude of the "Devonian". The over-all trend of the structure is in a northeast-southwest direction; however, the anomaly also appears to have another axis trending northwest-southeast. The latter axis is essentially parallel to the Huapache Flexure, a structural feature related to a major pre-Permian reverse fault located southwest of the proposed unit. Thus, the over-all symmetry of the seismic anomaly suggests that it is located at the intersection or juncture of two major trends of folding.

Very little information has been released about the Sunray discovery well in T-18-S, R-23-E; however, we are using the available information in our interpretation of the subsurface geology in the proposed unit. This well, located two miles northeast of the unit, flowed CAOF 20,000 MCFGPD from a lower Pennsylvanian sand section which has the possibility of being a stratigraphic trap. The information that we have indicates at least 26 feet of pay in this well. This reservoir is expected to be present within the proposed unit area where a more favorable structural position is expected. Equally important is the possibility of a thicker development of sand on the southeast flank or basin side of the structure.

There are additional zones that can be productive with structural closure and also by stratigraphic entrapment. These include practically all Permian reservoirs (below Glorieta), as well as many possible zones within the Pennsylvanian Series. Of particular interest is the upper Pennsylvanian, which has excellent permeability development in the Indian Basin Gas Area in T-21-S, R-23-E. The Magnolia #1 Tres Ranchos, Section 10, T-19-S, R-23-E (four miles east), recovered 100 feet of free oil on a drillstem test in the upper Pennsylvanian. This is a favorable indication that hydrocarbons, other than gas, will be discovered in this portion of Southeastern New Mexico.

Upon approval of this unit, Tom Brown Drilling Company, Inc., as unit operator, proposes to drill a wildcat well to test the Pennsylvanian formation, or to a depth not in excess of 8100 feet. The test should encounter the following formations at the approximate depth indicated: Permian-Glorieta 1350', Abo 3100', Wolfcamp 4300'; Pennsylvanian-Cisco 5900', Strawn 6800', Bend 7300'; Mississippian 7600'. The most probable

producing zones are the upper Pennsylvanian carbonates, 5900-6400',
and the lower Pennsylvanian sands, 7000-7600'.

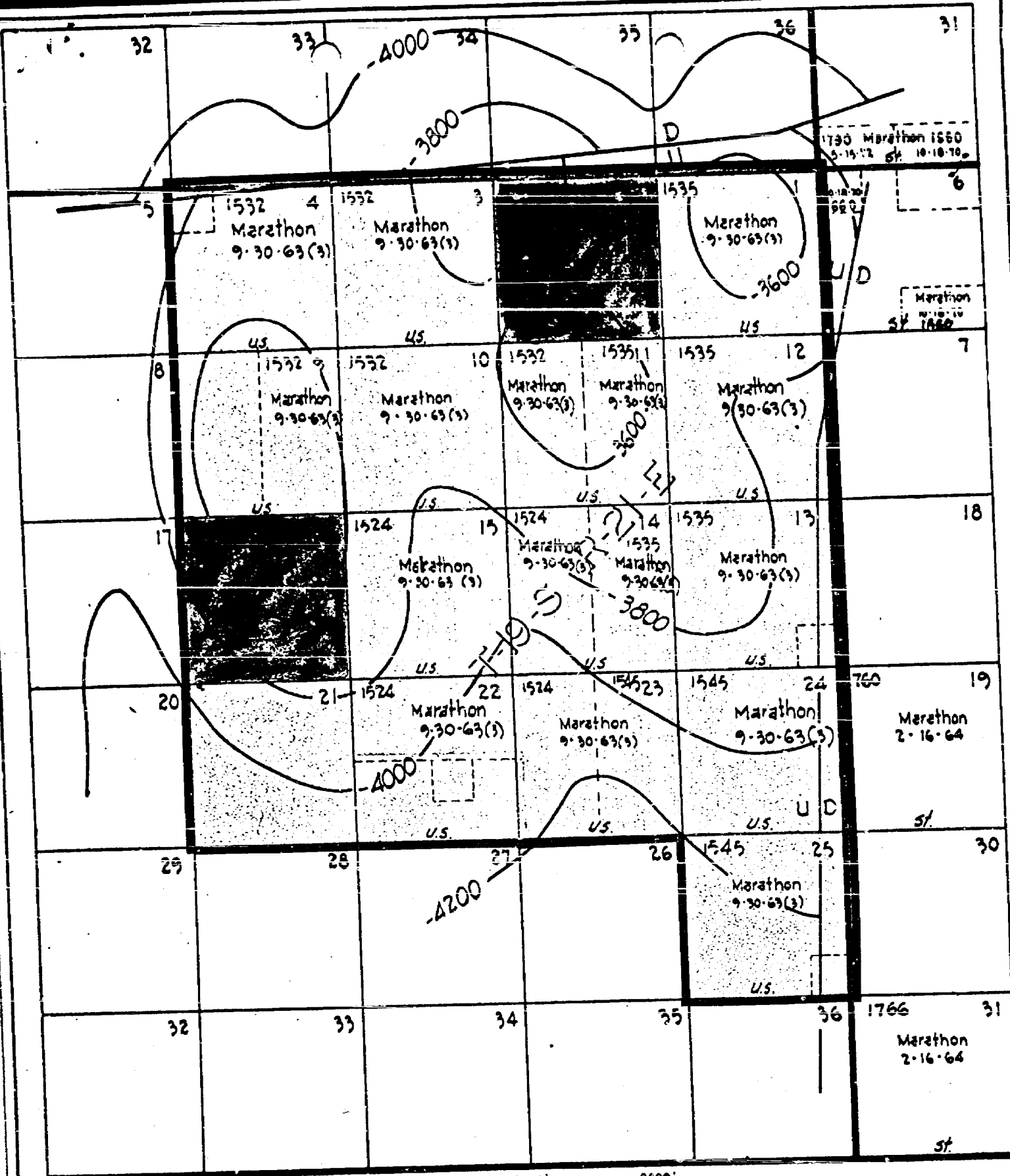
Respectfully submitted,

TOM BROWN DRILLING CO., INC.
Midland, Texas

By James R. Day
James R. Day
Consulting Geologist

Dated: February 12, 1963

Attachment: "Devonian" Reflection
Seismograph Map



LEGEND

- State Land
- Federal Land
- Unit Outline



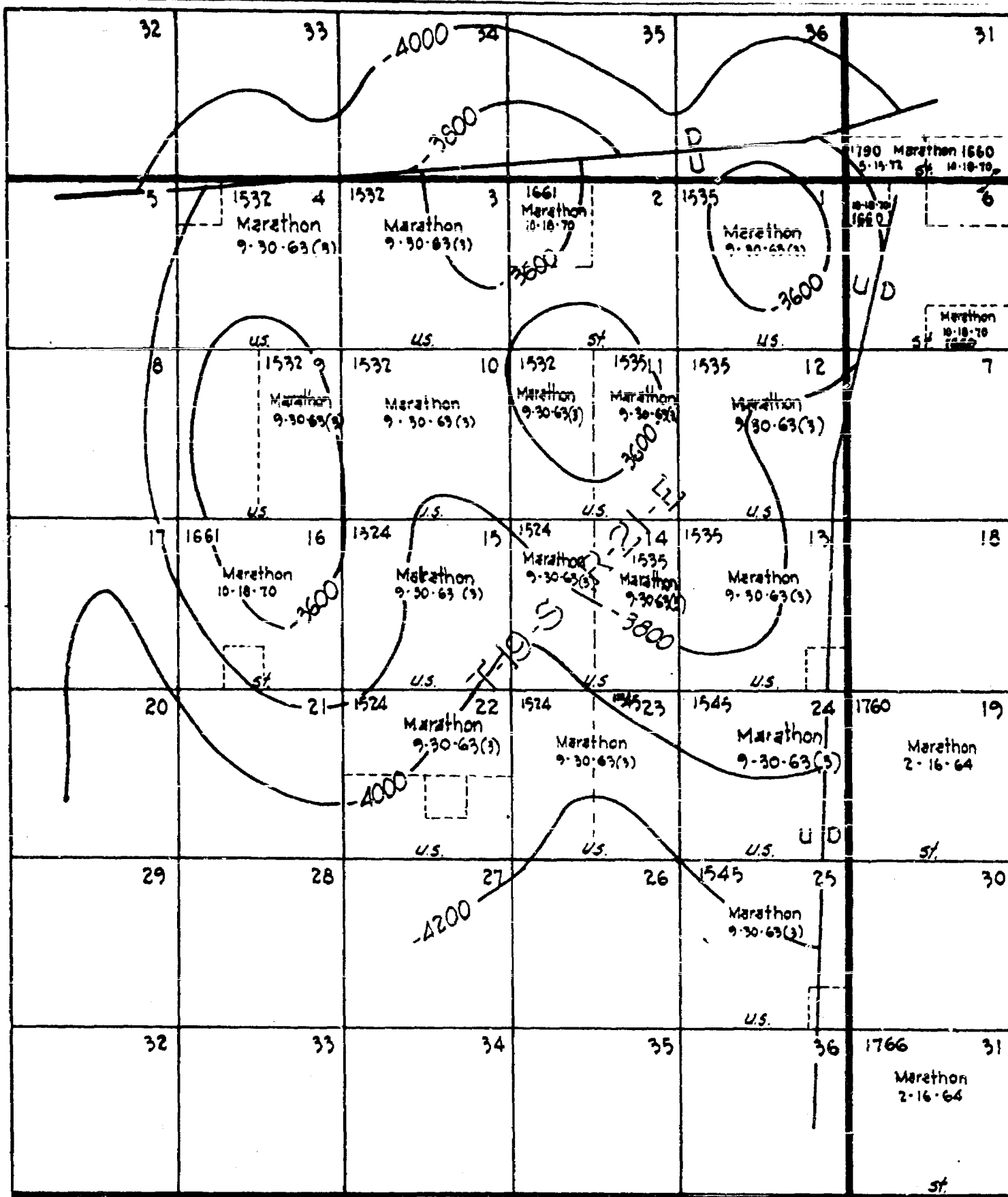
Structural Map
Based on "Devonian" Seismograph Reflections
C.I. - 200'

PROPOSED RUNYAN RANCH UNIT
EDDY COUNTY, NEW MEXICO

SUBMITTED BY: TOM BROWN DRILLING CO., INC.

Date February 12, 1963 Midland, Texas

250'



LEGEND

- ☐ State Land
- ☐ Federal Land
- ☐ Unit Outline



Structural Map
Based on "Devonian" Seismograph Reflections
C.I. - 200'

PROPOSED RUNYAN RANCH UNIT
EDDY COUNTY, NEW MEXICO

SUBMITTED BY: TOM BROWN DRILLING CO., INC.

Date - February 12, 1963 Midland, Texas

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	6
CASE NO.	2834

DRAFT
JMB/esr

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. 2834

Order No. R- 2513

APPLICATION OF TOM BROWN DRILLING
COMPANY FOR APPROVAL OF THE RUNYAN
RANCH UNIT AGREEMENT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 26, 1963, at Santa Fe, New Mexico, before Daniel S. Matter, 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 July day of July, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Matter, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Tom Brown Drilling Company, seeks approval of the Runyan Ranch Unit Agreement covering 10,890.12 acres, more or less, of State and Federal lands in Township 19 South, Range 21 East, NMDM, Eddy County, New Mexico.

(3) That approval of the proposed Runyan Ranch Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Runyan Ranch Unit Agreement is hereby approved.

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Runyan Ranch Unit Area, and such plan shall be known as the Runyan Ranch Unit Agreement Plan.

(3) That the Runyan Ranch Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Runyan Ranch Unit, or relative to the production of oil or gas therefrom.

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

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO
TOWNSHIP 19 SOUTH, RANGE 21 EAST

Sections 1 through 4: All ✓
Sections 9 through 16: All ✓
Sections 21 through 25: All ✓

containing 10,890.12 acres, more or less.

(b) That 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 Runyan Ranch Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

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

(7) 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.

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PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 26, 1963

EXAMINER HEARING

IN THE MATTER OF:

Application of Tom Brown Drilling Company
for a unit agreement, Eddy County, New
Mexico. Applicant, in the above-styled
cause, seeks approval of the Runyan Ranch
Unit Area comprising 10,890.12 acres of
State and Federal lands in Township 19
South, Range 21 East, Eddy County, New
Mexico.

Case 2834

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: We will take next Case 2834.

MR. DURRETT: Application of Tom Brown Drilling Company
for a unit agreement, Eddy County, New Mexico.

MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, Santa
Fe, representing the applicant. I'll have two witnesses I
would like to have sworn, please.

(Witnesses sworn.)

MR. KELLAHIN: Call Mr. Morrell as the first witness.

(Whereupon, Applicant's Exhi-
bits 1 through 5 were marked
for identification.)



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PHONE 243-6691

FOSTER MORRELL

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A My name is Foster Morrell.

Q What business are you engaged in?

A Petroleum consultant.

Q Have you testified before the Oil Conservation Commission as a petroleum consultant in previous cases?

A I have.

Q And made your qualifications a matter of record?

A They are.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. NUTTER: Yes, sir.

Q Are you familiar with the application of Tom Brown Drilling Company in Case 2834 before the Commission?

A I am.

Q Did you have anything to do with the formation of the unit agreement involved in this application?

A I prepared it.



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Q Then I take it you are familiar with the unit, is that correct?

A That's correct.

Q Referring to what has been marked as Exhibit No. 1, would you identify that exhibit and discuss its contents?

A Exhibit No. 1 is the unit agreement for the development and operation of the Runyan Ranch Unit Area. The form of agreement is the form prescribed by the Department of Interior with additional provisions as required for state lands, and references to the Oil Conservation Commission of New Mexico.

Q Is this substantially in the form that has heretofore been approved by this Commission?

A It is.

Q Referring to what has been marked as Exhibit A attached to the Exhibit No. 1, does that outline the area involved in the application before the Commission at this time?

A It does.

Q Does it identify the ownership of the lands?

A It does.

Q Are all the lands federal, state or fee?

A The total unit area of the proposed Runyan Ranch is 10,890.12 acres, of which 9,607.20 acres, or 88.22% are federal land, and 1,282.92 acres, or 11.78% are State of New Mexico land.



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Q Are there any fee lands in the unit?

A There are no fee lands.

Q Referring to Exhibit B attached to Exhibit No. 1, would you state what is shown on that exhibit?

A Exhibit B is a schedule of ownership of leases with description of land, serial number, acres, record owner, overriding royalty owners, and working interest owners.

Q The exhibit does not reflect that Tom Brown has an interest in the unit at the present time, does it?

A As presently held, Tom Brown does not have any interest in the leases, but by a footnote on page 4 of said Exhibit B, it is stated that "Upon completion of the initial test well, Tom Brown Drilling Company, Inc., acquires one-half interest under all tracts presently held by Marathon Oil Company in accordance with letter agreement with that company."

Q Is Tom Brown Drilling Company designated as the unit operator?

A Tom Brown Drilling Company is designated as the unit operator.

Q And it is in that position that he makes application in this case?

A That is correct.

Q Does the unit call for any development?



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A The unit calls for the commencement of a well within six months of the effective date to be drilled to test the formations of Pennsylvanian age, or to a depth not in excess of 8100 feet.

Q Is there a subsequent development required by the unit agreement?

A Upon discovery, the subsequent development will be under a plan of development, in the absence of discovery wells, must be commenced after six months of the completion of the preceding well.

Q Referring to what has been marked as Exhibit No. 2, would you identify that exhibit and discuss the information shown on it?

A Mr. Kellahin, if you please, there are a couple of comments I would add to Exhibit 1 on the unit agreement. All formations are unitized to all depths, and also pursuant to instructions from the Director of the United States Geological Survey we have presented the form of unit agreement to the Commissioner of Public Lands, and at the request of Mrs. Marion M. Rhea, we have on page 24 made a change with respect to subsequent joinders which provides that as to state land such subsequent joinder by a lessee of record must be approved by the Land Commissioner.



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Q Does that complete your discussion of Exhibit No. 1 then?

A Yes.

MR. NUTTER: This change has been made in this exhibit?

A That has been incorporated in the copies which you have.

Q (By Mr. Kellahin) Now, referring to what has been marked as Exhibit No. 2, would you discuss that exhibit, please?

A Exhibit No. 2 is a tabulation showing the ownership of working interests in the Runyan Ranch Unit.

Q Have all of the owners of working interest joined the unit?

A No joinders have been received to date, but we have received indications that at least 95% of the acreage within the unit will be committed.

Q What is the situation as to overriding royalties?

A The four overriding royalties under the unit agreement other than those who also hold record title have already executed ratification and consents.

Q Would you refer to Exhibit No. 3, please, and discuss that exhibit?

A Exhibit No. 3 is my letter in behalf of Tom Brown Drilling Company applying to the Director of the United States



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Geological Survey for the designation of certain lands as the whole unit to be known as the Runyan Ranch Unit and for the drilling of a test well to the Pennsylvanian formation, or not in excess of 8100 feet.

Q That letter makes reference to a geological report, has that report been made available to the Oil Conservation Commission?

A That report has been filed with the Oil Conservation Commission.

Q That was filed prior to this hearing, is that correct?

A That is correct.

Q Referring to Exhibit No. 4, would you identify that exhibit and discuss it?

A That is the letter dated March 26 from the Acting Director of the Geological Survey approving the designation of the Runyan Ranch Unit as requested, the drilling obligation and providing that we are to contact the Commissioner prior to soliciting joinders.

Q Have you contacted the Commissioner of Public Lands as directed by that letter?

A We have.

Q Would you refer to Exhibit No. 5? Please identify that exhibit.



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A A letter dated May 10, 1963, we submitted to the Commissioner of Public Lands the form of unit agreement as approved by the Director, including the customary language required by the State of New Mexico.

Q Have you received approval of the Commissioner of Public Lands as yet?

A We have received no formal approval from the Commissioner as yet except for the request that I mentioned before that on the change in subsequent joinder as to state lands.

Q Mr. Morrell, Exhibit No. 1 is the unit agreement prepared by you?

A That is correct.

Q And the other Exhibits 2, 3, 4 and 5 were either prepared by you or constitute correspondence from your files in connection with this matter, is that correct?

A That is correct.

MR. KELLAHIN: At this time we offer in evidence Exhibits 1 through 5 inclusive.

MR. NUTTER: Tom Brown's Exhibits 1 through 5 are admitted in evidence.

(Whereupon, Applicant's Exhibits 1 through 5 were offered and admitted in evidence.)

MR. KELLAHIN: That's all the questions I have of the



witness.

MR. NUTTER: Any questions of Mr. Morrell?

CROSS EXAMINATION

BY MR. NUTTER:

Q Referring to your Exhibit No. 2, it shows 100% of the working interest owners in the unit, did you state that to date none have actually executed?

A That is correct.

Q But you have firm tentative commitments from 95%?

A That is correct.

Q And Tom Brown will earn 50% of Marathon's acreage, so he would have 41% of the unit on completion of the test well?

A That is correct.

Q Now, the Director, in his letter of March 26 to you, suggested certain changes in the form of the unit agreement, have those changes been incorporated?

A Those have been incorporated in the form which is before you.

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

(Witness excused.)

MR. KELLAHIN: I would like to call Mr. McMichael as our next witness.

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(Whereupon, Applicant's Exhibit No. 6 was marked for identification.)

BILL McMICHAEL

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Bill McMichael.

Q By whom are you employed and in what position, Mr. McMichael?

A Employed by Marathon Oil Company as Area Geologist in Roswell, New Mexico, and in charge of the southeastern part of the state.

Q The area you are in charge of includes the area involved in the Tom Brown Drilling Company application presently being heard, is that correct?

A That is correct.

Q Mr. McMichael, have you previously testified before the Oil Conservation Commission and made your qualifications as a geologist a matter of record?

A Yes, I have.

MR. KELLAHIN: Are the witness's qualifications

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acceptable?

MR. NUTTER: They are.

Q Are you familiar with the application of Tom Brown Drilling Company in Case No. 2834?

A Yes, sir, I am.

Q Have you made a study of the area involved in this application?

A I have.

Q Are you familiar with the geological report which was prepared by a Mr. James R. Day?

A Yes, sir, I have read that report, and I am in agreement with the contents.

Q Referring to what has been marked as Exhibit No. 6, would you identify that exhibit, please?

A That exhibit is a structural map based on Devonian seismograph reflections that constitute the basis for this particular unit.

Q On the basis of that exhibit and the information available to you, would you discuss the geology within the area of the proposed unit?

A This particular anomaly was mapped by Independent Exploration Company in a seismic survey several years ago run for Marathon, formerly Ohio Oil Company, and the anomaly has two

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trends, one a northwest-southeast, the other opposite trend is a southwest-northeast trend. These particular conflicting pieces of evidence are actually we feel in agreement in that the northwest-southeast trend approximately parallels the trend of the Hualapai monocline to the southwest. The opposing trend northeast-southwest is the actual orientation of the stratigraphic deposition, the southeastern direction being the Basin area in Pennsylvanian at a later time.

This anomaly has approximately 250 feet of closure bounded by dip slope and seismic faulting. That is about the total discussion of the structure as far as the stratigraphy is concerned, the sedimentary section is quite favorable and recent indications in this particular area have been encouraging as to the probable success.

Q In your opinion, does the proposed unit of Tom Brown Drilling Company substantially cover a single structural feature?

A Yes, it does.

Q Would a unit, as proposed here, give essential control to the development of that structural feature?

A Yes, sir.

Q In your opinion would such development of the area be in the interest of conservation and the prevention of waste?

A Yes, sir.

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Q Would it result in more efficient development of the natural resources underlying that area?

A Yes, sir, it would be much in the interest of conservation in this particular case.

Q Now, Mr. Morrell testified that the unit agreement called for the drilling of a well to sufficient depths to test the Pennsylvanian or 8100 feet. In your opinion, would a well drilled to 8100 feet be of sufficient depth to adequately test the Pennsylvanian formation?

A Yes, sir, a depth of 8100 feet would be more than adequate to test the Mississippian, completely test the Pennsylvanian into the Mississippian.

Q And into the Mississippian?

A Yes.

Q Exhibit No. 6 was not prepared by you, or was that exhibit prepared by you?

A It was not prepared by me.

Q Are you in agreement with the information that is shown on that exhibit?

A Yes, sir, I am in agreement.

MR. KELLAHIN: At this time we would like to offer in evidence Exhibit No. 6.

MR. NUTTER: Exhibit 6 will be admitted in evidence.



(Whereupon, Applicant's Exhibit No. 6 was offered and admitted in evidence.)

MR. KELLAHIN: That's all the questions I have of the witness.

MR. NUTTER: Are there any questions of Mr. McMichael?

CROSS EXAMINATION

BY MR. NUTTER:

Q This Exhibit No. 6 is contoured on the seismic top of the Devonian. Has any structure map of the seismic Pennsylvanian been prepared?

A No, sir, the reflections from the Pennsylvanian were very, very poor quality and no attempt was made. They have this same survey in adjoining areas we have made some attempt, but it isn't too reliable.

Q You can't pick up the Pennsylvanian accurately enough?

A Not accurately here.

Q Are the faults pretty well substantiated by the seismic work?

A By the seismic records, there is an interruption in the records.

Q And you feel that you got between two and three hundred feet of closure in this structure?

A Yes.

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Q Within the unit area?

A Yes.

Q Do you believe that the unit area is adequately large to provide control by the unit operator in the event production would be obtained?

A Yes, I do.

Q Do you think the unit area encompasses any appreciable amount of acreage which is not on this structure?

A No, sir, if you are referring to the particular closure there is not, it will adequately cover the closure, there is some that has at the suggestion of the United States Geological Survey been added as favorable acreage, and we believe has geologic merit that is outside the closed contour, but not outside the productive area.

Q Would this be the acreage to the extreme south?

A Yes.

Q Where will the initial test well be drilled?

A That will be at the discretion of Tom Brown. My understanding is that it will be in the northeast part of this unit.

Q Even the section hasn't been picked as yet?

A The section has not been revealed to me.

MR. NUTTER: Any further questions of Mr. McMichael?

He may be excused.



(Witness excused.)

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

MR. KELLAHIN: That's all I have, Mr. Nutter.

MR. NUTTER: Does anyone have anything they wish to offer in Case 2834? We will take the case under advisement.

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 1st day of July, 1963.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:

June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the examiner hearing of Case No. 2834 heard by me on 6/24, 1963.
[Signature], Examiner
New Mexico Oil Conservation Commission

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2834
August 19, 1963

Mr. Foster Marrell
Petroleum Consultant
Petroleum Building
Roswell, New Mexico

Re: Runyan Ranch Unit
Eddy County, New Mexico

Dear Mr. Marrell:

The Commissioner of Public Lands approved as of August 19, 1963 Runyan Ranch Unit Agreement, Eddy County, New Mexico. Our approval is subject to like approval by the United States Geological Survey and the Oil Conservation Commission.

Enclosed are six originally signed Certificates of Approval and Official Receipt No. G-18302 in the amount of Eighty-five (\$85.00) Dollars, which covers the filing fee.

It is understood that upon approval by the United States Geological Survey, you will furnish this office a fully conformed copy of this Agreement.

Very truly yours,

E. E. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

EEJW/mar/a

cc: United States Geological Survey
Roswell, New Mexico

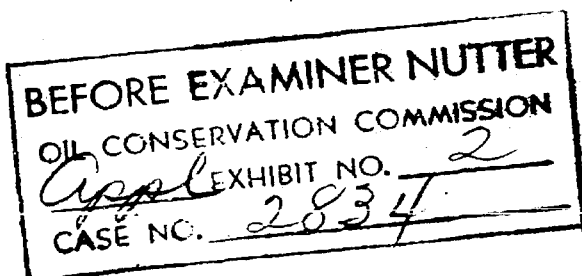
Oil Conservation Commission
Santa Fe, New Mexico

Mr. Tom Brown
Tom Brown Drilling Company, Inc.
P. O. Box 3131
Midland, Texas

RUNYAN RANCH UNIT AREA

EDDY COUNTY, NEW MEXICO

<u>Working Interest Owner</u>	<u>Federal</u>	<u>Acreage</u> <u>State</u>	<u>Total</u>	<u>Percentage</u>
Marathon Oil Company	8,206.91	761.31	8,968.22	82.35189%
Pan American Pet. Corp.		481.61	481.61	4.42245%
Beard Oil Company	480.00		480.00	4.40766%
Bruce (Jacqueline) Anderson	480.00		480.00	4.40766%
Transmountain Prod. Co.	280.00		280.00	2.57114%
James D. Wheeler	80.00		80.00	0.73461%
Coe S. Mills	40.29		40.29	0.36997%
Estate of Carl W. Krouse	40.00		40.00	0.36731%
Sinclair Oil & Gas Co.		40.00	40.00	0.36731%
	9,607.20	1,282.92	10,890.12	100.00000%



Handwritten notes:
Total 10,890.12
Federal 9,607.20
State 1,282.92
Total 10,890.12

Ex 2

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PHONE 983-3971

ALBUQUERQUE, N. M.
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BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 26, 1963

EXAMINER HEARING

IN THE MATTER OF:

Application of Tom Brown Drilling Company
for a unit agreement, Eddy County, New
Mexico. Applicant, in the above-styled
cause, seeks approval of the Runyan Ranch
Unit Area comprising 10,890.12 acres of
State and Federal lands in Township 19
South, Range 21 East, Eddy County, New
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Case 2834

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

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MR. DURRETT: Application of Tom Brown Drilling Company
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MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, Santa
Fe, representing the applicant. I'll have two witnesses I
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(Witnesses sworn.)

MR. KELLAHIN: Call Mr. Morrell as the first witness.

(Whereupon, Applicant's Exhi-
bits 1 through 5 were marked
for identification.)



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FOSTER MORRELL

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

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BY MR. KELLAHIN:

Q Would you state your name, please?

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Q What business are you engaged in?

A Petroleum consultant.

Q Have you testified before the Oil Conservation Commission as a petroleum consultant in previous cases?

A I have.

Q And made your qualifications a matter of record?

A They are.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. NUTTER: Yes, sir.

Q Are you familiar with the application of Tom Brown Drilling Company in Case 2834 before the Commission?

A I am.

Q Did you have anything to do with the formation of the unit agreement involved in this application?

A I prepared it.



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PHONE 243-6691

PAGE 4

Q Then I take it you are familiar with the unit, is that correct?

A That's correct.

Q Referring to what has been marked as Exhibit No. 1, would you identify that exhibit and discuss its contents?

A Exhibit No. 1 is the unit agreement for the development and operation of the Runyan Ranch Unit Area. The form of agreement is the form prescribed by the Department of Interior with additional provisions as required for state lands, and references to the Oil Conservation Commission of New Mexico.

Q Is this substantially in the form that has heretofore been approved by this Commission?

A It is.

Q Referring to what has been marked as Exhibit A attached to the Exhibit No. 1, does that outline the area involved in the application before the Commission at this time?

A It does.

Q Does it identify the ownership of the lands?

A It does.

Q Are all the lands federal, state or fee?

A The total unit area of the proposed Runyan Ranch is 10,890.12 acres, of which 9,607.20 acres, or 88.22% are federal land, and 1,282.92 acres, or 11.78% are State of New Mexico land.



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Q Are there any fee lands in the unit?

A There are no fee lands.

Q Referring to Exhibit B attached to Exhibit No. 1, would you state what is shown on that exhibit?

A Exhibit B is a schedule of ownership of leases with description of land, serial number, acres, record owner, overriding royalty owners, and working interest owners.

Q The exhibit does not reflect that Tom Brown has an interest in the unit at the present time, does it?

A As presently held, Tom Brown does not have any interest in the leases, but by a footnote on page 4 of said Exhibit B, it is stated that "Upon completion of the initial test well, Tom Brown Drilling Company, Inc., acquires one-half interest under all tracts presently held by Marathon Oil Company in accordance with letter agreement with that company."

Q Is Tom Brown Drilling Company designated as the unit operator?

A Tom Brown Drilling Company is designated as the unit operator.

Q And it is in that position that he makes application in this case?

A That is correct.

Q Does the unit call for any development?



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A The unit calls for the commencement of a well within six months of the effective date to be drilled to test the formations of Pennsylvanian age, or to a depth not in excess of 8100 feet.

Q Is there a subsequent development required by the unit agreement?

A Upon discovery, the subsequent development will be under a plan of development, in the absence of discovery wells, must be commenced after six months of the completion of the preceding well.

Q Referring to what has been marked as Exhibit No. 2, would you identify that exhibit and discuss the information shown on it?

A Mr. Kellahin, if you please, there are a couple of comments I would add to Exhibit 1 on the unit agreement. All formations are unitized to all depths, and also pursuant to instructions from the Director of the United States Geological Survey we have presented the form of unit agreement to the Commissioner of Public Lands, and at the request of Mrs. Marion M. Rhea, we have on page 24 made a change with respect to subsequent joinders which provides that as to state land such subsequent joinder by a lessee of record must be approved by the Land Commissioner.



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Q Does that complete your discussion of Exhibit No. 1 then?

A Yes.

MR. NUTTER: This change has been made in this exhibit?

A That has been incorporated in the copies which you have.

Q (By Mr. Kellahin) Now, referring to what has been marked as Exhibit No. 2, would you discuss that exhibit, please?

A Exhibit No. 2 is a tabulation showing the ownership of working interests in the Runyan Ranch Unit.

Q Have all of the owners of working interest joined the unit?

A No joinders have been received to date, but we have received indications that at least 95% of the acreage within the unit will be committed.

Q What is the situation as to overriding royalties?

A The four overriding royalties under the unit agreement other than those who also hold record title have already executed ratification and consents.

Q Would you refer to Exhibit No. 3, please, and discuss that exhibit?

A Exhibit No. 3 is my letter in behalf of Tom Brown Drilling Company applying to the Director of the United States



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Geological Survey for the designation of certain lands as the whole unit to be known as the Runyan Ranch Unit and for the drilling of a test well to the Pennsylvanian formation, or not in excess of 8100 feet.

Q That letter makes reference to a geological report, has that report been made available to the Oil Conservation Commission?

A That report has been filed with the Oil Conservation Commission.

Q That was filed prior to this hearing, is that correct?

A That is correct.

Q Referring to Exhibit No. 4, would you identify that exhibit and discuss it?

A That is the letter dated March 26 from the Acting Director of the Geological Survey approving the designation of the Runyan Ranch Unit as requested, the drilling obligation and providing that we are to contact the Commissioner prior to soliciting joinders.

Q Have you contacted the Commissioner of Public Lands as directed by that letter?

A We have.

Q Would you refer to Exhibit No. 5? Please identify that exhibit.



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A A letter dated May 10, 1963, we submitted to the Commissioner of Public Lands the form of unit agreement as approved by the Director, including the customary language required by the State of New Mexico.

Q Have you received approval of the Commissioner of Public Lands as yet?

A We have received no formal approval from the Commissioner as yet except for the request that I mentioned before that on the change in subsequent joinder as to state lands.

Q Mr. Morrell, Exhibit No. 1 is the unit agreement prepared by you?

A That is correct.

Q And the other Exhibits 2, 3, 4 and 5 were either prepared by you or constitute correspondence from your files in connection with this matter, is that correct?

A That is correct.

MR. KELLAHIN: At this time we offer in evidence Exhibits 1 through 5 inclusive.

MR. NUTTER: Tom Brown's Exhibits 1 through 5 are admitted in evidence.

(Whereupon, Applicant's Exhibits 1 through 5 were offered and admitted in evidence.)

MR. KELLAHIN: That's all the questions I have of the



witness.

MR. NUTTER: Any questions of Mr. Morrell?

CROSS EXAMINATION

BY MR. NUTTER:

Q Referring to your Exhibit No. 2, it shows 100% of the working interest owners in the unit, did you state that to date none have actually executed?

A That is correct.

Q But you have firm tentative commitments from 95%?

A That is correct.

Q And Tom Brown will earn 50% of Marathon's acreage, so he would have 41% of the unit on completion of the test well?

A That is correct.

Q Now, the Director, in his letter of March 26 to you, suggested certain changes in the form of the unit agreement, have those changes been incorporated?

A Those have been incorporated in the form which is before you.

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

(Witness excused.)

MR. KELLAHIN: I would like to call Mr. McMichael as our next witness.

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(Whereupon, Applicant's Exhibit No. 6 was marked for identification.)

BILL McMICHAEL

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Bill McMichael.

Q By whom are you employed and in what position, Mr. McMichael?

A Employed by Marathon Oil Company as Area Geologist in Roswell, New Mexico, and in charge of the southeastern part of the state.

Q The area you are in charge of includes the area involved in the Tom Brown Drilling Company application presently being heard, is that correct?

A That is correct.

Q Mr. McMichael, have you previously testified before the Oil Conservation Commission and made your qualifications as a geologist a matter of record?

A Yes, I have.

MR. KELLAHIN: Are the witness's qualifications



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acceptable?

MR. NUTTER: They are.

Q Are you familiar with the application of Tom Brown Drilling Company in Case No. 2834?

A Yes, sir, I am.

Q Have you made a study of the area involved in this application?

A I have.

Q Are you familiar with the geological report which was prepared by a Mr. James R. Day?

A Yes, sir, I have read that report, and I am in agreement with the contents.

Q Referring to what has been marked as Exhibit No. 6, would you identify that exhibit, please?

A That exhibit is a structural map based on Devonian seismograph reflections that constitute the basis for this particular unit.

Q On the basis of that exhibit and the information available to you, would you discuss the geology within the area of the proposed unit?

A This particular anomaly was mapped by Independent Exploration Company in a seismic survey several years ago run for Marathon, formerly Ohio Oil Company, and the anomaly has two



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trends, one a northwest-southeast, the other opposite trend is a southwest-northeast trend. These particular conflicting pieces of evidence are actually we feel in agreement in that the northwest-southeast trend approximately parallels the trend of the Huapache monocline to the southwest. The opposing trend northeast-southwest is the actual orientation of the stratigraphic deposition, the southeastern direction being the Basin area in Pennsylvanian at a later time.

This anomaly has approximately 250 feet of closure bounded by dip slope and seismic faulting. That is about the total discussion of the structure as far as the stratigraphy is concerned, the sedimentary section is quite favorable and recent indications in this particular area have been encouraging as to the probable success.

Q In your opinion, does the proposed unit of Tom Brown Drilling Company substantially cover a single structural feature?

A Yes, it does.

Q Would a unit, as proposed here, give essential control to the development of that structural feature?

A Yes, sir.

Q In your opinion would such development of the area be in the interest of conservation and the prevention of waste?

A Yes, sir.



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Q Would it result in more efficient development of the natural resources underlying that area?

A Yes, sir, it would be much in the interest of conservation in this particular case.

Q Now, Mr. Morrell testified that the unit agreement called for the drilling of a well to sufficient depths to test the Pennsylvanian or 8100 feet. In your opinion, would a well drilled to 8100 feet be of sufficient depth to adequately test the Pennsylvanian formation?

A Yes, sir, a depth of 8100 feet would be more than adequate to test the Mississippian, completely test the Pennsylvanian into the Mississippian.

Q And into the Mississippian?

A Yes.

Q Exhibit No. 6 was not prepared by you, or was that exhibit prepared by you?

A It was not prepared by me.

Q Are you in agreement with the information that is shown on that exhibit?

A Yes, sir, I am in agreement.

MR. KELLAHIN: At this time we would like to offer in evidence Exhibit No. 6.

MR. NUTTER: Exhibit 6 will be admitted in evidence.



(Whereupon, Applicant's Exhibit No. 6 was offered and admitted in evidence.)

MR. KELLAHIN: That's all the questions I have of the witness.

MR. NUTTER: Are there any questions of Mr. McMichael?

CROSS EXAMINATION

BY MR. NUTTER:

Q This Exhibit No. 6 is contoured on the seismic top of the Devonian. Has any structure map of the seismic Pennsylvanian been prepared?

A No, sir, the reflections from the Pennsylvanian were very, very poor quality and no attempt was made. They have this same survey in adjoining areas we have made some attempt, but it isn't too reliable.

Q You can't pick up the Pennsylvanian accurately enough?

A Not accurately here.

Q Are the faults pretty well substantiated by the seismic work?

A By the seismic records, there is an interruption in the records.

Q And you feel that you got between two and three hundred feet of closure in this structure?

A Yes.

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Q Within the unit area?

A Yes.

Q Do you believe that the unit area is adequately large to provide control by the unit operator in the event production would be obtained?

A Yes, I do.

Q Do you think the unit area encompasses any appreciable amount of acreage which is not on this structure?

A No, sir, if you are referring to the particular closure there is not, it will adequately cover the closure, there is some ~~that has~~ at the suggestion of the United States Geological Survey been added as favorable acreage, and we believe has geologic merit that is outside the closed contour, but not outside the productive area.

Q Would this be the acreage to the extreme south?

A Yes.

Q Where will the initial test well be drilled?

A That will be at the discretion of Tom Brown. My understanding is that it will be in the northeast part of this unit.

Q Even the section hasn't been picked as yet?

A The section has not been revealed to me.

MR. NUTTER: Any further questions of Mr. McMichael?

He may be excused.



(Witness excused.)

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

MR. KELLAHIN: That's all I have, Mr. Nutter.

MR. NUTTER: Does anyone have anything they wish to offer in Case 2834? We will take the case under advisement.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 1st day of July, 1963.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:

June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2834 heard by me on 6/26, 1963.

[Signature] Examiner
New Mexico Oil Conservation Commission

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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. 2334
Order No. R-2513

APPLICATION OF TOM BROWN DRILLING
COMPANY FOR APPROVAL OF THE RUYAN
RANCH UNIT AGREEMENT, SDOY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 26, 1963, at Santa Fe, New Mexico, before Daniel S. Hutter, 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 9th day of July, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Hutter, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Tom Brown Drilling Company, seeks approval of the Ruyan Ranch Unit Agreement covering 10,890.12 acres, more or less, of State and Federal lands in Township 19 South, Range 21 East, NEMH, SDOY County, New Mexico.

(3) That approval of the proposed Ruyan Ranch Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Ruyan Ranch Unit Agreement is hereby approved.

(2) That the plan under which the unit area shall be operated shall be executed in the form of a unit agreement for the

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CASE No. 2834
Order No. R-2513

development and operation of the Runyan Ranch Unit Area, and such plan shall be known as the Runyan Ranch Unit Agreement Plan.

(3) That the Runyan Ranch Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Runyan Ranch Unit, or relative to the production of oil or gas therefrom.

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

NEW MEXICO FEDERAL MERIDIAN

DEER COUNTRY, NEW MEXICO

TOWNSHIP 19 NORTH, RANGE 21 EAST

Sections 1 through 4: All

Sections 9 through 16: All

Sections 21 through 28: All

containing 10,890.12 acres, more or less.

(b) That 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 Runyan Ranch Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or rekindled.

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

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CASE No. 2136
Order No. M-2513

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Jack M. Campbell

JACK M. CAMPBELL, Chairman

E. S. Walker
E. S. WALKER, Member

A. E. Porter, Jr.
A. E. PORTER, Jr., Member & Secretary

esr/

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. 2834
Order No. R-2513

APPLICATION OF TOM BROWN DRILLING
COMPANY FOR APPROVAL OF THE RUNYAN
RANCH UNIT AGREEMENT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 26, 1963, 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 9th day of July, 1963, 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 applicant, Tom Brown Drilling Company, seeks approval of the Runyan Ranch Unit Agreement covering 10,890.12 acres, more or less, of State and Federal lands in Township 19 South, Range 21 East, NMPM, Eddy County, New Mexico.

(3) That approval of the proposed Runyan Ranch Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Runyan Ranch Unit Agreement is hereby approved.

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the

-2-

CASE No. 2834
Order No. R-2513

development and operation of the Runyan Ranch Unit Area, and such plan shall be known as the Runyan Ranch Unit Agreement Plan.

(3) That the Runyan Ranch Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Runyan Ranch Unit, or relative to the production of oil or gas therefrom.

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

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO

TOWNSHIP 19 SOUTH, RANGE 21 EAST

Sections 1 through 4: All
Sections 9 through 16: All
Sections 21 through 25: All

containing 10,890.12 acres, more or less.

(b) That 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 Runyan Ranch Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

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

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CASE No. 2834
Order No. R-2513

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



Jack M Campbell

JACK M. CAMPBELL, Chairman

E. S. Walker

E. S. WALKER, Member

A. L. Porter, Jr.

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

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