

CASE 3300: Appli. of TIDEWATER
OIL CO. for approval of the
JUSTIS-McKEE UNIT AGREEMENT.

CASE No.
3300

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

000

3300

Unit Name JUSTIS MCKEE UNIT - WATERFLOOD
Operator TIDEWATER OIL COMPANY
County LEA

DATE	OCC CASE NO. 3300	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO. R-2965	January 1, 1966	880.00	80.00	520.00	-0-	280.00	Yes so long as
COMMISSIONER: OCC: Sept. 13, 1965								
September 24, 1965								
UNITED STATES GEOLOGICAL SURVEY:								
November 29, 1965								

UNIT AREA

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NEW MEXICO PRINCIPAL MERIDIAN

Section 13: SE/4, SE/4SW/4
Section 24: E/2, E/2SW/4, SE/4NW/4
Section 25: NE/4NE/4

TOWNSHIP 25 SOUTH, RANGE 38 EAST, NEW MEXICO PRINCIPAL MERIDIAN

Section 19: W/2W/2
Section 30: NW/4NW/4

TERMINATED

Eff: 7-1-71

Unit Name JUSTIS MCKEE UNIT - WATERFLOOD
Operator TIDEWATER OIL COMPANY
County LEA

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
4	B-11478-0	C.S.	25	25S	37E	NE/4NE/4	2-23-65	40.00		THE ATLANTIC REFINING COMPANY
5	B-9521-0	C.S.	30	25S	38E	NW/4NW/4	4-27-65	40.00		SKELLY OIL COMPANY

TERMINATED

CH 7-1-71

21 MAY 18 1971

3300

May 17, 1971

Getty Oil Company
P. O. Box 1231
Midland, Texas 79701

Re: Justis McKee Unit
TERMINATION
Lea County, New Mexico

ATTENTION: Mr. Lawrence B. Lindahl

Gentlemen:

We are in receipt of your Termination Instruments for the Justis McKee Unit, Lea County, New Mexico, as per Section 21 of the Unit Agreement. The Commissioner of Public Lands has this date given approval to your Termination, subject to like approval by the United States Geological Survey.

Enclosed are five (5) Certificates of Termination reflecting the Commissioner's approval.

Sincerely yours,

GORDON G. MARCUM, II, Director
Oil and Gas

AJA/GGM/s
encls.

cc: USGS-Roswell, New Mexico (ltr. only)
OCC-Santa Fe, New Mexico (ltr. only) ✓

Getty Oil Company

North American & P Division

P.O. Box 1231, Midland, Texas 79701

MAY 27, 1971

3300

The Supervisor
United States Geological Survey
P. O. Drawer 1857
Roswell, New Mexico 88201

Attention: Mr. Carl C. Traywick

Re: Termination of Justis
McKee Unit #14-08-0001-8726
Lea County, New Mexico

Gentlemen:

Please consider this letter as Getty Oil Company's request to terminate the subject unit.

As requested by your Mr. Traywick, I am including herewith the original signed ballots of Working Interest Owners approving this termination. Also included are four copies of the Certificate of Approval showing the approval to terminate by the Commissioner of Public Lands. Attached to each Certificate is Getty Oil Company's termination instrument which will be filed in the Public Records.

Getty Oil Company has contacted former lease operators and has been advised that upon termination of the Justis McKee Unit, all production from the McKee zone will cease. We recognize that at this late date, the United States Geological Survey will be unable to give its approval to this termination until sometime during the month of June. This would make the effective date of termination July 1, 1971, at which time a joint gauging of the tanks will be held and stocks on hand will be distributed to the owners on the unitized basis.

Although Section 21 of the Unit Agreement specifies that the termination should be approved by the Commissioner and the Director, you have advised that the Supervisor may have the authority to act in this capacity and grant the necessary approval to terminate the unit.

-2-

If you find the enclosed attachments satisfactory, kindly obtain the required approval on behalf of the Bureau of Land Management and return at least one signed copy to me for filing in the Public Records.

Thank you for your consideration in this regard.

Very truly yours,

GETTY OIL COMPANY

Original Signed By
LAWRENCE B. LINDAHL

Lawrence B. Lindahl

LPL/ss
Attachments

CC: Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87501
Attention: Unit Division

Director, Bureau of Land Management
P. O. Box 1449
Santa Fe, New Mexico 87501

Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87501

THIS
COPY FOR

Getty Oil Company

P.O. Box 1231, Midland, Texas 79701

SALES/OPS/DP//// North American E & P Division

April 2, 1971

3300

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

Attention: Unit Division

Re: Application for Termination
of Justis McKee Unit
NMOCC Order #R-2965
Federal File 14-08-0001-8726
Lea County, New Mexico

Gentlemen:

Subsequent to my letter of March 24, 1971, Mr. Carl Traywick of the United States Geological Survey in Roswell called me to discuss our Termination Proposal. As recommended, please consider this letter and its attachments as Getty Oil Company's application to terminate the subject unit.

It is my understanding that the effective date of termination of the Unit would be at 7:00 A.M. on the first day of the month following the approval of this termination by the Commissioner and the Director. Due to the time involved for the inventory of the equipment located in the Unit area and the agreement between working interest owners of its disposition, please withhold your approval of this termination until sometime during the month of May so that the effective date of the termination would be on the 1st day of June, 1971. Though you may feel our application for termination is premature due to our requested date of termination, we wanted to insure that you had all the data that would be required for your approval.

In addition to the engineering data which includes the latest water injectivity vs. time curve, I am also including copies

of the ballots approved by working interest owners and their Phase II participation are listed below:

Atlantic Richfield Company	2.91569
W. K. Byrom	0.44286
A. L. Cone	0.44814
J. R. Cone	0.22407
Getty Oil Company	52.90045
Gulf Oil Company - US	21.45200
Neville G. Penrose	0.07197
John B. Rich	0.00249
Texas Pacific Oil Company	0.60498
Skelly Oil Company	2.46134
Sunshine Royalty Company (now Elliott Oil Co.)	0.89627
Texaco Inc.	10.94928
Union Texas Petroleum	3.02493
	<u>96.39447</u>

On the effective date of termination, a joint gauging of the Unit production will be held and stocks on hand will be allocated on the unitized basis. Thereafter no further unit production will be run and individual lease owners who desire to continue producing from the Justis McKee will do so on a lease basis, and will be required to make arrangements for their own lease tankage and storage facilities. From a practical standpoint, it is doubtful that lease operators will continue to produce the Justis McKee zone. As you are no doubt aware, each tract is producing from zones other than the Justis McKee for which separate accounting on a lease basis is being made.

We understand that the preferred order of approval for this termination will be for the Commissioner to approve it first, whereupon the Director will consider our request for termination. Please prepare whatever termination certificate you deem necessary, and if possible, include space for the approval of the Director. If any further information or data is required for your decision in this regard, please advise.

Very truly yours,
GETTY OIL COMPANY

Original Signed By
LAWRENCE B. LINDAHL
Lawrence B. Lindahl

LBL/ss
Attachments
CC:

Director, Bureau of Land
Management
P. O. Box 1449
Santa Fe, New Mexico 87501

The Supervisor
United States Geological Survey
P. O. Drawer 1857
Roswell, New Mexico 88201

Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87501

THIS
COPY FOR

Getty Oil Company

P.O. Box 1231, Midland, Texas 79701

Mid-Continent Division J. E. Pierce, Midland District Production Manager

January 26, 1971

WORKING INTEREST OWNERS
JUSTIS MCKEE UNIT
LEA COUNTY, NEW MEXICO

Gentlemen:

JEP	WJN
WCP	HCV
TEL	WCS
VLA	SNB
BJJ	QW
GSO	IAW
DB	N & D
Circ	N & B
F#	442-16-1.1

An Engineering Subcommittee meeting was held January 15, 1971, in Getty Oil Company's Conference Room, 10th Floor of the Vaughn Building, Midland, Texas. The attendance list is attached. Purpose of the meeting was to examine the results of the injectivity test in Well No. 108, and recommend the next course of action. Please refer to previous letters to the Working Interest Owners dated May 19, June 2, and December 31, 1970.

After examining the test data the committee agreed that the injection rate in No. 108 was not sufficient for an effective sweep. Getty Oil Company then proposed that the unit be terminated. This proposal was based on the following:

- (1) Average injection rate since injection began is 807 BWPD. The engineering study estimated injection requirements to be 5165 BWPD until fillup and 1641 BWPD thereafter.
- (2) The injection system has operated for three years at maximum pressure. Injection began in October, 1967 with maximum pressure at 1000 psi. In November, 1967, plungers were reduced in size increasing maximum pressure to 1700 psi. In November, 1968, plungers were again reduced increasing maximum pressure to 2200 psi.
- (3) It is possible that adequate rates could be achieved with pressures in excess of 3000 psi but this would require a complete new system, the cost of which would be prohibitive.
- (4) The engineering study estimated fillup requirement to be 2,000,000 barrels. Total water injected through October, 1970 (approximately 3 years injecting) is 883,775 barrels.
- (5) Although fillup was not reached, sufficient water has been injected for response in offset producers but there has been no response.

Working Interest Owners
Justis McKee Unit
Lea County, New Mexico

Page - 2 -

January 26, 1971

- (6) Injectivity profiles were run in the injection wells and all had satisfactory distribution throughout the McKee zones.
- (7) The NMOCC would not allow injection in wells 117 and 305 because of Ellenburger production below the McKee. Remaining life of the Ellenburger in these two wells is approximately 5 years.
- (8) Injection into wells 108 and 701 was approved, but the test made in 108 shows that only slightly better rates could be expected in 108 and 701, than in the other injection wells.
- (9) Operating with a crippled pattern (two additional injection wells instead of four) would improve total injection rate by only 830 BOPD. At best, fillup could be expected in 22 months (October 1972).
- (10) If operation of the unit is to be continued, an investment of \$35,000 will be required to convert wells 108 and 701, repair one pump foundation and install the injection lines.

After thoroughly discussing all aspects of the unit, the Subcommittee could offer no alternatives to Getty Oil Company's proposal to terminate the unit.

In accordance with Section 21 of the Unit Agreement a ballot is attached for Working Interest Owner approval to terminate the Justis McKee Unit.

Upon receipt of 90% (Phase II) approval from the Working Interest Owners, Getty Oil Company will seek approval from the New Mexico Land Commissioner and Director of the U.S.G.S. and notify all parties of the termination.

Very truly yours,

J. E. Pierce
J. E. Pierce, Chairman
Working Interest Owners
Committee

WCS:rt

Attach.

JUSTIS MCKEE UNIT
ENGINEERING SUBCOMMITTEE MEETING
January 15, 1971

ATTENDANCE LIST

Bill Southerland	Getty Oil Co.	Midland
Eugene Miller	Getty Oil Co.	Hobbs
J. W. Freeman	Gulf Oil Co.	Roswell
C. D. Thompson	Getty Oil Co.	Midland
George Hicks	ARCO	Midland
Phil Tomlinson	ARCO	Midland
B. A. Wilkinson	Texaco	Hobbs
Keith E. Bohrer	Skelly	Midland
Walter Newman	Getty Oil Co.	Midland
L. B. Lindahl	Getty Oil Co.	Midland
Howard Perdue	Union Texas Petr.	Midland
M. J. DeMarco	Tenneco	Midland
Harold G. Vest	Getty Oil Co.	Midland

B A L L O T

TO: Getty Oil Company
P. O. Box 1231
Midland, Texas 79701

Attention: Mr. J. E. Pierce

Re: Justis McKee Unit
Termination

The undersigned hereby approves termination of the
Justis McKee Unit in accordance with Section 21 of
the Unit Agreement.

Signed _____

Company _____

Date _____

GETTY OIL COMPANY

P.O. Box 1231, Midland, Texas 79701

Southern Division

December 31, 1970

WORKING INTEREST OWNERS
JUSTIS MCKEE UNIT
LEA COUNTY, NEW MEXICO

Gentlemen:

The Engineering Subcommittee recommended, at the last meeting, May 8, 1970, that Getty Oil Company, as JMU operator, request a change of operating plan from the New Mexico Oil Conservation Commission and that an injectivity test on Well No. 108 be made after which another meeting would be called to examine the results and recommend the next course of action. Approval was received by ballot from the Working Interest Owners.

Sufficient data has been collected from the four-months injectivity test to consider the test finished; therefore, a meeting of the Engineering Subcommittee is called for 1:30 P.M., CST, January 15, 1971 in Getty Oil Company's Conference Room, 10th Floor of the Vaughn Building, Midland, Texas.

Getty Oil's request to convert to injection, Well Nos. 108, 117, 305 and 701 was heard by the NMOCC on July 2, 1970. Wells 108 and 701 were granted but 117 and 305 were denied by the NMOCC. No. 108 was temporarily converted and the injectivity test began in August, 1970 with an initial rate of 1133 BHPD at 1750 psi. This rate dropped rapidly the first month and to date is still slowly decreasing. Figure 1 shows barrels per psi versus time for Well No. 108 compared to the early months of Well No. 404.

No. 108 appears to be following the same curve as 404. By extrapolating the curve of 108 it can be seen that after one year the injectivity of 108 would be approximately 0.19 barrels per psi, or 418 BHPD at 2200 psi. This is a better rate than any of the other injection wells but it is still not enough for an effective sweep.

Since the injectivity of No. 108 is not satisfactory, it is Getty Oil Company's opinion that the Justis McKee reservoir cannot be economically flooded. Capital investments for the JMU so far amounts to approximately \$460,300. Operating costs have averaged \$59,100 per year. An additional \$75,000 will be required for conversion of 4 wells if we proceed as previously proposed. Wells 117 and 305 cannot be converted until their lower zones (Ellenburger) are depleted and plugged off. Cumulative oil production from the effective date

Page 2

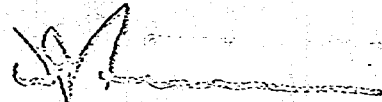
Working Interest Owners
Justis McKee Unit
Lea County, New Mexico

December 31, 1970

through October, 1970, is 74,837 barrels. Remaining primary at unitization was estimated at 123,396 barrels.

At the meeting January 15, 1971, Getty Oil Company will propose to terminate the Justis McKee Unit, and ask the Engineering Subcommittee members to make a firm recommendation to the Working Interest Owners concerning this proposal.

Very truly yours,



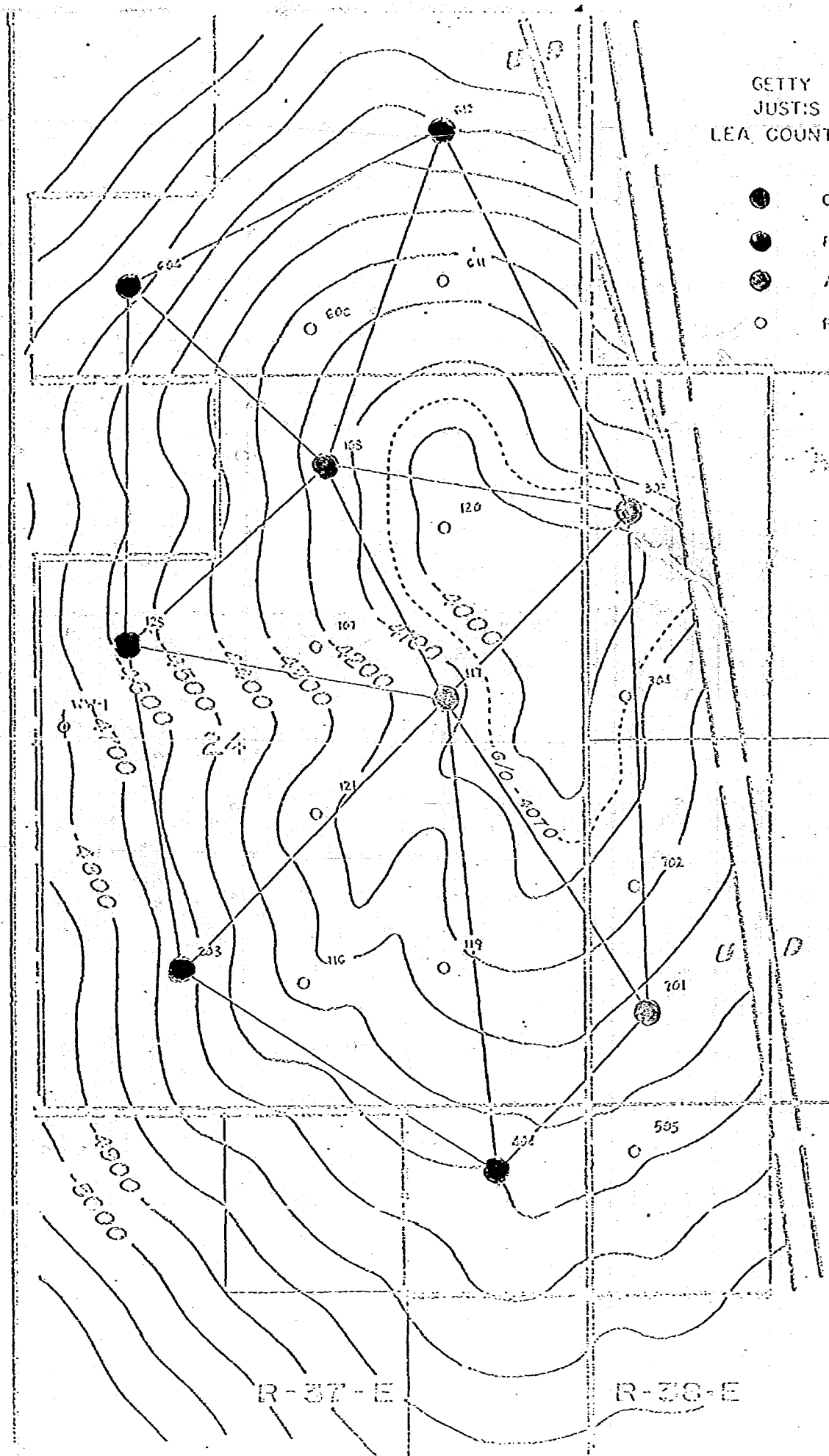
Walter J. Newman,
Chairman, Engineering
Subcommittee

WCS:rt

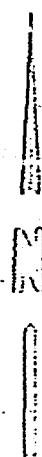
Attach.

GETTY OIL COMPANY
JUSTIS MCKEE UNIT
LEA COUNTY, NEW MEXICO

- CURRENT INPUT WELLS
- FIRST INPUT EXPANSION (PROPOSED)
- ADDITIONAL INPUT EXPANSION (PROPOSED)
- PRODUCING WELLS



T
25
S
U.S. (miles)
19



R-37-E

R-38-E

Getty Oil Company

Southern Division

P.O. Box 1231, Midland, Texas 79701

June 2, 1970

TO ALL WORKING INTEREST OWNERS
JUSTIS MCKEE UNIT
LEA COUNTY, NEW MEXICO

Gentlemen:

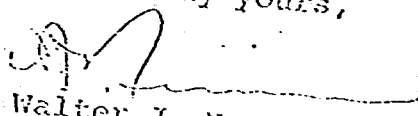
An Engineering Subcommittee meeting was held May 28, 1970, in Getty Oil Company's Conference Room, 10th Floor of the Vaughn Building, Midland, Texas. The attendance list is attached. Purpose of the meeting was to review past performance of the flood and to consider a change of the operating plan.

After considerable discussion of the injectivity problems experienced to date, it was concluded that the best possible solution would be to change the injection pattern. The problem of limited injectivity into the McKee Sand is not unique with the Justis McKee Unit. The problem exists in other McKee Floods in Southeast Lea County, however, response has been satisfactory in some cases where the injection pattern is similar to a five-spot. Current pattern of the Justis McKee flood is a peripheral pattern involving five down-structure injection wells.

Because of the known injectivity problems, Getty Oil Company proposes to temporarily connect Well No. 108 to the pump station for an injectivity test. This cost, \$2500, is within the limit of authority of the unit operator and will not require an AFE. The Engineering Subcommittee approved this proposal. When the injectivity test is finished, another engineering subcommittee meeting will be called to examine the results and recommend the next course of action.

In accordance with Article 3.2.3 and 3.2.6 of the Unit Operating Agreement a ballot is attached for Working Interest Owner approval for Getty Oil Company to change the status of Well No. 108 and to appear before the New Mexico Oil Conservation Commission. Preparations are being made for a hearing before the NMOC to seek approval of a change in the Operating Plan.

Very truly yours,


Walter J. Newman,
Chairman, Engineering
Subcommittee

WCS:rlt

Attach.

290-18-15

JEP	WJN
WCP	RGV
TEL	VCS
VLA	SMB
BJJ	QTW
GSO	LWW
DB	N & D
Circ	N & R
F-#	

Getty Oil Company

P.O. Box 1231, Midland, Texas 79701

Southern Division

May 19, 1970

240-18-15

TO ALL WORKING INTEREST OWNERS
JUSTIS MCKEE UNIT
LEA COUNTY, NEW MEXICO

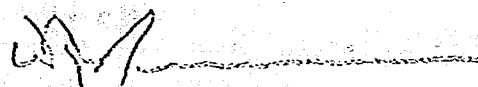
JEP	WIN
WCI	HGV
TEL	WCS
VIA	SMB
BJJ	QTW
GSO	LWW
DB	N & D
Cire	N & R
F - #	

Gentlemen:

A meeting of the Engineering Subcommittee is called for 1:30 P.M., May 28, 1970 in Getty Oil Company's Conference Room, 10th Floor of the Vaughn Building, Midland, Texas. Purpose of this meeting will be to review past performance of the flood and to consider a change of the operating plan.

Attached for your review is a brief history of the unit and a proposed change in the injection pattern.

Very truly yours,


Walter J. Newman,
Chairman, Engineering
Subcommittee

WCS:rlt

Attachments

JUSTIS MCKEE UNIT

The Justis McKee Unit became effective January 1, 1966 with Getty Oil Company as Operator. Cumulative oil production before that time was 1,231,244 BO. Cumulative production as of April 1, 1970 was 1,298,590 BO. The Engineering Committee estimated Ultimate Primary to be 1,355,000 BO. Therefore, 123,756 STBO of Primary Oil remain to be produced. The original Engineering estimate of Secondary Oil was 2,837,000 STBO.

The original Engineering Study proposed that water be injected at the rate of 5165 BPD until fillup of over 2,000,000 barrels, then the rate could be reduced to 1641 BPD (until 6,219,630 barrels were injected).

Water injection began October 10, 1967. The maximum beginning rate into four (4) wells was 1590 BWPD for one day. The average rate for October 1967 was 732 BWPD at 900 PSI. Since that time, the pressure has been increased in stages to 2200 PSI and one additional injector has been drilled (No. 128). The present injection rate is between 500-900 BWPD. Cumulative injection to April 1, 1970 was 685,408 BW. The injection rate continues to drop and no response has occurred to date. The injection pressure is at the maximum design pressure of much of the equipment and is probably near the fracture pressure of the formation.

The injection wells have been back-flowed; treated with scale converter, H Cl Acid, and Acetic Acid; each time the improvement in injectivity lasted less than one month.

A chemical to combat swelling clays was added to the injection water early in the flood life. This chemical was found ineffective and has been discontinued. Every effort possible has been made to reduce the solids content of the injection water.

The water injection plant consists of two (2) Ajax DP-115's with Triplex Pumps. The foundation of one of these pumps has given away and the estimated cost of repair is \$2 to 5,000. (The second pump is not being used at the present time, due to the lower volume being injected).

It is apparent that we will not be able to flood the Justis McKee Sand under the current plan of operation. All efforts to improve the injectivity of the input wells have been unsuccessful. Analysis of core data, taken from wells centrally located in the field, show an average permeability of 50.7 md. Average permeability from cored section in injection Well #128 was 5.2 md. It is evident that injection into wells with more favorable permeabilities is desirable and may be the only chance to save the project.

We therefore propose to temporarily connect Well #108 to the pump station for an injectivity test at a minimum cost of \$2500. If

this test is satisfactory, we will propose to convert Wells #108, #117, #305 and #701 to injection (See attached plat).

The attached forecast of operating expenses and earnings beginning 1-1-70 are based on a secondary reserve estimate of 677,500 barrels (primary to secondary ratio of 0.5, the original study was 2.09) and 59,846 barrels of remaining primary. The operating cost is revised to include four additional input wells. Investment for the pattern change will be as follows:

Injection test #108	
Convert #108	\$ 2,500
Convert #117	10,500
Convert #305	15,500
Convert #701	15,500
Install Additional Inj. System	10,500
Plant Repair	15,500
	5,000
Total	<u>\$75,000</u>

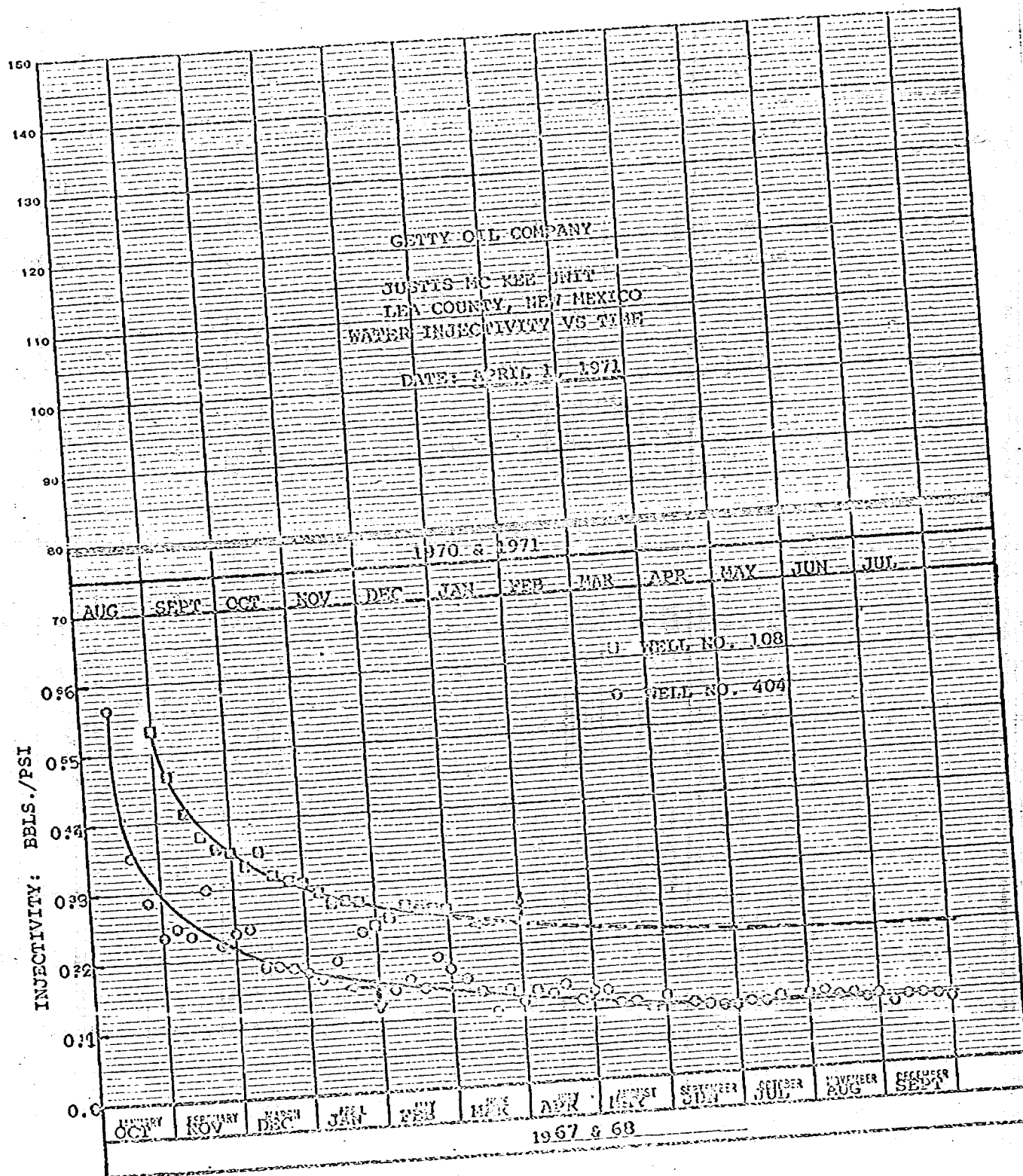
REMAINING RESERVE AS OF 1-1-70

ECONOMICS BEGINNING 1-1-70 (Before Fed. Inc. Tax)

	Gross	Net	D.C.F. Rate of Return (%)	
Oil	737348	645178	28	99.9
Natural Gas Liquids (Bbls)	19129	16737	Profit to Investment Ratio (Undis.)	13.6
Total Liquids (Bbls)	756475	661915	Profit to Investment Ratio (Disc.)	12.4
Associated Gas (MMCF)	913	799	Net Profit (Undis.)	1,394,456
			Net Profit (Disc.)	932,921

Year	Gross Liquid (Bbls)	Gross Gas (MMCF)	Net Liquids (Bbls)	Net Gas (MMCF)	Gross Revenue (\$)	Oper. Cost (\$)	Prod. Tax (\$)	C.O.D. (BPIF) (\$)	Investments (\$)	Status (BPIF) (\$)
1970	16262	70	14229	61	49434	40000	3444	5990	75000	-65794
71	31200	60	27300	53	96092	60000	6707	29384	0	-40327
72	93600	180	81900	157	283275	96000	20122	172153	0	95312
73	255000	250	223125	219	775967	96000	54198	625669	0	543479
74	153000	150	133875	131	465520	96000	32518	337002	0	762935
75	102000	100	89205	88	310347	96000	21679	192663	0	375994
76	51200	60	53550	52	186208	96000	13007	77201	0	918544
77	44213	43	38686	38	134523	95737	9397	29389	0	932921
	756475	913	661915	799	2,306,266	675,737	161,072	1,469,456	75000	

1 YEAR BY MONTHS 358-170
 X 150 DIVISIONS
 MADE IN U.S.A.
 K&E
 KENNEDY & EGGER CO.



B A L L O T

JEP	WIN
WEP	WV
TE	R
V	R
R	W
CR	W
DR	D
CRC	R
F	R

TO: Getty Oil Company
P. O. Box 1231
Midland, Texas 79701

Attention: Mr. J. E. Pierce

Re: Justis McKee Unit
Termination

The undersigned hereby approves termination of the
Justis McKee Unit in accordance with Section 21 of
the Unit Agreement.

Signed *Donald H. Richs*

Company ATLANTIC RICHFIELD COMPANY

Date 2-10-71

B A L L O T

TO: Getty Oil Company
P. O. Box 1231
Midland, Texas 79701

Attention: Mr. J. E. Pierce

Re: Justis McKee Unit
Termination

The undersigned hereby approves termination of the Justis McKee Unit in accordance with Section 21 of the Unit Agreement.

Signed [Signature]

Company _____

Date 2/17/11

A.L. Cone
P.O. Box 871
Lubbock, Texas 79408

B A L L O T

TO: Getty Oil Company
P. O. Box 1231
Midland, Texas 79701

Attention: Mr. J. E. Pierce

Re: Justis McKee Unit -
Termination

The undersigned hereby approves termination of the
Justis McKee Unit in accordance with Section 21 of
the Unit Agreement.

Signed

J. P. [Signature]

Company

Date

1-27-1971

JR CORP

P.O. Box 871

Lubbock, Texas 79408

I .27265

II .22407

B A L L O T

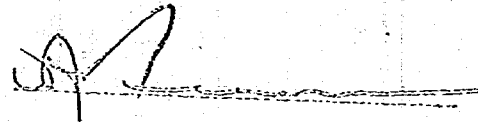
TO: Getty Oil Company
P. O. Box 1231
Midland, Texas 79701

Attention: Mr. J. E. Pierce

Re: Justis McKee Unit
Termination

The undersigned hereby approves termination of the
Justis McKee Unit in accordance with Section 21 of
the Unit Agreement.

Signed



Company

Getty Oil

Date

1/26/71

B A L L O T

TO: Getty Oil Company
P. O. Box 1231
Midland, Texas 79701

Attention: Mr. J. E. Pierce

Re: Justis McKee Unit
Termination

The undersigned hereby approves termination of the
Justis McKee Unit in accordance with Section 21 of
the Unit Agreement.

Signed

M. S. Taylor

District Production Manager
Company Gulf Oil Company-U.S., A Div. of
Gulf Oil Corporation

Date February 4, 1971

Box 1933
Reswell, B.A., 88201

Phone I 37.7.372

II 21.45200

EP	WJN
VCP	RGV
TEL	WCS
VLA	SMB
BJJ	QW
GSO	LWW
DB	N&D
Cire	N&R
F-*	

B A L L O T

TO: Getty Oil Company
P. O. Box 1231
Midland, Texas 79701

Attention: Mr. J. E. Pierce

Re: Justis McKee Unit
Termination

The undersigned hereby approves termination of the
Justis McKee Unit in accordance with Section 21 of
the Unit Agreement.

Signed H. S. Winsty

Company Penrose Production Co.

Date 2/10/71

Penrose Production Co.
1605 Commerce Bldg.
Fort Worth, Tex. 76102

B A L L O T

TO: Getty Oil Company
P. O. Box 1231
Midland, Texas 79701

Attention: Mr. J. E. Pierce

Re: Justis McKee Unit
Termination

The undersigned hereby approves termination of the
Justis McKee Unit in accordance with Section 21 of
the Unit Agreement.

Signed

John B. Rich, Trustee

Company Trusts U/D DONALDSON BROWN

Date

Signed

John B. Rich,

Company

John B. Rich,

Date

*Trusts U/D Donaldson Brown
Mercantile Bank & Trust Bldg.
Baltimore, Maryland 21201*

I - 00310

I - 00318

B A L L O T

TO: Getty Oil Company
P. O. Box 1231
Midland, Texas 79701

Attention: Mr. J. E. Pierce

Re: Justis McKee Unit
Termination

The undersigned hereby approves termination of the
Justis McKee Unit in accordance with Section 21 of
the Unit Agreement.

Signed

L. B. [Signature]

Company TEXAS PACIFIC OIL COMPANY, INC.

Date

2-3-71

Phase I .75225
II .60496

B A L L O T

TO: Getty Oil Company
P. O. Box 1231
Midland, Texas 79701

Attention: Mr. J. E. Pierce

Re: Justis McKee Unit
Termination

The undersigned hereby approves termination of the
Justis McKee Unit in accordance with Section 21 of
the Unit Agreement.

Signed *P. L. Nunley*
for P. L. Nunley

Company Skelly Oil Company

Date February 23, 1971

VP	VJN
CCP	TV
TEL	SC
VIA	ENB
BJJ	QW
CSO	FW
DB	D
Clc	SR
W	W

B A L L O T

TO: Getty Oil Company
P. O. Box 1231
Midland, Texas 79701

Attention: Mr. J. E. Pierce

Re: Justis McKee Unit
Termination

The undersigned hereby approves termination of the
Justis McKee Unit in accordance with Section 21 of
the Unit Agreement.

Signed

Company ELLIOTT OIL COMPANY

Date January 27, 1971

Elliott Oil Co.

Box 1355

Roswell, New Mexico 88201

VFB	
VFB	VIN
FL	EG7
FCS	
FE	
SF	CW
DB	W7
Che	D
P - $\frac{u}{w}$	N & R

Attention: Mr. J. E. Pierce

The undersigned hereby approves termination of the
Justis McKee Unit in accordance with Section 21 of
the Unit Agreement.

W. H. H. H. H.
W. H. H. H. H.

TEYACO Inc.

February 18, 1971

B A L L O T

TO: Getty Oil Company
P. O. Box 1231
Midland, Texas 79701

Attention: Mr. J. E. Pierce

Re: Justis McKee Unit
Termination

The undersigned hereby approves termination of the
Justis McKee Unit in accordance with Section 21 of
the Unit Agreement.

Signed

W. K. C. Randle

Company

UNION TEXAS PETROLEUM
Company, Inc.

Date

2-22-71

Getty Oil Company

25 APR 71
P.O. Box 1231, Midland, Texas 79701

~~Substantiated~~ North American E & P Division

71 MAR 24 1971

3300

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

Attention: Unit Division

Director, Bureau of Land Management
P. O. Box 1449
Santa Fe, New Mexico 87501

Re: Justis McKee Unit
BMOCC Order No. R-2966
Federal File 14-08-0001-8726
Lea County, New Mexico

Gentlemen:

Working Interest Owners holding in excess of 90% of the total Phase II Unit Participation under the subject Unit have determined that unit operations are no longer profitable, feasible or in the interest of conservation, and have approved a ballot agreeing to the termination of the Unit.

Paragraph 5 of Section 21 appearing on Page 17 of the Unit Agreement provides that the Unit may be terminated with the approval of the Commissioner and the Director and by working interest owners owning 90% unit participation during Phase II. In all honesty, we have not been in a position to terminate a unit within the State of New Mexico before and would appreciate your advise and counsel on how this best may be accomplished. If there is a form of certificate you would prefer that we use, or a specific format that you would like us to follow in our preparation of the termination certificate please advise.

It was our thought that possibly some type of certificate has or may be prepared that could be approved by both the Commissioner and Director which would likewise serve as our termination notice to be filed in the Public Records of Lea County, New Mexico.

Any assistance you could render in this regard will be appreciated.

Very truly yours,


GETTY OIL COMPANY

Original Signed By
LAWRENCE B. LINDAHL
Lawrence B. Lindahl

LBL/ss

COPIES:

The Supervisor
United States Geological Survey
P. O. Drawer 1857
Roswell, New Mexico 88201

Oil Conservation Commission
State of New Mexico  THIS
P. O. Box 2088 COPY FOR
Santa Fe, New Mexico 87501

Mr. J. E. Pierce
Getty Oil Company
P. O. Box 1231
Midland, Texas 79701

GETTY OIL COMPANY - OPERATOR
JUSTIS MC KEE UNIT
MONTHLY STATISTICAL REPORT - JANUARY, 1970

MAIN OFFICE Q111

'70 MAR 13 AM 8 39

3300

II. CUMULATIVE DATA

A. Oil - Bbls.

1. Production Prior to Unitization.....	1,231,244
2. Since Unitization.....	65,424
3. Total.....	1,296,668
4. Production Since First Water Injection.....	33,844
5. Estimated Normal Oil Production.....	65,424
6. Increased Oil Production Due to Waterflood.....	0

CORRECTED REPORT

CORRECTED REPORT

CORRECTED REPORT

Thank you,
GETTY OIL COMPANY

C. L. Wade
C. L. WADE
Area Supt.

GETTY OIL COMPANY - OPERATOR
JUSTIS MC KEE UNIT
MONTHLY STATISTICAL REPORT - DECEMBER, 1969

II. CUMULATIVE DATA

A. Oil - Bbls.

1. Production Prior to Unitization.....	1,231,244
2. Since Unitization.....	63,721
3. Total.....	1,294,965
4. Production Since First Water Injection.....	32,141
5. Estimated Normal Oil Production.....	63,721
6. Increased Oil Production Due to Waterflood.....	0

CORRECTED REPORT

CORRECTED REPORT

CORRECTED REPORT

Thank you,
GETTY OIL COMPANY

C. L. Wade
C. L. WADE
Area Supt.

GETTY OIL COMPANY - OPERATOR
JUSTIS MC KEE UNIT
MONTHLY STATISTICAL REPORT - NOVEMBER, 1969

II. CUMULATIVE DATE

A. ~~Oil~~ - Bbls.

1. Production Prior to Unitization.....	1,231,244
2. Since Unitization.....	62,185
3. Total.....	1,293,429
4. Production Since First Water Injection.....	30,605
5. Estimated Normal Oil Production.....	62,185
6. Increased Oil Production Due to Waterflood.....	0

CORRECTED REPORT

CORRECTED REPORT

CORRECTED REPORT

Thank you,
GETTY OIL COMPANY

C. L. Wade
C. L. WADE
Area Supt.

GETTY OIL COMPANY -- OPERATOR
JUSTIS MC KEE UNIT
MONTHLY STATISTICAL REPORT -- OCTOBER, 1969

II. CUMULATIVE DATA

A. Oil - Bbls.

1. Production Prior to Unitization.....	1,231,244
2. Since Unitization.....	61,517
3. Total.....	1,292,761
4. Production Since First Water Injection.....	29,937
5. Estimated Normal Oil Production.....	61,517
6. Increased Oil Production Due to Waterflood.....	0

CORRECTED REPORT

CORRECTED REPORT

CORRECTED REPORT

Thank you,
GETTY OIL COMPANY

C. L. Wade
C. L. WADE
Area Supt.

OCT 31 1969

3300

GETTY OIL COMPANY
P. O. Box 249
HUBBS, NEW MEXICO 88240

October 20, 1969

ALL WORKING INTEREST OWNERS
JUSTIS MC KEE UNIT
LEA COUNTY, NEW MEXICO

Gentlemen:

The Monthly Statistical Report for September is attached.
During the month the plant was operated for 30 days at an
average injection pressure of 2170 PSI and average rate of
906 BWPD.

Very truly yours,

GETTY OIL COMPANY

C. L. Wade
C. L. Wade
Area Superintendent

HBS/eh

ATTACHMENT

GERTY OIL COMPANY-OPERATOR
JUSTIS MC KEE UNIT
MONTHLY STATISTICAL REPORT - September, 1969

I. CURRENT DATA		
A. Oil - Bbls.		
1. Allowable.		2,760
2. Production		1,093
3. Daily Average.		36
4. Pipeline Runs.		1,049
5. Estimated Normal Oil Production.		1,093
6. Increased Oil Production Due to Waterflood		0
B. Water - Bbls.		
1. Production		105
a. Daily Average.		3.5
b. Water-Oil Ratio.		0.096
2. Injection.		27,192
C. Gas - MCF		
1. Production		11,101
2. Gas-Oil Ratio - CF/Bbl.		10,156
3. Sales.		10,631
II. CUMULATIVE DATA		
A. Oil - Bbls.		
1. Production Prior to Unitization.		1,231,244
2. Since Unitization.		60,338
3. Total.		1,291,582
4. Production Since First Water Injection		28,758
5. Estimated Normal Oil Production.		60,338
6. Increased Oil Production Due to Waterflood		0
B. Water - Bbls.		
1. Production Since First Water Injection		8,369
2. Injected		558,316*
3. Water-Oil Ratio		
a. Produced		0.291
b. Injected		19,414
* Includes 11,449 bbls. of water used prior to 10-10-67 for testing water wells and plant.		
III. PHASE STATUS (Phase I in effect until 319,000 bbls. of oil produced after 11-1-62)		
A. Phase I Oil Remaining on 1-1-66.		123,396
B. Cumulative Oil Produced Since 1-1-66		123,896
C. Phase I Oil Presently Remaining.		60,338
		63,058
IV. UNIT WELL STATUS		
Flowing.		0
Artificial lift.		9
Shut Down.		5
Temporarily Abandoned.		0
Plugged and Abandoned.		0
Injection.		5
Water Supply		1
Drilling		0
Total Unit Wells		20

GETTY OIL COMPANY
P. O. BOX 249
HOBES, NEW MEXICO 88240

November 18, 1968

MAIN OFFICE

NOV 25 AM 8 30 '68

3300

ALL WORKING INTEREST OWNERS
JUSTIS MCKEE UNIT
LEA COUNTY, NEW MEXICO

Gentlemen:

The Monthly Statistical Report for September is attached. During the month the plant was operated for 30 days at an average injection pressure of 1572 PSI.

Well No. 203
Well No. 404
Well No. 604
Well No. 612

245 BWPD @ 1660 PSIG
143 BWPD @ 1652 PSIG
70 BWPD @ 1727 PSIG
27 BWPD @ 1798 PSIG

The fifth water injection well, No. 128 was spudded on 9-25-68.

Higher injection rates at increased pressure were determined by using a pump truck. As a result, it is planned to replace the 2" plungers with 1-3/4" plungers in the injection pumps. This should more than double the current injection rate.

Very truly yours,

GETTY OIL COMPANY

C. L. Wade
C. L. Wade
Area Superintendent

HGV/BWI/acm
Attachment

GETTIE OIL COMPANY-OPERATOR
JUSTIS MCKEE UNIT
MONTHLY STATISTICAL REPORT - SEPTEMBER, 1968

I. CURRENT DATA

A. Oil - Bbls.

1. Allowable.	3,720
2. Production.	1,097
3. Daily Average.	37
4. Pipeline Run.	1,136
5. Estimated Normal Oil Production.	1,097
6. Increased Oil Production Due to Waterflood.	0

B. Water - Bbls.

1. Production.	775
a. Daily Average.	26
b. Water-Oil Ratio.	0.706
2. Injection.	14,544

C. Gas - MCF

1. Production.	11,231
2. Gas-Oil Ratio - CF/Bbl.	10,238
3. Sales.	10,845

II. CUMULATIVE DATA

A. Oil - Bbls.

1. Production Prior to Unitization.	1,231,244
2. Since Unitization.	45,017
3. Total.	1,276,261
4. Production since First Water Injection.	13,437
5. Estimated Normal Oil Production.	45,017
6. Increased Oil Production Due to Waterflood.	0

B. Water - Bbls.

1. Production Since First Water Injection.	3,540
2. Injected.	236,673
3. Water Oil Ratio.	0.263
a. Produced.	17.614
b. Injected.	

*Includes 11,449 bbls of water used prior to 10-10-67 for testing water wells and plant.

III. PHASE STATUS (Phase I in effect until 319,000 bbls of oil produced after 11-1-62)

A. Phase I Oil Remaining on 1-1-66.	123,396
B. Cumulative Oil Produced Since 1-1-66.	45,017
C. Phase I Oil Presently Remaining.	78,379

IV. UNIT WELL STATUS

Flowing.	2
Artificial Lift.	6
Shut Down.	5
Temporarily Abandoned.	1
Plugged and Abandoned.	0
Injection.	4
Water Supply.	1
Drilling.	1
Total Unit Wells.	20

3300
Drawer 1237
Russell, New Mexico 86201

December 30, 1965

Tidewater Oil Company
P. O. Box 1231
Midland, Texas

Attention: Mr. Lawrence B. Lindahl

Certification

We hereby acknowledge receipt of the following ratification and joinder relating to the Justice McLean unit agreement, No. 14-02-0001-8726, Lea County, New Mexico:

Joinder to

Date Received

Executed by

Unit agreement

December 17, 1965

Delma E. Andrews, over-riding royalty owner in Federal tract No. 3.

Unit agreement

December 17, 1965

Elmer Shannon and Irvin Hand, Co-Executors of H. T. Underwood Estate, basic royalty interest owner in Federal tract No. 6.

Copies of the ratifications and joinders are being distributed to the appropriate Federal offices.

Sincerely yours,

(Orig.Sgd.) CARL C. TRAYWICK

CARL C. TRAYWICK
Acting Oil & Gas Supervisor

cc:
Washington (w/cy of joinders)
Hobbs (w/cy of joinders)
BEM - Santa Fe (w/cy of joinders)
B.M.C.C. - Santa Fe (ltr. only) ✓
Com. of Pub. Lands - Santa Fe (ltr. only)
Accounts

Drawer 1857
Roswell, New Mexico 88201

December 17, 1965

Tidewater Oil Company
P. O. Box 1231
Midland, Texas

Attention: Mr. Lawrence B. Lindahl

Gentlemen:

Your initial plan of operations for the Justice McKee unit agreement, Lea County, New Mexico, has been approved on this date subject to like approval by the appropriate State officials.

Three approved copies of the plan are enclosed.

Sincerely yours,

(ORIG. SGD.) JOHN A. ANDERSON

JOHN A. ANDERSON
Regional Oil & Gas Supervisor

cc:
Washington (w/cy of plan)
Hobbs (w/cy of plan)
N.M.O.C.C. - Santa Fe (ltr. only) ✓
Com. of Pub. Lands - Santa Fe (ltr. only)

C
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MAIN

'65 OCT 28 PM

October 28, 1965

Tidewater Oil Company
Post Office Box 1231
Midland, Texas 79701

Re: Justis McKee Unit
Lea County, New Mexico

Attention: Mr. Lawrence B. Lindahl

Gentlemen:

We acknowledge receipt of ratifications by the
following Royalty Owners to the Justis McKee Unit
Agreement on the listed tracts:

Julie Ann Erickson	-	Tract No. 6
G. G. Lancaster	-	Tract No. 6
J. C. Blake	-	Tract No. 6
James V. Cowan	-	Tract No. 7

The Commissioner of Public Lands approved this
Unit as of September 24, 1965, as we have not received
a copy of the Certificate of Determination by the
United States Geological Survey, we assume it has not
been approved as of this date.

Very truly yours,

GUYTON B. HAYS
COMMISSIONER OF PUBLIC LANDS

BY:

Ted Bilberry, Director
Oil and Gas Department

MMR/e

cc: United States Geological Survey Oil Conservation Commission
Roswell, New Mexico Santa Fe, New Mexico

C
O
P
Y

MAILED
28 SEP 59
PM

September 24, 1965

Tidewater Oil Company
P. O. Box 1231
Midland, Texas

Re: Justis McKee Unit
Lea County, New Mexico

Attention: Mr. Lawrence B. Lindahl

Gentlemen:

The Commissioner of Public Lands has approved as of this date the Justis McKee Unit, Lea County, New Mexico, subject to like approval by the United States Geological Survey.

We are enclosing eight (8) originally signed Certificates.

We are also returning two (2) approved copies of the Initial Plan of Operations together with our Official Receipt No. 24908 in the amount of Twenty-five (\$25.00) Dollars which covers the filing fee.

Very truly yours,

GUYTON B. HAYS
COMMISSIONER OF PUBLIC LANDS

BY: Ted Bilberry, Director
Oil and Gas Department

MMR/e
cc: United States Geological Survey
Roswell, New Mexico

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

MAILED

JAN 5 1965

January 4, 1965

Tidewater Oil Company
P. O. Box 1231
Midland, Texas

Re: Proposed Justis McKee Unit
Lea County, New Mexico

Attention: Mr. R. N. Miller

Gentlemen:

This office approves the proposed form, as revised by the United States Geological Survey for the Justis McKee Unit Area, Lea County, New Mexico.

However, this approval is subject to a change in the wording of the second paragraph on page 19 as discussed with your Mr. Monsingo on December 31, 1964.

Very truly yours,

SUTTON B. HAYS
COMMISSIONER OF PUBLIC LANDS

BY:
Ted Bilberry, Director
Oil & Gas Department

GBH/mmr/v

cc: United States Geological Survey
Roswell, New Mexico

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Mr. Cley D. Monsingo
P. O. Box 1404
Houston 1, Texas

Tidewater Oil Company



Box 1231
Midland, Texas

3300

January 6, 1966

Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr.

Re: Justis McKee Unit
Lea County, New Mexico

Gentlemen:

Pursuant to your order No. 2965, Article 21 of the Unit Agreement, and for your information, we enclose the following instruments, evidencing the execution by the respective authorities.

1. Unit Agreement with Exhibit "A", "B" Part II, and revised "B" Part I attached.
2. Ratification of all committed interest owners.
3. Commissioner's approval of Initial Plan of Operations.
4. Commissioner's approval of Unit Agreement.
5. Director's Certification-Determination.
6. Supervisor's approval of Initial Plan of Operations.
7. Certificate of Effectiveness of the Justis McKee Unit.

Very truly yours,

TIDEWATER OIL COMPANY

Lawrence B. Lindahl
Lawrence B. Lindahl

LBL:ss
Encls.

CERTIFICATE OF EFFECTIVENESS
OF JUSTIS MCKEE UNIT
LEA COUNTY, NEW MEXICO

STATE OF NEW MEXICO
COUNTY OF LEA

KNOW ALL MEN BY THESE PRESENTS:

THAT, WHEREAS, that certain instrument styled "Unit Agreement, Justis McKee Unit, Lea County, New Mexico," dated November 1, 1964, covering eight hundred eighty (880) acres of land, more or less, in Sections 13, 24 and 25, Township 25 South, Range 37 East, N.M.P.M., and Sections 19 and 30, Township 25 South, Range 38 East, N.M.P.M., all in Lea County, New Mexico, provides that such Agreement shall become effective as of 7:00 A.M. on the 1st day of the month next following:

- (a) The execution or ratification of such Agreement and the Unit Operating Agreement for the Justis McKee Unit by Working Interest Owners owning a combined Unit Participation during Phase II of at least Sixty-five Percent (65%), and the execution or ratification of such Agreement by Royalty Owners owning a combined interest of at least Sixty Percent (60%) of the Royalty Interest in the Unit Area; and
- (b) The approval of such Agreement by the Commissioner of Public Lands of the State of New Mexico, the Director of the United States Geological Survey, and the New Mexico Oil Conservation Commission; and
- (c) The filing for record in Lea County, New Mexico, by the Unit Operator, of at least one counterpart of such Agreement;

and

WHEREAS, all of the aforementioned conditions have been satisfied and said Unit Agreement became effective at 7:00 A.M. on January 1, 1966, as to all Seven (7) tracts in the Unit Area, and it is the desire of Tidewater Oil Company, as Unit Operator of the Justis McKee Unit, to file of record this Certificate evidencing all of the foregoing as required under Section 21 of said Unit Agreement.

NOW, THEREFORE, Tidewater Oil Company, acting as Unit Operator of the Justis McKee Unit, Lea County, New Mexico, and pursuant to Section 21 of the aforementioned Unit Agreement, hereby declares and certifies that conditions (a), (b), and (c) above mentioned have been satisfied and that the Unit Agreement for the Justis McKee Unit became effective, according to its terms and provisions, at 7:00 A.M. on January 1, 1966, as to all Seven (7) tracts in the Unit Area. Copies of said Unit Agreement have been filed with the County Clerk of Lea County, New Mexico at Lovington, New Mexico; the Commissioner of Public Lands of the State of New Mexico at Santa Fe, New Mexico; the New Mexico Oil Conservation Commission at Santa Fe, New Mexico; the Regional Oil and Gas Supervisor of the United States Geological Survey at Roswell, New Mexico; and the Director of the United States Geological Survey at Washington, D. C.

IN WITNESS WHEREOF, this instrument has been executed on this the 3rd day of January, 1966.

ATTEST:

A. J. Zimmerman
Assistant Secretary

TIDEWATER OIL COMPANY

By *T. G. Kelliher*
Vice President
Acting as Unit Operator
of the Justis McKee Unit,
Lea County, New Mexico

THE STATE OF TEXAS

COUNTY OF HARRIS

3rd The foregoing instrument was acknowledged before me the 3rd day of January, 1966, by T. G. KELLIHER, Vice President of TIDEWATER OIL COMPANY, a Delaware corporation, on behalf of said corporation, acting in the capacity therein stated.

My Commission Expires:

6-1-67

Melba F. Stephenson
Notary Public
MELBA F. STEPHENSON
Notary Public in and for Harris County, Texas

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF TIDEWATER OIL
COMPANY FOR APPROVAL OF A
UNIT AGREEMENT, LEA COUNTY,
NEW MEXICO.

Case No.

3300

A P P L I C A T I O N

Comes now Tidewater Oil Company by its attorneys and applies to the New Mexico Oil Conservation Commission for approval of the Justis McKee Unit, Lea County, New Mexico, and in support of its application states:

1. Attached to this application and incorporated herein by reference is the Justis McKee Unit Agreement.
2. The Justis McKee Unit Area comprises 880 acres of federal, state and fee lands in Lea County, New Mexico, as follows:

Township 25 South, Range 37 East

Sec. 13: $SE\frac{1}{4}$ and $SE\frac{1}{4}SW\frac{1}{4}$
Sec. 24: $E\frac{1}{2}$, $E\frac{1}{2}SW\frac{1}{4}$ and $SE\frac{1}{4}NW\frac{1}{4}$
Sec. 25: $NE\frac{1}{4}NE\frac{1}{4}$

Township 25 South, Range 38 East

Sec. 19: $W\frac{1}{2}W\frac{1}{2}$
Sec. 30: $NW\frac{1}{4}NW\frac{1}{4}$

3. The Justis McKee Unit Agreement will facilitate the institution of a waterflood project in the unit area, approval of which project is being sought by a separate application.
4. Approval of the Justis McKee Unit Agreement will prevent waste and protect correlative rights.

WHEREFORE, Tidewater Oil Company requests that this application be set for hearing before the Commission or one of its

examiners and that the Commission enter its order approving the
Justis McKee Unit Agreement.

SETH, MONTGOMERY, FEDERICI & ANDREWS

By Richard B. Morris
P. O. Box 2307
Santa Fe, New Mexico

Attorneys for Tidewater Oil
Company.

Recd Aug 23, 1965

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF TIDEWATER OIL
COMPANY FOR APPROVAL OF A
UNIT AGREEMENT, LEA COUNTY,
NEW MEXICO.

Case No.

3300

A P P L I C A T I O N

Comes now Tidewater Oil Company by its attorneys and applies to the New Mexico Oil Conservation Commission for approval of the Justis McKee Unit, Lea County, New Mexico, and in support of its application states:

1. Attached to this application and incorporated herein by reference is the Justis McKee Unit Agreement.
2. The Justis McKee Unit Area comprises 880 acres of federal state and fee lands in Lea County, New Mexico, as follows:

Township 25 South, Range 37 East

Sec. 13: $SE\frac{1}{4}$ and $SE\frac{1}{4}SW\frac{1}{4}$
Sec. 24: $E\frac{1}{2}$, $E\frac{1}{2}SW\frac{1}{4}$ and $SE\frac{1}{4}NW\frac{1}{4}$
Sec. 25: $NE\frac{1}{4}NE\frac{1}{4}$

Township 25 South, Range 38 East

Sec. 19: $W\frac{1}{2}W\frac{1}{2}$
Sec. 30: $NW\frac{1}{4}NW\frac{1}{4}$

3. The Justis McKee Unit Agreement will facilitate the institution of a waterflood project in the unit area, approval of which project is being sought by a separate application.
4. Approval of the Justis McKee Unit Agreement will prevent waste and protect correlative rights.

WHEREFORE, Tidewater Oil Company requests that this application be set for hearing before the Commission or one of its

examiners and that the Commission enter its order approving the
Justis McKee Unit Agreement.

SETH, MONTGOMERY, FEDERICI & ANDREWS

By

Richard B. Morris

P. O. Box 2307

Santa Fe, New Mexico

Attorneys for Tidewater Oil
Company.

**UNIT AGREEMENT
UNIT OPERATING AGREEMENT**

Case 3300

**JUSTIS McKEE UNIT
LEA COUNTY, NEW MEXICO**

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
JUSTIS McKEE UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

UNIT AGREEMENT
JUSTIS McKEE UNIT
LEA COUNTY, NEW MEXICO

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
JUSTIS MCKEE UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of November, 1964, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "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 or gas interests in the land subject to this Agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943 as amended by Sec. 1 of Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 39, N.M.S. 1953 anno) to consent to or approve this Agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws of 1943, as amended by Sec. 1, Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 41, N.M.S. 1953 anno) to amend with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such unitized development and operation of State lands; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949) to approve this Agreement, and the conservation provisions hereof; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, (41 Stat. 437, as amended, 30 U.S.C. Sections 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 parties hereto hold sufficient interests in the Justis McKee Unit covering the land hereinafter described to give reasonably effective control of operation therein; and

WHEREAS, it is the purpose of the parties hereto, to enable institution and consummation of secondary recovery operations, conserve natural resources, prevent waste and secure the 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 entire respective interests in the below defined Unit Area, and agree severally among themselves as follows:

SECTION 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 and 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 non-Federal 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 in which the non-Federal land is located, are hereby accepted and made a part of this Agreement.

SECTION 2. DEFINITIONS: For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

- (a) "Commissioner" is defined as the Commissioner of Public Lands of the State of New Mexico.
- (b) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.
- (c) "Director" is defined as the Director of the United States Geological Survey.
- (d) "Secretary" is defined as the Secretary of the Interior of the United States of America.
- (e) "Department" is defined as the Department of the Interior of the United States of America.
- (f) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey.
- (g) "Unitized Formation" is defined and shall mean that productive zone of the Simpson Group, a heretofore established underground reservoir, known as the McKee, the top of which is found at 7,311 feet and the base of which is found at 7,446 feet on the Gamma Ray log of Tidewater Oil Company's Coates "C" Lease Well No. 7, located in the SW/4 NE/4 of Section 24, Township 25 South, Range 37 East, N.M.P.M., Lea County, New Mexico, insofar as same lies within the Unit Area.
- (h) "Unitized Substances" is defined as and shall mean all oil, gas, gaseous substances, sulphur contained

in gas, condensate, distillate and all associated and constituent liquids or liquefiable hydrocarbons within or produced from the Unitized Formation.

- (i) "Working Interest" is defined as the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, or otherwise held.
- (j) "Working Interest Owner" is defined as and shall mean any party hereto owning a Working Interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise, which interest is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing and producing the Unitized Substances from the Unitized Formation and operating thereon hereunder.
- (k) "Royalty Interest" or "Royalty" is defined as an interest other than a Working Interest in or right to receive a portion of the Unitized Substances or the proceeds thereof and includes the royalty interest reserved by the lessor by an oil and gas lease and any overriding royalty interest, oil payment interest, net profit contracts, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.
- (l) "Royalty Owner" is defined as and shall mean the owner of a Royalty Interest.
- (m) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 8, *infra*, and shall be styled "Unit Operating Agreement, Justis McKee Unit, Lea County, New Mexico."
- (n) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells on the unitized lands.
- (o) "Phase I" is defined as that period of time until the first day of the calendar month following the production of the last barrel of Remaining Unit Primary Oil.
- (p) "Phase II" is defined as the remainder of the term of this Agreement after the termination of Phase I.
- (q) "Remaining Unit Primary Oil" is defined as the estimated number of barrels of oil recoverable from the unitized land by primary recovery methods after November 1, 1962.

- (r) "Tract Current Income" is defined as the number of barrels of oil produced and the number of MCF of gas produced from the Unitized Formation in a tract of the unitized land during the period January 1, 1964 down to March 1, 1964 as reported to the State Oil Conservation Commission multiplied by the per unit price received therefor.
- (s) "Unit Current Income" is defined as the number of barrels of oil produced and the number of MCF of gas produced from the Unitized Formation in the unitized land during the period January 1, 1964 down to March 1, 1964 as reported to the State Oil Conservation Commission multiplied by the per unit price received therefor.
- (t) "Tract Cumulative Production No.-1" is defined as the number of barrels of oil produced from the Unitized Formation in a tract of the unitized land from the date of first production down to November 1, 1962 as reported to the State Oil Conservation Commission.
- (u) "Tract Cumulative Production No.-2" is defined as the number of barrels of oil produced from the Unitized Formation in a tract of the unitized land from the date of first production down to March 1, 1964 as reported to the State Oil Conservation Commission.
- (v) "Unit Cumulative Production No.-1" is defined as the number of barrels of oil produced from the Unitized Formation in the unitized land from the date of first production down to November 1, 1962 as reported to the State Oil Conservation Commission.
- (w) "Unit Cumulative Production No.-2" is defined as the number of barrels of oil produced from the Unitized Formation in the unitized land from the date of first production down to March 1, 1964 as reported to the State Oil Conservation Commission.

SECTION 3. UNIT AREA. The following described land is hereby designated and recognized as constituting the Unit Area:

Township 25 South, Range 37 East, N.M.P.M., Lea County,
New Mexico

Section 13: SE/4 and SE/4 SW/4
Section 24: E/2, E/2 SW/4, and SE/4 NW/4
Section 25: NE/4 NE/4

Township 25 South, Range 38 East, N.M.P.M., Lea County,
New Mexico

Section 19: W/2 W/2
Section 30: NW/4 NW/4

containing 880 acres, more or less, in Lea County,
New Mexico.

Exhibit "A" attached hereto is a map showing, to the extent known to the Unit Operator, the Unit Area and the boundaries and identity of tracts and leases in said Unit Area. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each tract, percentage ownership of each Working Interest Owner in each tract, and the percentage of participation each tract has 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 render such revision necessary, and at least two copies of such revision shall be filed with the Commissioner, and not less than six copies thereof shall be filed with the Supervisor.

The above described Unit Area may when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this Agreement to conform with the purposes of this Agreement. Such expansion shall be effected in the following manner:

(a) The Working Interest Owner or Owners of a tract or tracts desiring to bring such tract or tracts into this Unit, shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the unit participation to be assigned to such tract or tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if ninety percent (90%) of the Working Interest Owners (on the basis of unit participation during Phase II) have agreed to such tract or tracts being brought into the Unit, then Unit Operator shall:

(1) After preliminary concurrence by the Director and the Commissioner, prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the unit participation to be assigned thereto and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice; and

(2) Deliver copies of said notice to the Commissioner, the Commission, and the Supervisor, and mail a copy of such notice to the last known address of each Working Interest Owner, lessee, and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above and provided that objections of not more than ten percent (10%) of the Working Interest Owners have been filed thereto, with the Commissioner, Supervisor and the Commission the following: (a) Comprehensive statement as to mailing such notice of expansion; (b) An application for such expansion; and (c) An instrument containing the appropriate joinders in compliance with the participation requirements of Section 12, infra.

The expansion shall, after due consideration of all pertinent information and upon approval by the Commissioner, the Director and the Commission, become effective as of the date prescribed in the notice thereof or on such other date as set by the Commissioner, the Director and the Commission in the order or instrument approving such expansion.

SECTION 4. COMMITTED LAND UNITIZED: All land committed to this Agreement, as to the Unitized Formation as heretofore defined, shall constitute the land referred to herein as "unitized land" or "land subject to this Agreement." All Unitized Substances, as heretofore defined, in or produced from the "unitized land" are hereby unitized under the terms of this Agreement. Surface rights of ingress and egress shall be maintained for the benefit of the Unit.

Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation.

SECTION 5. UNIT OPERATOR: Tidewater Oil Company, a Delaware corporation, is hereby designated as Unit Operator, and by signing this instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such an interest is owned by it.

SECTION 6. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, the Commissioner and the Supervisor, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The resignation of Unit Operator shall not release 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 eighty percent (80%) of the committed Working Interest Owners (on the basis of unit participation during Phase II) exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner and the Supervisor.

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 thirty (30) days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this 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, books, and records, materials, appurtenances and any other assets, used in conducting the Unit operations and owned by the Working Interest Owners (including any and all data and information which it might have gained or assembled by reason of its operation of the Unit Area) to the new duly qualified successor Unit Operator or to the common agent 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.

SECTION 7. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall by affirmative vote of at least sixty-five percent (65%) of their voting interest, based upon the percentages of participation during Phase II as shown on Exhibit "B", select a successor Unit Operator; provided, however, that should any Working Interest Owner own a voting interest of more than thirty-five percent (35%), the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by eighty percent (80%) or more of the voting interests of the remaining Working Interest Owners, and provided further that the Unit Operator shall not vote to succeed himself. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner and filed with the Supervisor. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner and the Director, at their election, may declare this Agreement terminated.

SECTION 8. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT:

Costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with 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 the 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. Two true copies of any Unit Operating Agreement executed pursuant to this section shall be filed with the Commissioner and three true copies thereof shall be filed with the Supervisor, prior to approval of this Agreement.

SECTION 9. 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.

SECTION 10. PLAN OF OPERATIONS: It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this Agreement is to formulate and to put into effect a secondary recovery project in order to effect the greatest ultimate recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Supervisor, the Commission, and the Commissioner, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, and other substance or a combination of any of said substances, whether produced from the Unitized Formation or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. After commencement of secondary operations, Unit Operator shall furnish

the Commission, the Commissioner, and the Supervisor monthly, injection and production reports for each well in the Unit. The Working Interest Owners, the Supervisor, the Commission, and the Commissioner, shall be furnished periodical reports on the progress of the plan of operation and any revisions or changes thereto; provided, however, that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners, the Supervisor, the Commission, and the Commissioner.

The initial plan of operation shall be filed with the Supervisor, the Commission, and the Commissioner concurrently with the filing of this Unit Agreement for final approval, unless such time is extended by the Supervisor, the Commissioner, and the Commission. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Supervisor, the Commission, and the Commissioner may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation.

Notwithstanding anything to the contrary herein contained, the Unit Operator shall commence secondary recovery operations on the Unit Area within six (6) months after the effective date of this Agreement, or any extension thereof approved by the Commission, the Commissioner and the Supervisor, or this Agreement shall terminate automatically, in which latter event Unit Operator shall notify all interested parties. After such operations are commenced, Unit Operator shall carry on such operations as would a reasonably prudent operator under the same or similar circumstances.

SECTION 11. TRACT PARTICIPATION. In Exhibit "B" attached hereto, there are listed and numbered the various tracts within the Unit Area and set forth opposite each tract is a figure which represents the percentage of participation allocated to each tract in the Unit Area during Phase I, and a figure which represents the percentage of participation allocated to each tract in the Unit Area during Phase II. The formulas used for the calculation of such percentages of participation are as follows:

(a)	Percentage Participation of Each Tract During Phase I	=	100%	X	$\frac{\text{Tract Current Income}}{\text{Unit Current Income}}$
(b)	Percentage Participation of Each Tract During Phase II	=	50%	X	$\frac{(\text{Tract Cumulative Production No.-1})}{(\text{Unit Cumulative Production No.-1})}$
				plus	
			50%	X	$\frac{(\text{Tract Cumulative Production No.-2})}{(\text{Unit Cumulative Production No.-2})}$

The percentages of participation set forth opposite each tract in Exhibit "B" were calculated on the basis of one-hundred percent (100%) tract commitment. If the Unit Agreement is approved with less than one-hundred percent (100%) tract commitment, said percentages of participation shall be revised to fit the commitment status as of the effective date hereof, and thereafter, as needed pursuant to Section 13 (Allocation of Unitized Substances).

The Remaining Unit Primary Oil shall be 319,000 barrels if all tracts in the Unit Area become committed to this Agreement. If less than all of the tracts in the Unit Area become committed to this Agreement, the figure of 319,000 barrels shall be correspondingly reduced with the same method of computation being used to compute the estimated number of remaining recoverable barrels of oil by primary methods from the tracts so committed as was used in making the computation for all tracts in the Unit Area.

SECTION 12. TRACTS QUALIFIED FOR UNIT PARTICIPATION: On and after the effective date hereof the tracts within the Unit Area which shall be entitled to participation (as provided in Section 11 hereof) in the production of Unitized Substances therefrom shall be those tracts within the Unit Area and more particularly described in said Exhibit "B" that are qualified as follows:

(a) Each tract as to which Working Interest Owners owning one-hundred percent (100%) of the Working Interest in said tract and Royalty Owners owning one-hundred percent (100%) of the Royalty Interest in said tract have subscribed, ratified or consented to this Agreement and which otherwise qualifies as follows:

(1) Has thereon at least one well completed in the Unitized Formation, which well has installed therein useable casing, tubing and other equipment usual and customary in the industry and is capable in the condition tendered to the Unit of being used for the production of Unitized Substances or for injection purposes; and

(2) Has the Unitized Formation segregated from all other formations in all wells located thereon;

provided, however, the provisions of (a)(1) and (2) immediately above shall be inapplicable to Tract No. 2 described and shown on Exhibits "A" and "B", and said Tract No. 2 shall qualify if one-hundred percent (100%) of the Working Interest Owners in said tract and one-hundred percent (100%) of the Royalty Owners in said tract have subscribed, ratified or consented to this Agreement.

(b) Each tract as to which Working Interest Owners owning not less than eighty-five percent (85%) of the Working Interest in said tract and Royalty Owners owning not less than seventy-five percent (75%) of the Royalty Interest in said tract have subscribed, ratified or consented to this Agreement and which otherwise qualifies as follows:

(1) The Working Interest Owners in said tract who have executed this Agreement have agreed to indemnify and hold harmless all other parties hereto in a manner satisfactory to Working Interest Owners owning eighty-five percent (85%) of the Working Interest in all tracts qualified under (a) above against any and all claims and demands that may be made by the nonjoining Working Interest Owners or Royalty Owners, or both, on account of the commitment and joinder of such tract to the Unit Agreement and operation thereof under such conditions on the basis herein provided; and

(2) Working Interest Owners owning eighty-five percent (85%) of the Working Interest in all tracts qualified under (a) above have approved the commitment of such tract to this Agreement; and

(3) Such tract meets the qualifications of (a) (1) and (2) above.

If, on the effective date of this Agreement, there is any tract or tracts which have not been effectively committed to or made subject to this Agreement by qualifying as above provided, then such tract or tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this Agreement for final approval by the Commissioner and the Director, file therewith a schedule of those tracts which have been committed and made subject to this Agreement and are entitled to participate in the production from the Unit Area hereunder. Said schedule shall set forth opposite each such committed tract the lease number and assignment number, the owner of record of the lease, and the percentages of participation of such tract which shall be computed according to the participation formula set out in Section 11 (Tract Participation) above. This schedule of participation shall be a part of Exhibit "B" and upon approval of the Unit Agreement by the Commissioner and the Director shall become a part of this Agreement and shall govern the allocation of production of Unitized Substances until a new schedule is filed and approved by the Commissioner and the Director.

SECTION 13. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, camp and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the Unit Area in accordance with the respective tract participation then effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedules of participation in Exhibit "B". The amount of Unitized Substances so allocated to each tract, and only that amount, (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such tract) shall, for all intents, uses and purposes, be deemed to have been produced from such tract.

The Unitized Substances allocated to each tract shall be distributed among, or accounted for to the parties executing,

consenting to or ratifying this Agreement entitled to share in the production from such tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such tracts, or in the proceeds thereof, had this Agreement not been entered into; and with the same legal force and effect.

No tract committed to this Agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances, and nothing herein contained shall be construed as requiring any retro-active adjustment for production obtained prior to the effective date of the joinder of any tract.

If the Working Interest and the Royalty Interest in any tract are divided with respect to separate parcels or portions of such tract and owned severally by different persons, the percentage participation assigned to such tract shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

The Unitized Substances allocated to each tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on unitized land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 14 hereof, any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unit Area currently as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party and in order to avoid curtailing the operation of the Unit Area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party sixty (60) days notice of such intended sale.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all Royalty on the lease or leases and tracts contributed by it and received into the

Unit, and each such party shall hold each other party hereto harmless against all claims, demands and causes of action from such Royalty on the lease or leases and tracts contributed by it and received into the unitized land.

If, after the effective date of this Agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 3 (Unit Area) hereof, or any tract or tracts within the Unit Area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 29 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the Unit Area as provided for in Section 28 (Loss of Title), the schedules of participation as shown in Exhibit "B", subject to Section 11 (Tract Participation) or Section 29 (Nonjoinder and Subsequent Joinder), whichever is appropriate, shall be revised by the Unit Operator and distributed to the Working Interest Owners, the Commissioner, and the Director to show the new percentages of participation of all the then effectively committed tracts; and the revised schedules, upon approval by the Commissioner and the Director, shall govern all the allocation of production from and after the effective date thereof until a new schedule is filed and approved by the Commissioner and the Director.

SECTION 14. ROYALTY SETTLEMENT: The State of New Mexico and the United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances produced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator 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 Royalty due under their leases, except that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

If gas obtained from lands not subject to this Agreement is introduced into the Unitized Formation, for use in repressuring, stimulation of production or increasing ultimate recovery in conformity with a plan approved pursuant to Section 10 (Plan of Operations), a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the Unitized Formation, Royalty free as to dry gas but not as to the products extracted therefrom; provided such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and the Commissioner; and provided further that such right of withdrawal shall terminate as of the effective date of termination of the Unit Agreement.

All Royalty due the State of New Mexico and the United States of America and the other Royalty Owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective tract or tracts committed hereto, in lieu of actual production from

such tract or tracts.

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

SECTION 15. RENTAL SETTLEMENT. Rentals 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 for lands of the State of New Mexico subject to this Agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. Minimum royalty for lands of the United States of America subject to this Agreement shall be paid at the rate specified in the respective leases from the United States of America, unless waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 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 Federal and State laws and regulations.

SECTION 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.

SECTION 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 on 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 and the Commissioner, respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do 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.

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, producing or secondary recovery operations performed hereunder upon any tract of unitized lands shall 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 land therein embraced.

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

(d) 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 therein until the termination hereof. Every other lease, sublease, or contract relating to the exploration, drilling, development or operation for oil and gas made subject 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 so long as such land remains committed hereto.

(e) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to that portion committed and that not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Provided, however, that notwithstanding any of the provisions of this Agreement to the contrary, such lease shall continue in full force and effect beyond the term provided herein as to all lands embraced in such lease if oil or gas is, or has heretofore been, discovered in paying quantities on some part of the lands embraced in such lease committed to this Agreement or, so long as a portion of the Unitized Substances produced from the Unit Area is, under the terms of this Agreement, allocated to the portion of the lands covered by such lease committed to this Agreement, or, at any time during the term hereof, as to any lease that is then valid and subsisting and upon which the lessee or the Unit Operator is then engaged in bona fide drilling, reworking, or secondary recovery operations on any part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are 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.

(f). The segregation of any Federal lease committed to this Agreement is governed by the following provisions in the fourth paragraph of Sec. 17 (j) of said Act of February 25, 1920, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease hereafter committed to any such plan (unit) 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."

SECTION 19. MATHEMATICAL ERRORS: It is hereby agreed by all parties to this Agreement that Unit Operator is empowered to correct any mathematical errors which might exist in the pertinent exhibits to this Agreement upon approval of the Commissioner, the Supervisor, and the Working Interest Owners.

SECTION 20. 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 subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

SECTION 21. EFFECTIVE DATE AND TERM: This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 o'clock a.m. of the first day of the month next following:

(a) The execution or ratification of this Agreement and the Unit Operating Agreement by Working Interest Owners owning a combined unit participation during Phase II of at least sixty-five percent (65%), and the execution or ratification of this Agreement by Royalty Owners owning a combined interest of at least sixty percent (60%) of the Royalty Interest, in said Unit Area; and,

(b) The approval of this Agreement by the Commissioner, the Director, and the Commission; and,

(c) The filing for record in Lea County, New Mexico, by Unit Operator of at least one counterpart of this Unit Agreement.

If (a), (b) and (c) above are not accomplished on or before January 1, 1966, this Agreement shall ipso facto terminate on said date (hereinafter called "termination date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined unit participation during Phase II of at least fifty-five percent (55%), and the Working Interest Owners owning a combined unit participation during Phase II of at least ninety percent (90%) committed to this Agreement have decided to extend said termination date for a period not to exceed six (6) months (hereinafter called "extended termination date"). If said termination date is so extended and (a), (b) and (c) are not accomplished on or before said extended termination date, this Agreement shall ipso facto terminate on said extended termination date and thereafter be of no further force or effect. For the purpose of this Section, ownership shall be computed on the basis of unit participation as determined from Exhibit "B" attached to the Unit Agreement.

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

The term of this Agreement shall be for and during the time that Unitized Substances are produced in paying quantities from the unitized land and as long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner hereinafter provided.

This Agreement may be terminated with the approval of the Commissioner and the Director by Working Interest Owners owning ninety percent (90%) unit participation during Phase II whenever such Working Interest Owners determine that Unit operations are no longer profitable, feasible or in the interest of conservation. Notice of any such termination shall be given by Unit Operator to all parties hereto.

Upon termination of this Agreement, the further development and operation of the Unit Area as a Unit shall be abandoned, Unit Operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts.

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

SECTION 22. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION:
All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director and the Commissioner are hereby vested with authority to alter or modify from time to time, at their discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this Agreement, 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.

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

SECTION 23. NONDISCRIMINATION: In connection with the performance of work under this Agreement, Unit Operator agrees to comply with all of the provisions of Section 301 (1) to (7) inclusive, of Executive Order 10925, as amended, (28 F.R. 6485), which are incorporated by reference in this Agreement.

SECTION 24. APPEARANCES: Unit Operator shall have the right to appear for or on behalf of any and all interests affected hereby before the Commissioner, the Department, and the Commission, and to appeal from any order issued under the rules and regulations of the Commissioner, the Department, or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Commissioner, the Department, or the Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

SECTION 25. NOTICES: All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid 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 or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 26. 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 rules 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.

SECTION 27. UNAVOIDABLE DELAY: All obligations under this Agreement requiring the Unit Operator to commence or continue secondary recovery operations 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 agency, unavoidable accident, 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.

SECTION 28. LOSS OF TITLE: In the event title to any tract of unitized land shall fail so as to render the tract inoperable under this Agreement and the true owner cannot be induced to join 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 interest subject thereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State or Federal land or leases, no payments of funds due the State of New Mexico or the United States of America shall be withheld, but such funds shall be deposited, 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.

SECTION 29. NONJOINDER AND SUBSEQUENT JOINDER: If the owner of any substantial interest in a tract within the Unit Area fails or refuses to subscribe, ratify, or consent in writing to this Agreement, the Working Interest Owner in that tract who has executed or ratified this Agreement may withdraw said tract from this Agreement by written notice to the Director, the Commissioner, and Unit Operator prior to the effective date of this Agreement. Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Unit Agreement.

Any oil or gas interest in the lands in the Unit Area not committed hereto prior to submission of this Agreement to the Commissioner and the Director for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 12 (Tracts Qualified for Unit Participation) hereof, at any time up to the effective date hereof and for a period to and including six (6) months thereafter, on the same basis of participation as provided in said Section 12 by the owner or owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that from and after six (6) months from the effective date hereof the right of subsequent joinder as provided in this Section shall be subject to such requirements or approvals and on such basis as may be agreed upon by ninety percent (90%) of the Working Interest Owners (based upon the percentages of participation during Phase II). Such joinder by a proposed Working Interest Owner must be evidenced by his execution or ratification of this Agreement and the Unit Operating Agreement and where State land is involved, such joinder must be approved by the Commissioner. Such joinder by a proposed Royalty Owner must be evidenced by his execution, ratification or consent of this Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such proposed Royalty Owner. Except as may be otherwise herein provided, subsequent joinder to this Agreement shall be effective at 7:00 a.m. as of the first day of the month following the filing with the Commissioner and the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of any tract or interest to this Agreement, unless objection to such joinder by the Commissioner or the Director is duly made within sixty (60) days after such filing; however, that as to State lands such subsequent joinder must be approved by the Commissioner.

SECTION 30. COUNTERPARTS: This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and 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 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.

SECTION 31. TAXES: Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the unitized land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No such taxes shall be charged to the United States or to the State of New Mexico, nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 32. 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 provisions thereof to the extent that the said Unit Operator or the 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 things concerning which it is required herein that such concurrence be obtained. The parties hereto and the Commission agree that all powers and authority vested in the Commission in and by any provisions of this Agreement are vested in the 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.

SECTION 33. LIMITATION OF APPROVALS: Notwithstanding anything herein contained to the contrary, if no Federal lands are committed to this Agreement, then no consents or approvals provided herein shall be required of the Department, the Secretary, the Director, or the Supervisor, and it shall not be necessary to file any instrument hereunder with said officers or agencies unless and until Federal lands are so committed to this Agreement; likewise, if no State lands are committed to this Agreement, then no consents or approvals provided herein shall be required of the Commissioner, and it shall not be necessary to file any instrument hereunder with said officer unless and until State lands are so committed to this Agreement.

SECTION 34. BORDER AGREEMENTS: Subject to the approval of the Supervisor and the Commissioner, the Unit Operator, with concurrence of sixty-five percent (65%) of the Working Interest Owners, based upon the percentages of participation during Phase II, may enter into a border protection agreement or agreements with the Working Interest Owners of adjacent lands along the boundaries of the unitized land with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

SECTION 35. NO PARTNERSHIP: It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, expressed or implied, or any operations conducted hereunder, shall create or be deemed to create a partnership or association between the parties hereto or any of them.

SECTION 36. OIL IN LEASE TANKAGE ON EFFECTIVE DATE: Unit Operator shall make a proper and timely gauge of all lease and other tanks within the unitized land in order to ascertain the amount of merchantable oil in such tanks, above the pipe line connections, as of 7:00 A.M. on the effective date hereof. All such oil as is a part of the prior allowable of the well or wells from which the same was produced shall be and remain the property of the Working Interest Owners entitled thereto the same as if the Unit had not been formed, and such Working Interest Owners shall promptly remove said oil from the unitized land. Any such oil not so removed may be sold by the Unit Operator for the account of such Working Interest Owners, subject to the payment of all Royalty to Royalty Owners under the terms and provisions of the applicable lease or leases and other contracts. All such oil and gas as is in excess of the prior allowable of the well or wells from which the same was produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof. If, as of the effective date hereof, any tract is overproduced with respect to the allowable of the well or wells on that tract and the amount of such overproduction has been sold or otherwise disposed of, such overproduction shall be regarded and included as a part of the Unitized Substances allocated to such tract.

SECTION 37. PERSONAL PROPERTY EXCEPTED: All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands subject to this Agreement shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners (subject to the provisions of Section 10). The rights and interests therein as among Working Interest Owners are covered by the Unit Operating Agreement.

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

ATTEST:

TIDEWATER OIL COMPANY

Assistant Secretary
Date: _____

By _____

UNIT OPERATOR AND WORKING INTEREST
OWNER

ATTEST:

Secretary
Date: _____

By _____ President

ATTEST:

Secretary
Date: _____

By _____ President

ATTEST:

Secretary
Date: _____

By _____ President

ATTEST:

By _____ President

Date: _____ Secretary

ATTEST:

By _____ President

Date: _____ Secretary

ATTEST:

By _____ President

Date: _____ Secretary

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

WORKING INTEREST OWNERS

ATTEST:

By _____
President

Date: _____
Secretary

ATTEST:

By _____
President

Date: _____
Secretary

ATTEST:

By _____
President

Date: _____
Secretary

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

ROYALTY INTEREST OWNERS

STATE OF _____,

COUNTY OF _____.

The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____,
Vice President of TIDEWATER OIL COMPANY, a Delaware corporation, on
behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____,

COUNTY OF _____.

The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____,
_____ of _____, a
_____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____,

COUNTY OF _____.

The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____,
_____ of _____, a
_____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____,

COUNTY OF _____.

The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____,
_____ of _____, a
_____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____,

COUNTY OF _____.

The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____, a
_____ of _____
_____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____,

COUNTY OF _____.

The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____, a
_____ of _____
_____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____,

COUNTY OF _____.

The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____, a
_____ of _____
_____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____,

COUNTY OF _____.

The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____, a
_____ of _____
_____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____,

COUNTY OF _____.

The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____.

My Commission Expires: _____

Notary Public

STATE OF _____,

COUNTY OF _____.

The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____.

My Commission Expires: _____

Notary Public

STATE OF _____,

COUNTY OF _____.

The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____.

My Commission Expires: _____

Notary Public

STATE OF _____,

COUNTY OF _____.

The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____.

My Commission Expires: _____

Notary Public

STATE OF _____,
COUNTY OF _____.
The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____.

My Commission Expires: _____
Notary Public

STATE OF _____,
COUNTY OF _____.
The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____.

My Commission Expires: _____
Notary Public

STATE OF _____,
COUNTY OF _____.
The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____.

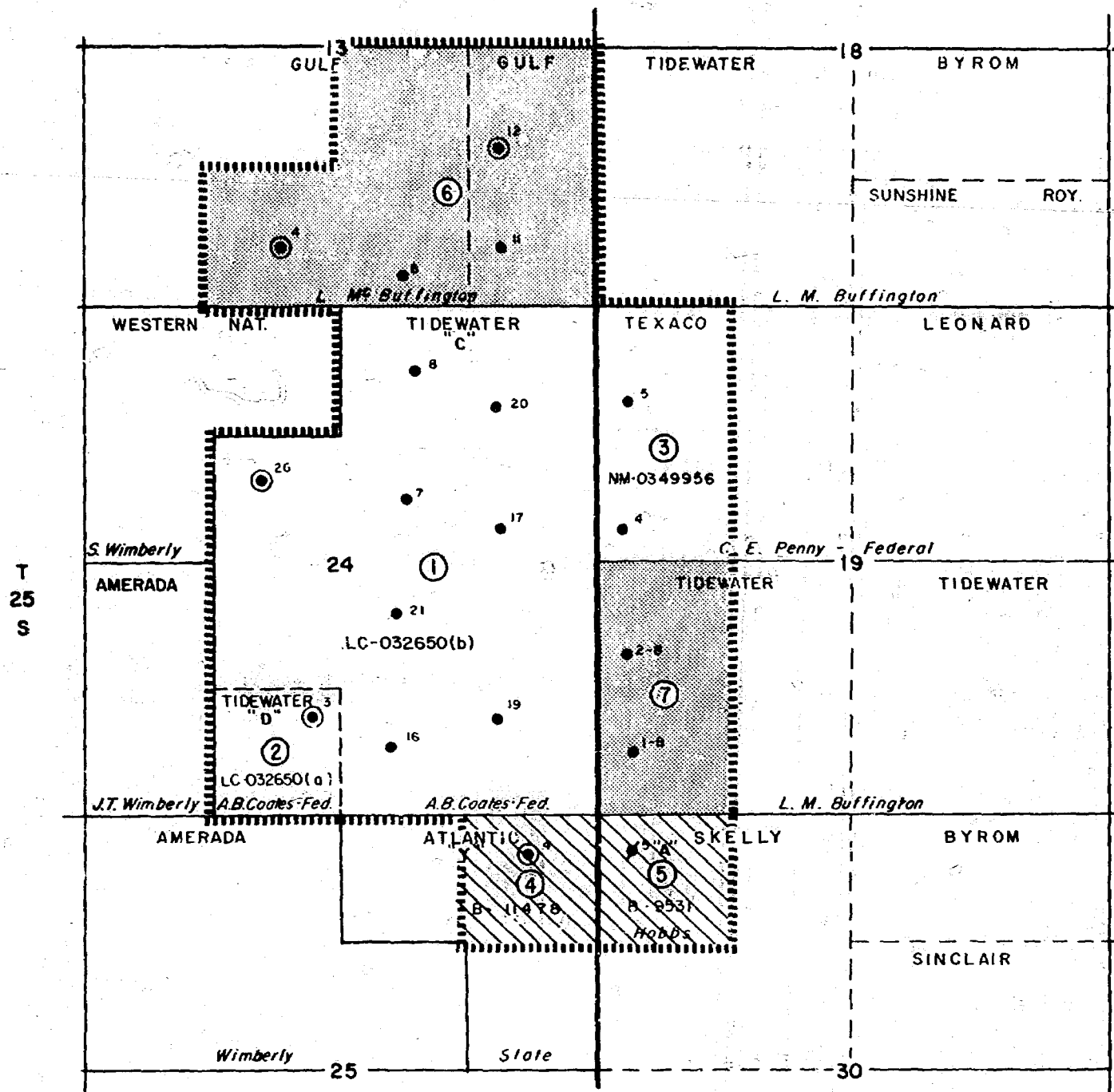
My Commission Expires: _____
Notary Public

STATE OF _____,
COUNTY OF _____.
The foregoing instrument was acknowledged before me this _____
day of _____, 1965, by _____.

My Commission Expires: _____
Notary Public

R-37-E

R-38-E

**LEGEND**

UNIT BOUNDARY

② TRACT NUMBER

FEDERAL

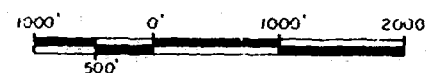
STATE

FEE

● PRODUCING WELL

● INJECTION WELL

MAP
EXHIBIT "A"
JUSTIS Mc KEE UNIT
LEA COUNTY, NEW MEXICO



Page -1-

Tract No.	Description	Number of Acres	Serial No. and Date of Lease	Basic Royalty Owners and Percentage	Lessee of Record	Overriding Royalty Owners and Percentage	Working Interest Owners and Percentage	Percent Participation of Tract in Unit	
								Phase I	Phase II
1	T-25-S, R-7-E Sec. 24: E/2, SE/4, NW/4 and NE/4 SW/4	400.00	LC-032650(b) 11-1-61	USA - All	Tidewater Oil Company	None	Tidewater Oil Company - All	31.91235	47.88132
2	T-25-S, R-37-E Sec. 24: SE/4 SW/4	40.00	LC-032650(a) 7-1-55	USA - All	Tidewater Oil Company	None	Tidewater Oil Company - All	0.00000	0.00000
3	T-25-S, R-38-E Sec. 19: W/2 NW/4	80.00	NM-0349956 6-1-47	USA - All	Texaco Inc.	J. M. Loftland, Jr. - 0.12500 S. E. Andrews - 0.26853 F. A. Andrews, Est. - 0.23147 Skelly Oil Co. - 0.62500 M. W. Coll Est. - 0.05859 R. B. Owens - 0.12500 N. G. Penrose - 0.12500 E. E. Valentine - 0.00781 C. T. Lupton Est. - 0.06250 T. A. Pedley, Jr. - 0.01563 G. M. Pedley - 0.01563 J. M. Smith Est. - 0.21484	Texaco Inc. - All	10.32482	10.94928

3 Federal Tracts 520 Acres or 59.1% of Unit Area

Tract No.	Description	Number of Acres	Serial No. and Date of Lease	Basic Royalty Owners and Percentage	Lessee of Record	Overriding Royalty Owners and Percentage	Working Interest Owners and Percentage	Percent Participation of Tract in Unit Phase I Phase II
4	State Lands T-25-S, R-37-E Sec. 25: NE/4 NE/4	40.00	B-11473 9-11-44	State - All	The Atlantic Refining Co.	None	The Atlantic Refining Co. - All	0.00000 2.91569
5	T-25-S, R-38-E Sec. 30: NW/4 NW/4	40.00	B-9531 2-10-42	State - All	Skelly Oil Co.	None	Skelly Oil Company - All	0.00000 2.46134
2 State Tracts 80 Acres or 3.1% of Unit Area								

Tract No.	Description	Number of Acres	Date of Lease Expiration	Basic Royalty Owners and Percentage	Overriding Royalty Owners and Percentage	Working Interest Owners and Percentage	Percent Participation of Tract in Unit Phase I Phase II
6	Fee Lands* T-25-S, R-37-E Sec. 13: SE/4 and SE/4 SW/4	200.00	4-23-46	Amerada Petr. Corp. - 25.00000 Leon G. Byerley, Jr. - 1.56240 Leonard Oil Co. - 3.12560 Sunshine Royalty Co. - 3.12560 E. H. Wahl - 0.31360 Hattie C. Williams - 1.56240 Odella N. Clark - 0.97200 L. C. Ritts - 6.01840 Robert C. Sharp - 6.01840 O. W. Skirvin - 1.73600 George O. Folk - 0.78160 Frank O. Gray - 0.78080 Royalty Holding Co. - 19.53120 James Henry Bearly - 0.19120 Elizabeth Bearly Dudley - 0.19120 Margaret Bearly Marlow - 0.19120 Ione Bearly Atkins - 0.19040 M. M. Fox - 1.56240 G. G. Lancaster - 1.56240 Julie Ann Erikson - 0.14480 Marion McNair Heard - 0.14480 Elmer C. Shaughnessy - 0.14480	None	Gulf Oil Corp. - All	39.92918 21.45200

EXHIBIT "B" - PART I -- Continued

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[illegible]

EXHIBIT "B" - PART II
RECAPITULATION

JUSTIS MCKEE UNIT - LEA COUNTY, NEW MEXICO

<u>Working Interest Owners</u>	<u>Percent Participation in Unit</u>	
	<u>Phase I</u>	<u>Phase II</u>
The Atlantic Refining Company	0.00000	2.91569
Broseco Corporation	0.05886	0.44733
W. K. Byrom	0.55074	0.44286
A. L. Cone	0.55730	0.44814
Gordon M. Cone	0.83596	0.67220
J. R. Cone	0.27865	0.22407
Gulf Oil Corporation	39.92918	21.45200
The Hefner Production Company	2.00629	1.61329
Leonard Oil Company	1.11460	0.89627
Robert G. McPheron	0.27537	0.22143
Neville G. Penrose	0.08950	0.07197
Charles B. Read	0.06884	0.05536
John B. Rich	0.00310	0.00249
Joseph E. Seagram & Sons, Inc.	0.75235	0.60498
Skelly Oil Company	0.00000	2.46134
Sohio Petroleum Company	0.12392	0.09965
Sunshine Royalty Company	1.11460	0.89627
Texaco Inc.	10.32482	10.94928
Tidewater Oil Company	38.15413	52.90045
Union Texas Petroleum, a Division of Allied Chemical Corporation	3.76179	3.02493
	<u>100.00000</u>	<u>100.00000</u>