CASE 3430: Application of TENNECO
OIL CO. for approval of the HESS
HILLS UNIT AGREEMENT, EDDY COUNTY.

Case Number

3430

Application Transcripts.

Small Exhibits

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OIL CONSERVATION COMMISSION P. O. BOX 2088 SANTA FE, NEW MEXICO 87501

July 23, 1968

Mallard Petroleum, Inc. 1206 V & J Tower Midland, Texas 79701

Attention: Mr. James A. Davidson

Re: Hess Hills Unit Eddy County, New Mexico Termination

Gentlemen:

The New Mexico Oil Conservation Commission has this date approved the termination of the Hess Hills Unit, termination to be effective as of July 18, 1968.

Please furnish this office copies of Certificate of Forestein executed by the Commissioner of Public Lands and the United States Geological Survey so that the Commission files will be complete.

Very truly yours,

A. L. PORTER, Jr. Secretary-Diractor

ALP/JEK/esr

ec: Commissioner of Public Lands Santa Fe, New Moxico

United States Geological Survey Roswell, New Maxico

State of New Mexico



Commissioner of Public Lands

GUYTON B. HAYS COMMISSIONER



P. O. BOX 1148 SANIA FE, NEW MEXICO

Tenneco Oil Company P. O. Box 1031 1800 Wilco Building Midland, Texas 79701

> Re: Application for Extension of Well Commencement Hess Hills Unit Eddy County, New Mexico

ATTENTION: Mr. R. B. Winckler

Her 19

Gentlemen:

We have received your letter dated October 9, 1967, whereby, you requested an extension to April 24, 1968, in order to commence the drilling of the second test well, or terminate the Hess Hills Unit, Eddy County, New Mexico.

The Commissioner of Public Lands, hereby, grants this extension of time, subject to like approval by the United States Geological Survey and the Oil Conservation Commission.

One approved copy of the plan is enclosed herewith.

Very truly yours,
GUYTON B. HAYS
COMMISSIONER OF PUBLIC LANDS
BY:
Eddie Lopez, Supervisor
Unit Division

GBH/TB/EL/s ancl.

cc: USGS-Roswell, New Mexico OCC-Santa Fe, New Mexico.



Commissioner of Public Lands

GUYTON B. HAYS COMMISSIONER

March 22, 1967

P. O. BOX 1148 SANTA FE, NEW MEXICO

Tenneco Oil Company P. O. Box 1031 Midland, Texas, 79701

Re: Application for Extension of Well Commencement
Hess Hills Unit
Eddy County, New Mexico

ATTENTION: Mr. R. E. Winckler

Gentlemen:

Your request for a six month extension in which to drill your second well for the Hess Hills Unit, Eddy County, New Mexico, has been approved as of this date, by the Commissioner of Public Lands, subject to like approval by the United States Geological Survey and the New Mexico Oil Conservation Commission.

This extension is from April 24, 1967, to October 24, 1967, and it is granted in order to enable Tenneco, as operator, to complete negotiations for the drilling of the next exploratory well within the unit area,

We are returning a copy of the application for extension.

Year truly yours,

GOYTON B. HAYS CONSISSIONER OF PUBLIC LANDS

GBH/RG/s enclosures

co: United States Geological Survey Roswell, New Mexico (ltr. only)

Oil Conservation Commission ...
Sunta Fe. New Mexico (ltr. only)

1206 V & J TOWER
MIDLAND, TEXAS 79701

July 23, 1968

Area Code 915 PHONE MU 2-8217

Re: Hess Hills Unit Eddy County, New Mexico

New Mexico Oil Conservation Commission State Land Office Building Santa Fe, New Mexico 87501

Gentlemen:

With regard to our previous correspondence concerning the termination of the above unit we enclose one executed copy of Request for Termination of this unit executed by CRA, Inc.

This instrument is furnished for the completion of your file.

Yours very truly,

MALLARD PETROLEUM, INC., UNIT OPERATOR

James A. Davidson

JAD:v encl

Of the 24 th the

TERMINATION OF UNIT AGREEMENT FOR THE DEVELOPMENT AND

OPERATION OF THE HESS HILLS UNIT AREA, EDDY COUNTY

NEW MEXICO, NO. 14-08-0001-8798

od JUL 24 1.11 . 1.

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the owners of more than seventy-five (75) percent on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the development and operation of the Hess Hills Unit Area, Eddy County, New Mexico, dated July 6, 1966, heretofore approved by the New Mexico Oil Conservation Commission, the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, do hereby agree to terminate said agreement in accordance with Section 20 thereof, subject to the approval of the said Commissioner of Public Lands and Director of the United States Geological Survey.

This instrument may be executed in counterparts, no one of which need be executed by all parties.

IN WITNESS WHEREOF, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

ATTEST:	MALLARD PETROLEUM, INC. UNIT OPERATOR
	Ву
Date	C. E. Marsh, II, Chairman of the Board
Date	David Fasken
ATTEST:	UNION OIL COMPANY OF CALIFORNIA
	Ву
Date	
WITNESS:	
-	Perry R. Bass
Duce	
ATTEST:	RICHARDSON OILS, INC.
	Ву
Date	
ATTEST:	DELBASIN CORPORATION
	Ву
Date	
ATTEST:	SUN OIL COMPANY
	Ву
Date	,

	WITNESS:	ESTATE OF S. B. CHRISTY, JR.	
	Date	Ву	_
	ATTEST:	SOHIO PETROLEUM COMPANY	
•	Date	Ву	
	WITNESS:		
	Data	Robert Kaderli, Jr.	·
	DateATTEST:	BEARD OIL COMPANY	
	Data	By	
	DateATTEST:		IM & FEL
	W Tordantecil	CRA, INC.	REH Jow MJC
	W. Gordon Leith, Secretary	E. T. Lindsey, President	
	ATTEST:	GULF OIL CORPORATION	
	Date	Ву	
	ATTEST:	ALLIED CHEMICAL CORPORATION	
	Date	Ву	
	ATTEST:	TENNECO OIL COMPANY	
		Ву	
	Date	•	

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STATE OF NEW MEXICO COUNTY OF The foregoing instrument w	vas acknowledged before me this day of
, 1968, by	of Union Oil Company of California, a
corporation, on behalf of said co	orporation.
My Commission Expires:	
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STATE OF TEXAS COUNTY OF MIDLAND The foregoing instrument w	of Richardson Oils, Inc., a,
corporation, on behalf of said co	orporation.
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Try Commission Expires.	Notary Public
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STATE OF TEXAS COUNTY OF	
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corporation, on behal	f of said corpora	ition.
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còrporation, on behal	£ of said corpora	ation.
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		Notary Public

STATE OF TEXAS COUNTY OF MIDLAND The foregoing	instrument was acknowledged before me this day of
Mallard Petroleum, Inc	., a Texas corporation, on behalf of said corporation.
My Commission Expires:	, on sonarr or said corporation.
	Notary Public
STATE OF COUNTY OF The foregoing	instrument was acknowledged before me this day of 1968, by David Fasken.
My Commission Expires:	1900, by bavid rasken.
	Notary Public

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1206 V & J TOWER

MIDLAND, TEXAS 79701

July 18, 1968

Area Code 915 PHONE MU 2-8217

Re: Hess Hills Unit

Eddy County, New Mexico

New Mexico Oil Conservation Commission State Land Office Building Santa Fe, New Mexico 87501

Gentlemen:

Please refer to our letter to you of July 17, 1968 enclosing for your file Request for Termination of the above noted unit executed by more than 75% on an acreage basis of the oil and gas leasehold interest committed to the Hess Hills Unit.

For the completion of your file we enclose additional Request for Termination executed by Sohio Petroleum Company which we received today.

Pursuant to our conversation yesterday we enclose copy of letter Dated May 15, 1968 from the USGS approving Mallard as Unit Operator, and copy of Certificate dated May 3, 1968 whereby the Commissioner of Public Lands approved Mallard as Unit Operator.

We have very much appreciated your assistance in this regard, and please let us know in the event that we might furnish anything further at this time.

Yours very truly,

MALLARD PETROLEUM, INC., UNIT OPERATOR

James A. Davidson

JAD:v encl 3

cc Commissioner of Public Lands State Land Office Building Santa Fe, New Mexico 87501

> Manager, Santa Fe Land Office Bureau of Land Management Department of the Interior Santa Fe, New Mexico 87501

Regional Supervisor United States Geological Survey Federal Building Roswell, New Mexico 88201

July 18, 1968

Area Code 915 PHONE MU 2-8217

Re: Hess Hills Unit Eddy County, New Mexico No. 14-08-0001-8798

Regional Supervisor United States Geological Survey Federal Building Roswell, New Mexico 88201

Dear Sir:

With reference to our conversation concerning the request for immediate termination of the above noted unit please find enclosed fully executed and acknowledged original Request for Termination instrument executed by Sohio Petroleum Company with three copies of same for your file.

It would be very much appreciated if you would approve the immediate termination of this unit. Please let us know in the event that we might furnish any further information at this time.

Yours very truly,

MALLARD PETROLEUM, INC., UNIT OPERATOR

James A. Davidson

JAD:v enc1 4

cc Commissioner of Public Lands State Land Office Building Santa Fe, New Mexico 87501

> New Mexico Oil Conservation Commission State Land Office Building Santa Fe, New Mexico 87501

Manager, Santa Fe Land Office Bureau of Land Management Department of the Interior Santa Fe, New Mexico 87501

1206 V & J TOWER

MIDLAND, TEXAS 79701

July 18, 1968

Area Code 915 PHONE MU 2-8217

Re: Hess Hills Unit Eddy County, New Mexico

Commissioner of Public Lands State Land Office Building Santa Fe, New Mexico 87501

Reference is made to your Certificate of Termination dated July 17, 1968 approving the termination of the above noted unit as Dear Sir:

We have today received Request for Termination from Sohio of July 18, 1968. Petroleum Company and enclose original with copy for the completion

Your assistance in terminating this unit has been very much of your file. appreciated.

Yours very truly,

MALLARD PETROLEUM, INC. UNIT OPERATOR

James A. Davidson

JAD:V encl 2

cc Regional Supervisor, USGS Federal Building Roswell, New Mexico 88201

New Mexico Oil Conservation Commission State Land Office Building Santa Fe, New Mexico 87501

Manager, Santa Fe Land Office Bureau of Land Management Department of the Interior Santa Fe, New Mexico 87501



UNITED STATES DEPARTMENT OF THE INTERIOR

GEOLOGICAL SURVEY

Drawer 1857 Roswell, New Mexico 88201

May 15, 1968

Griffin & Ross 210 Bank of the Southwest Building Midland, Texas 79701

Attention: Mr. Kenneth H. Griffin

Gentlemen:

Your letter of May 1, received by this office on May 2, transmits a "Resignation of Unit Operator and Designation of New Operator," executed in thirteen counterparts, by which Tenneco Oil Company resigns and Mallard Petroleum, Inc. is designated as unit operator of the Hess Hills unit, Eddy County, New Mexico. Such instruments were approved by the Commissioner of Public Lands of the State of New Mexico on May 3.

The resignation of Tenneco Oil Company as operator of the Hess Hills unit and the designation of Mallard Petroleum, Inc. as the successor operator of such unit is accepted by this office pursuant to Section 6 of the unit agreement.

Sincerely yours,

CARL C. TRAYWICK

Acting Oil and Gas Supervisor

CERTIFICATE OF APPROVAL

BY

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

The undersigned Commissioner of Public Lands of the State of New Mexico, does hereby approve the Designation of Mallard Petroleum, Inc. as the new Unit Operator to succeed Tenneco Oil Company as Operator under the Unit Agreement for the development and operation of the Hess Hills Unit, Eddy County, New Mexico, heretofore approved by the Commissioner of Public Lands.

DATED this 3rd day of May, 1968.

Commissioner of Public Lands,

State of New Mexico

MICH MIL AND BY CLUST PROSERCE:

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This incorpance may be executed in counterparts, no one of which need be executed by all parties.

IN WITHESS WHIREOF, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

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State of New Mexico



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Commissioner of Public Lands

CUYTON B. HAYS COMMISSIONER



P. O. BOX 1148 SANTA FE, NEW MEXICO

Mallard Petroleum, Inc. 1206 V & J Tower Midland, Texas 79701

188 JUL 13 P

Re: Hess Hills Unit Eddy County, New Mexico

ATTENTION: Mr. James A. Davidson

Gentlemen:

The Commissioner of Public Lands has received the ballots of approximately 75% per cent of the Working Interest Owners requesting the termination of the Hess Hills Unit, Eddy County, New Mexico as provided for under Section 20 of the Unit Agreement, and does hereby approve the termination effective as of July 18, 1968.

Please furnish us the date of approval of termination by the United States Geological Survey.

We are enclosing three (3) Certificates of Termination.

Very truly yours,

GUYTON B. HAYS COMMISSIONER OF PUBLIC LANDS

SY: Ted Bilberry, Director Oil and Gas Department

GBH/TB/e cc: USGS- Roswell, New Mexico OCC- Santa Pe, New Mexico

1206 V & J TOWER

MIDLAND, TEXAS 79701

Area Code 915 PHONE MU 2-8217

July 17, 1968

Re: Request for Voluntary Termination of Hess Hills Unit, Eddy County, New Mexico

A Commence of the 1888

Executive Director New Mexico Oil Conservation Commission Santa Fe, New Mexico 87501

Dear Sir:

With regard to the above noted unit we enclose a fully executed and acknowledged original Request for Termination of Unit by operators representing more than 75% on an acreage basis of the oil and gas leasehold interest committed to the Hess Hills Unit.

As Unit Operator the undersigned respectfully requests that you immediately terminate this Unit. Please let us know in the event that we should file anything further at this time in order to effect this immediate termination.

Yours very truly,

MALLARD PETROLEUM, INC., UNIT OPERATOR

James A. Davidson

JAD:v

cc United States Geological Survey Federal Building Roswell, New Mexico 88201

> Manager, Santa Fe Land Office Bureau of Land Management Department of the Interior Santa Fe, New Mexico 87501

Commissioner of Public Lands State Land Office Building Santa Fe, New Mexico 87501

encl 11

1206 V & J TOWER MIDLAND, TEXAS 79701

July 17, 1968

Area Code 915 PHONE MU 2-8217

Re: Request for Voluntary Termination of Hess Hills Unit, Eddy County, New Mexico No. 14-08-0001-8798

United States Geological Survey Federal Building Roswell, New Mexico 88201

Attention: Regional Supervisor

Gentlemen:

With regard to the above noted unit we enclose one fully executed and acknowledged original Request for Termination of Unit by Operators representing more than 75% on an acreage basis of the oil and gas leasehold interest committed to the Hess Hills Unit.

Also enclosed for your file are three duplicate original copies of each operator's Request for Termination.

As Unit Operator the undersigned respectfully requests that you immediately terminate this Unit. Please let us know in the event that we should file anything further at this time in order to effect this immediate termination.

Yours very truly,

MALLARD PETROLEUM, INC., UNIT OPERATOR

James A. Davidson

JAD:v

State Land Office Building Santa Fe, New Mexico 87501

Executive Director
New Mexico Oil Conservation Commission
Santa Fe, New Mexico 87501

Manager, Santa Fe Land Office Bureau of Land Management Department of the Interior Santa Fe, New Mexico 87501

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1206 V & J TOWER

MIDLAND, TEXAS 79701

July 17, 1968

Area Code 915 PHONE MU 2-8217

Re: Request for Voluntary Termination of Hess Hills Unit, Eddy County, New Mexico

Commissioner of Public Lands State Land Office Building Santa Fe, New Mexico 87501

Dear Sir:

With regard to the above noted unit we enclose one fully executed and acknowledged original Request for Termination of Unit by operators representing more than 75% on an acreage basis of the oil and gas leasehold interest committed to the Hess Hills Unit.

Also enclosed for your file is one duplicate original copy of each operator's Request for Termination.

As Unit Operator the undersigned respectfully requests that you immediately terminate this Unit. Please let us know in the event that we should file anything further at this time in order to effect this immediate termination.

Yours very truly,

MALLARD PETROLEUM, INC., UNIT OPERATOR

James A. Davidson

JAD:v

cc United States Geological Survey Federal Building Roswell, New Mexico 88201

> Executive Director New Mexico Oil Conservation Commission Santa Fe, New Mexico 87501

Manager, Santa Fe Land Office Bureau of Land Management Department of the Interior Santa Fe, New Mexico 87501

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This inservenest may be executed in counterparts, no one of which need be executed by all parties.

IN WITHISS WHIREOF, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

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Date	David Pasken
ATTEST:	UNION OIL COMPANY OF CALIFORNIA
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TERMINATION OF UNITE AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MESS HILLS UNIT AREA, EDDY COUNTY NEW MEXICO, NO. 14-08-0001-3798

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the owners of more than seventy-five (75) percent on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the development and operation of the Hess Hills Unit Area, Eddy County, New Mexico, dated July 6, 1966, heretofore approved by the New Mexico Oil Conservation Commission, the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, do hereby agree to terminate said agreement in accordance with Section 20 thereof, subject to the approval of the said Commissioner of Public Lands and Director of the United States Geological Survey.

This instrument may be executed in counterparts, no one of which need be executed by all parties.

IN WITNESS WHEREOF, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

ATTEST:	MALLARD PETROLEUM, INC. UNIT OPERATOR
	Ву
Date	C. E. Marsh, II, Chairman of the
WITNESS:	
Date	David Fasken
ATTEST:	UNION OIL COMPANY OF CALIFORNIA
	Ву
Date	
WITNESS:	
	Perry R. Bass
Date	
ATTEST:	RICHARDSON OILS, INC.
Date	
ATTEST:	DELBASIN CORPORATION
Dave	.,,
ATTEST:	SUN OIL COMPANY
	Ву
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WITNESS:	ESTATL OF S. B. CHRISTY, JR.
Date	Ву
ATTEST:	SOHIO PETROLEUM COMPANY
Date	Ву
WITNESS:	
Date	Robert Kaderli, Jr.
ATTEST:	BEARD OIL COMPANY
Date	Ву
ATTEST:	CRA, INC.
Date	Ву
ATTEST:	GULF OIL CORPORATION
Date	Бу
ATTEST:	ALLIED CHEMICAL CORPORATION
Date	By Royar It VIonellance
ATTEST:	TEXNECO OIL COMPANY
Date	Ву

	STATE OF NEW MEXICO
	COUNTY OF The foregoing instrument was acknowledged before me this day of
	of Union Oil Company of California, a
	corporation, on behalf of said corporation.
	My Commission Expires:
	Notary Public
	STATE OF TEXAS COUNTY OF MIDLAND The foregoing instrument was acknowledged before me thisday of,
	of Richardson Oils, Inc., a of corporation, on behalf of said corporation.
	My Commission Expires:
	Notary Public
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	STATE OF TEXAS COUNTY OF
	The foregoing instrument was acknowledged before me this day of
	, 1968, by Perry R. Bass.
	My Commission Expires:
	Notary Public .
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	of Delbasin Corporation, a
	corporation, on behalf of said corporation.
	My Commission Expires:
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	corporation, on behalf of said corporation.
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	Notary Public

THREENWATON OF VALUE AGRAGATIVE DEVIRED PARTIES AND OPERATION OF THE HESS HIELS UNEIT AREA, EDDY COUNTY NEW MUNICO, NO. 14-08-0001-8798

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the owners of more than seventy-five (75) percent on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the development and operation of the Hess Hills Unit Area, Eddy County, New Mexico, dated July 6, 1966, heretofore approved by the New Mexico Oil Conservation Commission, the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, do hereby agree to terminate said agreement in accordance with Section 20 thereof, subject to the approval of the said Commissioner of Public Lands and Director of the United States Geological Survey.

This instrument may be executed in counterparts, no one of which need be executed by all parties.

IN WITNESS WHEREOF, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

ATTEST:	MALLARD PETROLEUM, INC. UNIT OPERATOR
	Ву
Date	C. E. Marsh, II, Chairman of the
WITNESS:	Board
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	Ву
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	Perry R. Bass
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ATTEST:	SONIO PETROLEUM COMPANY
Date	Ey
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Date	Robert Kaderli, Jr.
ATTEST:	BEARD OIL COMPANY
Date	Ву
ATTEST:	CRA, INC.
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ATTEST:	GULF CIL CORPORATION
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ATTEST:	ALLIED CHEMICAL CORPORATION
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COUNTY OF The foregoing corporation, on behalmy Commission Empires STATE OF TEXAS COUNTY OF MEDIAND The foregoing corporation, on behalmy Commission Empires STATE OF TEXAS COUNTY OF TEXAS	

STATE OF TEMPS GOULTY OF MEDICAL THE FOLLOWING WATTERS PETFOLOUR, Tae.	instrument was teknowic 1965, by C. L. Farch, , a Texas corporation,	aged before the thin day of TI, Chairman of the mare of on behalf of said corporation.
My Commission Expires:	-	Notary Public
STATE OF COUNTY OF The foregoing	instrument was acknowl 1968, by David Fasken.	ledged before me this day of
My Commission Expires:		Notary Public

TERMINATION OF UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE HESS HILLS UNIT AREA, EDDY COUNTY NEW MEXICO, NO. 14-08-0001-8798

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the owners of more than seventy-five (75) percent on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the development and operation of the Hess Hills Unit Area, Eddy County, New Mexico, dated July 6, 1966, heretofore approved by the New Mexico Oil Conservation Commission, the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, do hereby agree to terminate said agreement in accordance with Section 20 thereof, subject to the approval of the said Commissioner of Public Lands and Director of the United States Geological Survey.

This instrument may be executed in counterparts, no one of which need be executed by all parties.

ATTEST:	MALLARD PETROLEUM, INC. UNIT OPERATOR
	Ву
Date	C. E. Marsh, II, Chairman of the
WITNESS:	Board
	David Fasken
Date	
ATTEST:	UNION OIL COMPANY OF CALIFORNIA
	By Honsen
	John Hansen
Date July 5, 1968	Attorney in Fact
WITNESS:	
	Perry R. Bass
Date	
ATTEST:	RICHARDSON OILS, INC.
	Ву
Date	
ATTEST:	DELBASIN CORPORATION
	Ву
Date	
ATTEST:	SUN OIL COMPANY
	Ву
Date	

WITNESS:	ESTATE OF S. B. CHRISTY, JR.
Date	Ву
ATTEST:	SOHIO PETROLEUM COMPANY
Date	By
WITNESS:	
Date	Robert Kaderli, Jr.
ATTEST:	BEARD OIL COMPANY
Date	Ву
ATTEST:	CRA, INC.
Date	Ву
ATTEST:	GULF OIL CORPORATION
Date	Ву
ATTEST:	ALLIED CHEMICAL CORPORATION
Date	Ву
ATTEST:	TENNECO OIL COMPANY
Date	Ву

CHARL OF MEH MANAGE	
STATE OF NEW MEXICO	~/ 5
The foregoing instrument v	was acknowledged before me this day of Inch of Union Oil Company of California, a Market
Attorney in Fact	of Union Oil Company of California, a Marine
corporation, on behalf of said co	orporation.
Y Commission Expires:	Sona Weller BLMA H. STOAN
June 1, 19/109	Notary Public
STATE OF TEXAS	,
COUNTY OF MIDLAND	
, 1968, by '	was acknowledged before me thisday of
corporation, on behalf of said co	of Richardson Oils, Inc., a
corporation, on behalf of Salu et	orporation.
y Commission Expires:	Notary Public
· · · · · · · · · · · · · · · · · · ·	Notary Public
STATE OF TEXAS	
COUNTY OF	
ine foregoing instrument t	was acknowledged before me this day of R. Bass.
My Commission Expires:	
	Notary Public .
	notary radice .
STATE OF TEXAS COUNTY OF MIDLAND	
The foregoing instrument w	was acknowledged before me this day of
, 1968, by	of Delbasin Corporation, a,
corporation, on behalf of said co	
My Commission Expires:	
	Notary Public
	•
STATE OF TEXAS COUNTY OF	
The foregoing instrument of	was acknowledged before me thisday of
, 1968, by	or Sun Oil Company, a
corporation, on behalf of said co	orporation.
My Commission Expires:	
	Notary Public .
STATE OF NEW MEXICO	
COUNTY OF The forevoing instrument to	was acknowledged before me thisday of
	m B Christy IV, in the capacity therein stated.
My Commission Expires:	
, 1	Notary Public
	7
STATE OF	
COUNTY OF The Foregoing instrument	was acknowledged before me this day of
	or Sohio Petroleum Company, a,
corporation, on behalf of said co	or Sohio Petroleum Company, a ornoration.
. ,	•
My Commission Expires:	
	Notary Public

STATE OF TEXAS	
COUNTY OF MIDLAND The foregoing instrument v , 1968, by	was acknowledged before me this day of Robert Kaderli, Jr.
My Commission Expires:	
	Notary Public
STATE OF COUNTY OF	
The foregoing instrument was the foregoing instrument was a second contract of the contract of	of Beard Oil Company, a
corporation, on behalf of said co	of Beard Oil Company, aorporation.
My Commission Expires:	
	Notary Public
STATE OF	
COUNTY OF	was acknowledged before me this day of
, 1968, by	of CRA, Inc., a
corporation, on behalf of said co	orporation.
My Commission Expires:	
	Notary Public
9 9	was acknowledged before me this day of
COUNTY OF The foregoing instrument to the foregoing instrument in the foregoing in the f	was acknowledged before me this day of y F Gulf Oil Corporation, a
COUNTY OF The foregoing instrument to the foregoing instrument in the foregoing in the f	was acknowledged before me this day of y F Gulf Oil Corporation, a
COUNTY OF The foregoing instrument of the corporation, on behalf of said corporation.	was acknowledged before me this day of y F Gulf Oil Corporation, a
COUNTY OF The foregoing instrument of the foregoing instr	was acknowledged before me this day of y f Gulf Oil Corporation, a orporation. Notary Public was acknowledged before me this day of
COUNTY OF The foregoing instrument of the foregoing instr	was acknowledged before me this day of y f Gulf Oil Corporation, a orporation. Notary Public was acknowledged before me this day of of Allied Chemical Corporation, a
The foregoing instrument of the foregoing instrument of the corporation, on behalf of said commission expires: STATE OF TEXAS COUNTY OF MIDLAND The foregoing instrument of the foregoing instrument of the corporation of th	was acknowledged before me this day of y f Gulf Oil Corporation, a orporation. Notary Public was acknowledged before me this day of of Allied Chemical Corporation, a
The foregoing instrument of the foregoing instrument of the foregoing instrument of the corporation, on behalf of said composition of the foregoing instrument of the fore	was acknowledged before me this day of y
The foregoing instrument of the foregoing instrument of the corporation, on behalf of said composition of the foregoing instrument of the foregoing instrument of the corporation, on behalf of said of the corporation on behalf of said of the corporation of the foregoing instrument o	was acknowledged before me this day of y foulf Oil Corporation, a orporation. Notary Public was acknowledged before me this day of orporation. Notary Public Notary Public Notary Public
The foregoing instrument of the foregoing instrument of the corporation, on behalf of said composition of the foregoing instrument of the foregoing instrument of the corporation, on behalf of said of the corporation on behalf of said of the corporation of the foregoing instrument o	was acknowledged before me this day of gulf Oil Corporation, a corporation. Notary Public was acknowledged before me this day of of Allied Chemical Corporation, a corporation. Notary Public was acknowledged before me this day of of Tenneco Oil Company, a
The foregoing instrument of the foregoing instrument of the corporation, on behalf of said composition of the foregoing instrument of the fore	was acknowledged before me this day of gulf Oil Corporation, a corporation. Notary Public was acknowledged before me this day of of Allied Chemical Corporation, a corporation. Notary Public was acknowledged before me this day of of Tenneco Oil Company, a

*

STATE OF COUNTY OF The foregoing instrument was acknowledged before me this day	The foregoing inst The foregoing inst , 196 Mallard Petroleum, Inc., a My Commission Expires:	trument was acknowledged before me this day 68, by C. E. Marsh, II, Chairman of the Board of Texas corporation, on behalf of said corporation
COUNTY OF The foregoing instrument was acknowledged before me this day		Notary Public
	COUNTY OF The foregoing inst	rument was acknowledged before me this day

•

OPERATION OF UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE HESS HILLS UNIT AREA, EDDY COUNTY NEW MEXICO, NO. 14-08-0001-8798

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the owners of more than seventy-five (75) percent on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the development and operation of the Hess Hills Unit Area, Eddy County, New Mexico, dated July 6, 1966, heretofore approved by the New Mexico Oil Conservation Commission, the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, do hereby agree to terminate said agreement in accordance with Section 20 thereof, subject to the approval of the said Commissioner of Public Lands and Director of the United States Geological Survey.

This instrument may be executed in counterparts, no one of which need be executed by all parties.

AIIESI:	UNIT OPERATOR
D. c.	Ву
Date	C. E. Marsh, II, Chairman of the Board
Date	David Fasken
ATTEST:	UNION OIL COMPANY OF CALIFORNIA
	Ву
Date	Perry R. Bass
Date 7-8-68	
Marginate Wright Date #8-68 Sing.	By Own Sungaria
ATTEST: 13.1. June 7-8-68 Socia	DELBASIN CORPORATION By Gue Sangaru He-Presiden
ATTEST:	SUN OIL COMPANY
	Ву

WITNESS:	ESTATE OF S. B. CHRISTY, JR.
Date	Ву
ATTEST:	SOHIO PETROLEUM COMPANY
Date	Ву
WITNESS:	
Date	Robert Kaderli, Jr.
ATTEST:	BEARD OIL COMPANY
Date	Ву
ATTEST:	CRA, INC.
Date	Ву
ATTEST:	GULF OIL CORPORATION
Date	Ву
ATTEST:	ALLIED CHEMICAL CORPORATION
Date	Ву
ATTEST:	TENNECO OIL COMPANY
Date	Ву

STATE OF NEW MEXICO	
COUNTY OF The foregoing instrument was	acknowledged before me this day of
of corporation, on behalf of said corp	Union Oil Company of California, a,
corporation, on behalf of said corp	oration.
My Commission Expires:	
	Notary Public
STATE OF TEXAS	
COUNTY OF MIDLAND Zarran	s acknowledged before me this g day of
July , 1968, by E -	W. Sampson
President of	Richardson Oils, Inc., a Lyan
corporation, on behalf of said corp	
My Commission Expires:	Jaan Rambart Notary Public
0.	Notary Public
June 1, 1969	-
STATE OF TEXAS	
COUNTY OF Jarrant	s acknowledged before me this f day of
July, 1968, by Perry R.	Bass.
My Commission Expires:	
<u> </u>	Joan Bainland
June 1,1969	Rotary Public .
STATE OF TEXAS	
COUNTY OF HIDLAND Zarrant	2
The foregoing instrument was	s acknowledged before me this day of
July 1908, by E.	of Delbasin Corporation, a Lyan
corporation, on behalf of said corp	poration.
Mr. Commission Funity	()
My Commission Expires:	Joan Barnhart
June 1. 1969	Xotary Public
STATE OF TEXAS	
COUNTY OF	
	acknowledged before me thisday of
, 1968, by	of Sun Oil Company, a,
corporation, on behalf of said corp	oration.
•	
My Commission Expires:	
	Notary Public
STATE OF NEW MEXICO	
COUNTY OF	
The foregoing instrument was	s acknowledged before me thisday of 3 Christy TV, in the capacity therein state
, 1700 by Olin 2	, onlist, in the dapately therein blace
My Commission Expires:	
	Notary Public
STATE OF	
COUNTY OF	s acknowledged before me this day of
The foregoing instrument was . 1968. by	s deknowledged before he this day of
, 2755)	of Sohio Petroleum Company, a
corporation, on behalf of said corp	poration.
My Commission Empires:	
ing committee migration.	National Park Tele
	Notary Public

STATE OF TEXAS			
	instrument was ack _, 1968, by Robert	mowledged before me this	day of
	_	. Addelli, Jr.	
My Commission Expires	: .		
	•	Notary Public	
STATE OF			
COUNTY OF			
The foregoing	instrument was ack , 1968, by	mowledged before me this	day of
	of	Beard Oil Company, a	
corporation, on behal	f of said corporat	ion.	
My Commission Expires	:		
		Notary Public	
CM LMD OD		* (
STATE OF COUNTY OF		•	
The foregoing	instrument was ack	nowledged before me this	day of
	0	of CRA, Inc., a	
corporation, on behal	r of said corporat	cion.	
My Commission Expires	:		
		Notary Public	
STATE OF NEW MEXICO COUNTY OF The foregoing corporation, on behal	, 1968, by of Gulf	oil Corporation, a	day of
· · · · · · · · · · · · · · · · · · ·	r or said corporat	.1011.	•
My Commission Expires	:		
•		Notary Public	
STATE OF TEXAS COUNTY OF MIDLAND The foregoing	1060 h	novledged before me this	
corporation, on behal		lied Chemical Corporation,	â
corporation, on benai	r of said Orborat	.1011.	
My Commission Expires	:		
		Notary Public	
STATE OF TEXAS COUNTY OF MIDLAND			
		mowledged before me this	
corporation, on behal	of f of said cornorat	Tenneco Oil Company, a	
	-	· •	
My Commission Expires	:		
		Norary Public	

Mallard Petroleum, In	c., a Texas corporation, on behalf of said corporation.
My Commission Expires	:
	Notary Public
-	g instrument was acknowledged before me this day of , 1968, by David Fasken.

TERMINATION OF UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE HESS HILLS UNIT AREA, EDDY COUNTY NEW MEXICO, NO. 14-08-0001-8798

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the owners of more than seventy-five (75) percent on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the development and operation of the Hess Hills Unit Area, Eddy County, New Mexico, dated July 6, 1966, heretofore approved by the New Mexico Oil Conservation Commission, the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, do hereby agree to terminate said agreement in accordance with Section 20 thereof, subject to the approval of the said Commissioner of Public Lands and Director of the United States Geological Survey.

This instrument may be executed in counterparts, no one of which need be executed by all parties.

ATTEST:	MALLARD PETROLEUM, INC. UNIT OPERATOR
Date	. I II Chairman of the
WITNESS:	
	David Fasken
DateATTEST:	ONION OZZ
	Ву
Date	
WITNESS:	Perry R. Bass
Date	RICHARDSON OILS, INC.
	Ву
Date	DELBASIN CORPORATION
. wyrnor,	Ву
Date	SUN OIL COMPANY
21.2.2.02.	ву

WITNESS:	ESTATE OF S. B. CHRISTY, JR.
Date	Ву
ATTEST:	SOHIO PETROLEUM COMPANY
Date	Ву
WITNESS:	
Date	Robert Kaderli, Jr.
ATTEST:	BEARD OIL COMPANY
Date	Ву
ATTEST:	CRA, INC.
Date	Ву
Date JUL 8 1968	GULF OIL CORPORATION By Looking Prod. ATTORNEY
ATTEST:	ALLIED CHEMICAL CORPORATION
Date	Ву
ATTEST:	TENNECO OIL COMPANY
Date	Ву

	STATE OF NEW MEXICO
	COUNTY OF The foregoing instrument was acknowledged before me this day of, 1968, by,
	of Union Oil Company of California, a
	My Commission Expires:
÷	Notary Public
	STATE OF TEXAS COUNTY OF MIDLAND The foregoing instrument was acknowledged before me thisday of, of Richardson Oils, Inc., a,
	of Richardson Oils, Inc., a corporation, on behalf of said corporation.
	My Commission Expires:
	Notary Public
	STATE OF TEXAS COUNTY OF The foregoing instrument was acknowledged before me this day of
	, 1968, by Perry R. Bass. My Commission Expires:
	Notary Public .
	COLUMN OF CHIMAC
	STATE OF TEXAS COUNTY OF MIDLAND The foregoing instrument was acknowledged before me this day of, 1968, by,
	of Delbasin Corporation, a,
•	corporation, on behalf of said corporation.
	My Commission Expires:
	Notary Public
	STATE OF TEXAS COUNTY OF
	The foregoing instrument was acknowledged before me thisday of; of Sun Oil Company, a;
	of Sun Oil Company, a
	My Commission Expires:
	Notary Public
	STATE OF NEW MEXICO
	The foregoing instrument was acknowledged before me thisday of, 1968 by Sim B Christy IV, in the capacity therein stated
	hy Commission Expires:
	Notary Public
	STATE OF
	COUNTY OF The foregoing instrument was acknowledged before me this day of
	, 1968, by, of Sohio Petroleum company, a,
	corporation, on behalf of said corporation.
	My Commission Empires:
	Motary Public

STATE OF TEXAS COUNTY OF MIDIAND	
The foregoing i	nstrument was acknowledged before me this day of , 1968, by Robert Kaderli, Jr.
My Commission Expires:	
	Notary Public
STATE OF	
COUNTY OF The foregoing i	nstrument was acknowledged before me this day of
<u> </u>	of Beard Oil Company, a,
corporation, on behalf	of said corporation.
My Commission Expires:	
in committee in implication.	Notary Public
	Notary Tublic
STATE OF	
COUNTY OF	netrument was asknowledged before me this
	nstrument was acknowledged before me this day of , 1968, by
	of CRA, Inc., a
corporation, on behalf	of said corporation.
My Commission Expires:	
	Notary Public
Tule	nstrument was acknowledged before me this & day of
corporation, on behalf	
· My Commission Expires:	Eva Marie Cooper
May Commission Expires August 15, 1970	Notary Public
STATE OF TEXAS COUNTY OF MIDLAND The foregoing i	nstrument was acknowledged before me this day of
	, 1968, by of Allied Chemical Corporation, a
corporation, on behalf	of said corporation.
My Commission Expires:	Notary Public
	·
STATE OF TEXAS	
	nstrument was acknowledged before me this day of, 1968, by
	of Tenneco Oil Company, a
corporation, on behalf	of Said Corporation.
My Commission Empires:	
•	Notary Public

•

Mallard Petro		C. E. Marsh, II, Chairman of the corporation, on behalf of said co	
My Commission	Expires:		
	·	Notary Public	
STATE OF			
COUNTY OF			
The	, 1968, by Da	was acknowledged before me this avid Fasken.	day or

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TERMINATION OF UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE HESS HILLS UNIT AREA, EDDY COUNTY NEW MEXICO, NO. 14-08-0001-8798

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the owners of more than seventy-five (75) percent on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the development and operation of the Hess Hills Unit Area, Eddy County, New Mexico, dated July 6, 1966, heretofore approved by the New Mexico Oil Conservation Commission, the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, do hereby agree to terminate said agreement in accordance with Section 20 thereof, subject to the approval of the said Commissioner of Public Lands and Director of the United States Geological Survey.

This instrument may be executed in counterparts, no one of which need be executed by all parties.

ATTEST:	MALLARD PETROLEUM, INC. UNIT OPERATOR
D. L.	Ву
Date	C. E. Marsh, II, Chairman of the Board
WITNESS:	
Date	David Fasken
ATTEST:	UNION OIL COMPANY OF CALIFORNIA
	Ву
Date	· · · · · · · · · · · · · · · · · · ·
WITNESS:	
	Perry R. Bass
Date	
ATTEST:	RICHARDSON OILS, INC.
Data	Dy
Date ATTEST:	DELEASIN CORPORATION
	By
Dace	
ATTEST:	SUN OIL COMPANY
Date	By

WITNESS:	ESTATE OF S. B. CHRISTY, JR.
DateATTEST:	SOHIO PETROLEUM COMPANY
Date	
WITNESS:	Debort Vaderli Jr.
Date	-
ATTEST:	BEARD OIL COMPANY
Date	Ву
ATTEST:	CRA, INC.
Date	Ву
ATTEST:	GULF OIL CORPORATION
Date	
ATTEST:	ALLIED CHEMICAL CORPORATION
	Ву
рате	
-ATTEST:	TENNECO OIL COMPANY
Date July 10. 1968	/ Colline

The foregoing instrument	day of
, 1,00, 5,	of Union Oil Company of California, a
corporation, on behalf of said	corporation.
My Commission Expires:	
	Notary Public
STATE OF TEXAS COUNTY OF MIDLAND The foregoing instrument, 1968, by	was acknowledged before me thisday of of Richardson Oils, Inc., a,
corporation, on behalf of said	corporation.
My Commission Expires:	
•	Notary Public
STATE OF TEXAS COUNTY OF	
The foregoing instrument	was acknowledged before me this day o.
, 1968, by Perr	y R. Bass.
My Commission Expires:	
	Notary Public .
STATE OF TEXAS	
COUNTY OF MIDLAND	
The foregoing instrument	
The foregoing instrument	of Delbasin Corporation, a
The foregoing instrument, 1968, by	of Delbasin Corporation, a
The foregoing instrument, 1968, bycorporation, on behalf of said	of Delbasin Corporation, a
The foregoing instrument	of Delbasin Corporation, acorporation.
The foregoing instrument	of Delbasin Corporation, acorporation.
The foregoing instrument	of Delbasin Corporation, a corporation. Notary Public was acknowledged before me thisday o
The foregoing instrument	of Delbasin Corporation, a corporation. Notary Public was acknowledged before me thisday o
The foregoing instrument	of Delbasin Corporation, a
The foregoing instrument	of Delbasin Corporation, a
The foregoing instrument	of Delbasin Corporation, a
The foregoing instrument	of Delbasin Corporation, a corporation. Notary Public was acknowledged before me thisday o of Sun Oil Company, a corporation.
The foregoing instrument	of Delbasin Corporation, a corporation. Notary Public was acknowledged before me thisday o of Sun Oil Company, a corporation.
The foregoing instrument	of Delbasin Corporation, a corporation. Notary Public was acknowledged before me thisday o of Sun Oil Company, a corporation.
The foregoing instrument	of Delbasin Corporation, a corporation. Notary Public was acknowledged before me thisday o of Sun Oil Company, a corporation. Notary Public was acknowledged before me this day o
The foregoing instrument	of Delbasin Corporation, a
The foregoing instrument	of Delbasin Corporation, a corporation. Notary Public was acknowledged before me thisday o of Sun Oil Company, a corporation. Notary Public was acknowledged before me thisday o sim B Christy IV, in the capacity therein st
The foregoing instrument	of Delbasin Corporation, a corporation. Notary Public was acknowledged before me thisday o of Sun Oil Company, a corporation. Notary Public was acknowledged before me this day o
The foregoing instrument	of Delbasin Corporation, a corporation. Notary Public was acknowledged before me thisday or
The foregoing instrument	of Delbasin Corporation, a corporation. Notary Public was acknowledged before me this day o of Sun Oil Company, a corporation. Notary Public was acknowledged before me this day o Sim B Christy IV, in the capacity therein st Notary Public
The foregoing instrument	of Delbasin Corporation, a corporation. Notary Public was acknowledged before me thisday or of Sun Oil Company, a corporation. Notary Public was acknowledged before me this day or in B Christy IV, in the capacity therein structure was acknowledged before me this day or Notary Public
The foregoing instrument	of Delbasin Corporation, a

•	COUNTY OF MIDLAND The foregoing i	instrument , 1968, by	was acki y Robert	nowledg Kaderl	ed befor i, Jr.	e me	this _	day d
1	My Commission Expires:			Notary	Public	,		
	STATE OF COUNTY OF The foregoing i	instrument	was acki	nowledge	ed befor	e me	this _	day of
-			of	Beard	Oil Comp	any,	a	
•	corporation, on behalf	of said	corporat:	ion.	_			•
1	My Commission Expires:				.•			
_	•			Notary	Public			
	STATE OF COUNTY OF					•		•
	The foregoing i							day
			0:	CRA,	Inc., a _			
•	corporation, on behalf	of said	corporat	lon.				
7	My Commission Expires:							
	· -			Notary	Public			
	COUNTY OF The foregoing i			_			_	day o
	corporation, on behalf				•	-		
1	My Commission Expires:							
		٠		Notary	Public			
	STATE OF TEXAS COUNTY OF MIDLAND The foregoing i	nstrument	was acki	nowledge	ed befor	e me	, this _	day o
-	corporation, on behalf	of said o	$\underline{}$ of Al. ∞ rporat:	lied Che lon.	emical (orpor	ation,	a
1	My Commission Expires:							
_			•	Notary	Public			
	STATE OF TEXAS COLORA COUNTY OF MIDIAND DEA The foregoing i	IVER	was ack	nowledge	ed befor	°e me	this .	lOth day (
	July	, 1968,	by c	, s, co	DLLINS _			
•	Attorney-in-F				Oil Com	npany,	a <u>D</u> e	laware
	corporation, on behalf		corporat:		a	2 € '	10	
į	My Commission Expires:			Ca	ue l.	110	Hauf	6
					Public			

,,	1968, by C. E. Marsh,	edged before me this day of II, Chairman of the Board of on behalf of said corporation.	
rallard retroledia, inc.	, a dexas corporation,	on binari of said corporation.	
My Commission Expires:	•		
		Notary Public	
STATE OF COUNTY OF The foregoing	instrument was acknowl	edged before me this day of	
	1968, by David Fasken.		
My Commission Expires:			
		Notary Public	

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MON MIL MAN DY MINST PARSINGS:

That the undersigned, being the easiers of more than seventy-five (75) percent on an coreage basis of the working interests in and to oil and gos leasehold interests committed to the thit Agreement for the 6e-velopment and operation of the Hess Hills Unit Area, Iddy County, New Mexico, dated July 6, 1966, heretofore approved by the New Mexico Oil Conservation Commission, the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, do hereby agree to terminate said agreement in accordance with Section 20 thereof, subject to the approval of the said Commissioner of Public Lands and Director of the United States Geological Survey.

This instrument may be exceuped in counterparts, no one of which need be executed by all parties.

ATTEST:	AMALIARO PATROLIUM, INC. UNIT OPPRATOR
	Эу
Date	o. a. imabili, ali, olidalimini oa alio
WILKESS:	Board
	Duvid Fasken
Data	
ACCEST:	UNION OF COMPANY OF CALIFORNIA
Date	
WETRESS:	
	Perry A. Basa
Dade	
Emange.	kudumusen emas, the
	The second secon
, A. C.	
inches.	
1112118111	
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MATHERS:	
Date	ev
Albusz:	STEED PERMONIER COMPART
Dace	By
WITNESS:	
Date	Kobert Kaderli, Jr.
Loopes :	BEAMO OIL COMPANY
Date 7-11-6 &	Fartner)
ATTEST:	ORA, INC.
Dure	By
APPROT:	GULF OIL CORPORATION
Date	ω <u>ν</u>
ATORST:	ALLIED CHEMICAL CORPORATION
Duce	<i>Dy</i>
APTUSE:	remando our dorram

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Ny Commission depôses:	
Noticity and 118	
SAMMA OF TEXAS COUNTY OF ATBLAND The foregoing instrument was acknowledged before me th	
of Richardson Oils, Inc., a	
corporation, on behalf of said corporation.	
My Commission Expires:	
Notary Public	
SCATE OF CEMAS	
690XXX	\$
The foregoing instrument was asknowledged before me th, 1968, by Perry X. Buss.	is cay or
My Commission Expires:	
Notary Public	
STATE OF TEXAS COUNTY OF MEDIAND	
The foregoing instrument was seknowledged before me th	is day of
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My Commission Expires:	1968, by David Pasken	•	
		Notery Public	•

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DELYCON OF COME ACRES FOR THE DEVELOPMENT AND OPERATION OF THE COST STEELS UNIT AREA, FORM COULTY NEW MEXICO, NO. 14-03-0001-8798

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the owners of more than seventy-five (75) percent on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the development and operation of the Mess Hills Unit Area, Eddy County, New Mexico, dated July 6, 1966, heretofore approved by the New Mexico Oil Conservation Commission, the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, do hereby agree to terminate said agreement in accordance with Section 20 thereof, subject to the approval of the said Commissioner of Public Lands and Director of the United States Geological Survey.

This instrument may be executed in counterparts, no one of which need be executed by all parties.

TTEST:	MALLARD PETROLEUM, INC. UNIT OPERATOR
	Ву
Date	C. E. Marsh, II, Chairman of the
VITNESS:	Board
)ata	David Fasken
Date	UNION OIL COMPANY OF CALIFORNIA
	Ву
Date	
VITNESS:	
	Perry R. Bass
Date	
ATTEST:	RICHARDSON OILS, INC.
Date	
MITESI:	DELEASIN CORPORATION .
Date	
erer:	(SC) OLF COMMY
Date Jour 9, 1968	

WITXESS:	ESTATE OF S. B. CHRISTY, JR.	
Date	5y	
ATTEST:	SOMIO PETROLEUM COMPANY	
Date	Ву	
WITNESS:		
Date	Robert Kaderli, Jr.	
ATTEST:	BEARD OFL COMPANY	
Date	Ey	•
ATTEST:	CRA, INC.	
Date	Бу	
ATTEST:	GULF OIL CORPORATION	
Dace	Ву	
ATTEST:	ALLIED CHEMICAL CORPORATION	
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ACCESC:	TENNECO OTI COMPANY	
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	2053 by	-
	corporation, on behalf of said corporation	I Union Oil Company of California, a
		portación.
	My Commission Expires:	•
		Notary Public
	STATE OF TEXAS .	
	COLLICIM TO YTAUO	
	1039 50	as acknowledged before me thisday of
	0.	Richardson Oils, Inc., a,
	corporation, on behalf of said co	
:	My Commission Expires:	·
		Notary Public
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	STATE OF TEXAS COUNTY OF	
ř		as acknowledged before me this day of
		R. Bass.
41 (C)	My Commission Expires:	
•		Notary Public .
•	STATE OF TEXAS	
: - -	COUNTY OF MIDILARD	
	The foregoing instrument war , 1968, by	is acknowledged before me this day of
		of Delbasin Corporation, a
	corporation, on behalf of said co	rporation.
	My Commission Empires:	
		Notary Public
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:	STATE OF TEXAS COUNTY OF Lace	
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•	Agent and Attorney in Fact	of Sun Oil Company, a face freeze
	componation, on behalf of said co	
	My Commission Expires:	Sin Lay jula
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corporation, on behalf of said co	rporation.
y Commission Expires:	
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Mallard Petro	oleum, Inc.	, 1966, by C. L. March, TI, Chairman of the Board of ., a Texas corporation, on behalf of said corporation.	
My Commission	a Employes:		
		Notary Public	
STATE OF COUNTY OF		•	
The		instrument was acknowledged before me this day of 1968, by David Fasken.	Ξ
My Commission	n Expires:		
		Notary Public	

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NEW ROYTON, NO. 14-03-0001-8798

KNOW ALL MEN BY THISD I KUSINIS:

That the undersigned, being the owners of more than seventy-five (75) percent on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the development and operation of the Hess Hills Unit Area, Eddy County, New Mexico, dated July 6, 1966, heretofore approved by the New Mexico Oil Conservation Commission, the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, do hereby agree to terminate said agreement in accordance with Section 20 thereof, subject to the approval of the said Commissioner of Public Lands and Director of the United States Geological Survey.

This instrument may be executed in counterparts, no one of which need be executed by all parties.

ATTEST:	MALLARD PETROLEUM, INC. UNIT OPERATOR
Date	By
WITNESS:	C. E. Marsh, II, Chairman of the
Date July 5, 1968.	David Fasken
Date Wely 5, 1968. ATTEST:	UNION OIL COMPANY OF CALIFORNIA
	Зу
Date	
WITNISS:	Perry R. Bass
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.c.2.292:	RUCKARDSON ONLS, UNC.
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	DUTAMENT CORPORATION
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WEINIOS:	ASTRONOS S. B. CHKISTY, UK.
Date	**J
ATTEST:	SOMIC PRIMOTHEM COMPANY
Date	
WITNESS:	
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ATTEST:	BEARD OIL COMPANY
Date	Ey
ATTEST:	CRA, INC.
Date	Por
ATTEST:	GUEF OIL CORPORATION
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ATTEST:	ALLIED CHEMICAL CORPORATION
Date	
AMOUSO:	TENNUOO OFL COMPANY
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The foregoing instrument was, 1968, by Perry R.	acknowledged before me this day of here
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COUNTY OF MIDLAND	
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Michaela Jourdhoung Lad.		
My Commission Expires:		Noticey Public
STATE OF CALIFORNIA COUNTY OF MARIN The foregoing July My Commission Expires:	:	ledged before me this 5; day of larense Vay Giller Notary Public Marin County, California



CLARISSA DAY GNAP COUNTY OF MARKED STATE OF CAUSES LIA

My Commission Expires August 25, 1959

OBERATION OF THE BUSS CAUSE NEXT WAST'T DEATH ON THE TENS

MAN MAXICO, NO. 14-08-0001-8798

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the owners of more than seventy-five (75) percent on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the development and operation of the Mess Hills Unit Area, Eddy County, New Mexico, dated July 6, 1966, heretofore approved by the New Mexico Oil Conservation Commission, the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, do hereby agree to terminate said agreement in accordance with Section 20 thereof, subject to the approval of the said Commissioner of Public Lands and Director of the United States Geological Survey.

This instrument may be executed in counterparts, no one of which need be executed by all parties.

IN WITNESS WHEREOF, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

MALLARD PETROLEUM, INC. UNIT OPERATOR By C. E. Marsh, II, Chairman	L of the
WITNESS: Board	
David Fasken Date	-
ATTEST: UNION ONL COMPANY OF CALIFOR	AI/2
Ey	
Date	
WITNISS:	
Perry R. Bass	
Date	
ACTEST: AUGUAROSON OTES, ENC.	
AUDUST: DULLUSEN COMPONATION	•
Date Date	
ANTAST: SUN OEL COAPANY	
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	WITNESS:	ESTATE OF S. D. CHRISTY, DR.
·	Dace	ey
	ATTEST:	SOMIC PETROLEUM COMPANY
	Date	Ву
	WITNESS:	
	Date	Robert Kaderli, Jr.
	ATTEST:	BEARD OIL COMPANY
	Date	Ву
	ATTEST:	CRA, INC.
	. Date	Ву
	ATTEST:	GULF OIL CORPORATION
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	ATTEST:	ALLIED CHIMICAL CORPORATION By
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STATE OF THICLS COUNTY OF MISHAND	•
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	of Richardson Olis, Inc., a
corporation, on banali of said o	orporation.
My Commission Empires:	
	Notary Public
053/22 03 022/23	
STAME OF TEMAS COUNTY OF	
The foregoing instrument , 1965, by Perry	was acknowledged before me this day of / 2. Bass.
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UNITED STATES DEPARTMENT OF THE INTERIOR GEOLOGICAL SURVEY

traver 1857 Roswell, New Nexico 88201

Eay 15, 1963

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Griffin & Ross
210 Bank of the Southwest Building
Midland, Texas 79701

Attention: Mr. Kenneth H. Griffin

Gentlement

Your letter of May 1, received by this office on May 2, transmits a "Resignation of Buit Operator and Designation of New Operator, executed in thirteen counterparts, by which Termeco Gil Company resigns and Mallard Petroleum, Inc. is designated as unit operator of the Hess Hills unit, Eddy County, New Mexico. Such instruments were approved by the Commissioner of Public Lands of the State of New Herico on May 3.

The resignation of Tenneco Oil Company as operator of the Bess Hills unit and the designation of Mallard Petroleum, Inc. as the successor operator of such unit is accepted by this office pursuant to Section 6 of the unit agreement.

Sincerely yours,

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UNITED STATES DEPARTMENT OF THE INTERIOR

GEOLOGICAL SURVEY

Drawer 1857 Roswell, New Mexico 88201

April 24, 1968

Griffin and Boss 210 Bank of the Southwest Building Midland, Texas 79701

Attention: Mr. Kenneta a. Griffin

Gentlemen:

We hereby acknowledge receipt on April 22, 1968, of a ratification and joinder to the Hess Hills unit agreement, No. 14-08-0001-8798, Eddy County, New Nexico, executed by CRA, Inc., a 25 percent record title and working interest owner in Federal unit tracts Nos. 17 and 19.

Copies of the ratification and joinder are being distributed to the appropriate Federal offices.

Sincerely yours,

(one, end) during all Allebates DM

JOSK A. ASBERSON Regional Oil & Cas Supervisor

cer
Washington (w/cy. joinder)
Artesia (w/cy. joinder)
BLM, Santa Fe (w/cy. joinder)
Con. of Pub. Lands, Santa Fe (ltr. only)
NMOCO, Santa Fe (ltr. only)

THE TENANT BET

CERTIFICATION - DETERMINATION

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

- A. Approve the attached agreement for the development and operation of the Hess Hills Unit Area, State of New Mexico.
- B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.
- C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Date: _

Director
United States Geological Survey

UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE HESS HILLS UNIT

COUNTY OF EDDY STATE OF NEW MEXICO

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EXHIBITS

Exhibit "A" - Map of Unit Area

Exhibit "B" - Schedule of Ownership in Lands

UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE HESS HILLS UNIT

COUNTY OF EDDY
STATE OF NEW MEXICO

No.

THIS AGREEMENT, entered into as of the 6th day of July, 1966, by and between the parties 2 subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto," WITNESSETH: 3 WHEREAS, the parties hereto are the owners of working, royalty, or other oil and gas interests 4 in the Unit Area subject to this agreement; and WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 5 181 et seq., authorized Federal lessees and their representatives to unite with each other, or jointly 7 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 8 9 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 10 11 WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated) to consent to or approve this agreement on 12 13 behalf of the State of New Mexico, in so far as it covers and includes lands and mineral interests of 14 the State of New Mexico; and 15 WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Art. 111, Ch. 65; Vol. 9, part 2, Statutes 1953 Annotated) to approve this agreement 16 and the conservation provisions hereof; and 17 18 WHEREAS, the parties hereto hold sufficient interests in the Hess Hills Unit Area covering the 19 land hereinafter described to give reasonably effective control of operation therein; and WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, 20 2} and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth: 22 23 NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties 24 hereto commit to this agreement their respective interests in the below-defined Unit Area, and agree severally among themselves as follows: 25 26 1. EMABLING 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 27 issued thereunder or valid, portinent, and reasonable regulations hereafter issued thereunder are accept-28 ed and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent 29 with the terms of this agreement; and as to State of New Mexico lands, the oil and gas operating re-30 31 gulations in effect as of the effective date hereof governing drilling and producing operations, not 32 inconsistent with the terms hereof or the laws of the State of New Mexico are hereby accepted and rade 3.3 a part of this agreement.

2. UNIT AREA. The following described land is hereby designated and recognized as constituting

Township 23 South, Range 23 East, N.M.P.M.

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the Unit Area:

Section 33: Lots 1, 2, 3, 4, N/2 S/2, N/2 (All) Section 34: Lots 1, 2, 3, 4, N/2 S/2, N/2 (All) Section 35: Lots 1, 2, 3, 4, N/2 S/2, N/2 (All) Section 36: Lots 1, 2, 3, 4, N/2 S/2, N/2 (All)

Township 23 South, Range 24 East, N.M.P.M.

Section 31: Lots 3, 4, E/2 SW/4, SE/4 (S/2)

Township 24 South, Range 23 East, N.M.P.M.

Section 1: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All) Section 2: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All) Section 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 (A11) Section 4: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All) Section 9: All Section 10: All Section 22: E/2 Section 11: All Section 23: All Section 12: All Section 24: All Section 13: All Section 25: All Section 26: All Section 14: All Section 15: All Section 35: N/2

Township 24 South, Range 24 East, N.M.P.M.

Section 6: Lots 1, 2, 3, 4, 5, 6, 7, SE/4 NW/4, E/2 SW/4, S/2 NE/4, SE/4 (All)

Section 7: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All)

Section 18: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All)

Section 19: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All)

Section 30: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All)

containing 16,359.51 acres, more or less

EXHIBIT "A" attached hereto is a map showing the Unit Area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. EXHIBIT "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the Unit Area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. EXMIBITS "A" and "B" shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor," or then requested by the Commissioner of Public Lands of the State of New Mexico. hereinafter referred to as "land Commissioner," and not less than six (6) copies of the revised exhibits shall be filed with the Supervisor, and two (2) copies thereof shall be filed with the Land Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Conservation Commission."

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

- 2 -

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

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- (b) Said notice shall be delivered to the Supervisor, the Land Commissioner and the Conservation Commission and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objections.
- (c) Upon expiration of the thirty (30) day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor and the Land Commissioner evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.
- (d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director and the Land Commissioner, become effective as of the date prescribed in the notice thereof.
- (e) All legal subdivisions of Unitized Lands (i.e., 40 acres by Covernment survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within five (5) years after the first day of the month following the effective date of the first initial participating area established under this Unit Agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the Unit Area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on Unitized Lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than ninety (90) days' time elapsing between the completion of one well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than thirty (30) days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of Unit Operator as set forth in the section entitled "Unavoidable Delay;" provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within ten (10) years after said first day of the conth following the effective date of said first initia! participating area shall be eliminated as above specified. Determination of creditable "Univaidable Delay" time shall be made by Unit Operator and subject to approval of the Director and the Land Commissioner. The Unit Operator shall, within minety (90) days after the effective date of any eliminition hereunder, describe the area so eliminated to the satisfaction of the Director and the Lind Commissioner and promptly sotify all parties in interest.

issioner and promptly solity all picture in interest.

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

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

- 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this agreement shall constitute land referred to herein as "Unitized Land" or "land subject to this agreement". All oil and gas in any and all formations of the Unitized Land are unitized under the terms of this agreement and herein are called "Unitized Substances."
- 4. UNIT OPERATOR. Tenneco Oil Company, a Delaware corporation, with offices in Midland, Texas, is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in Unitized Substances vested in it and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.
- 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working interest owners, the Director and the Land Commissioner and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and by the Conservation Commission as to State lands unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

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

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The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the affirmative vote of at least eighty percent (80%) of the owners of working interest remaining after excluding the voting interest of Unit Operator. Such removal shall be effective upon notice thereof to the Director and the Land Commissioner.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the Working Interest Owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

- 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by Working Interest Owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all Unitized Land, shall by majority vote select a successor Unit Operator: provided, that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional Working Interest Owners shall be required to select a new operator. Such selection shall not become effective until:
- (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and
 - (b) the selection shall have been filed with the Supervisor and approved by the Land Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Land Commissioner at their election may declare this Unit Agreement terminated.
 - owner of working interests, cost and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the Working Interest Owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "Unit Operating Agreement." Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformatty with their underlying operating agreements, leases, or other independent contracts, and such other

rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established inder this Unit Agreement, and in case of any inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement, this Unit Agreement shall prevail. Three (3) true copies of any Unit Operating Agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Land Commissioner, prior to approval of this Unit Agreement.

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8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on Federal land or by the Land Commissioner if on State Land, or by the Conservation Commission if on privately owned land, if any, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Morrow formation has been tested or until at a lesser depth Unitized Substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land, of the Land Commissioner if on State land, or of the Conservation Commission if on privately owned land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of Ten Thousand Two Hundred feet (10,2001). Until the discovery of a deposit of Unitized Substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing Unitized Substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the Land Commissioner if on State land or the Conservation Commission if on privately owned land or until it is reasonably proved that the Unitized (and is incapable of producing Unitized Substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to faint the right of the Unit Operator to resign as provided in Section 5 hereof, or as required that Operator to commence or continue any drilling during the period pending such resignation becoming effective inorder to comply with the requirements of this section. The Director and Land Correspondence by which the

drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and Land Commissioner may, after reasonable notice to the Unit Operator, and each Working Interest Owner, lessee, and lessor at their last known addresses, declare this Unit Agreement terminated.

- 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing Unitized Substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner an acceptable plan of development and operation for the Unitized Land which, when approved by the Supervisor and the Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner a plan for an additional specified period for the development and operation of the Unitized Land. Any plan submitted pursuant to this section shall provide for the exploration of the Unitized Area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing Unitized Substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Land Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the Unitized Area and shall:
- (a) specify the number and location of wells to be drilled, the proposed order and time for such drilling; and
- (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources.

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

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Land Commissioner are authorized to grant a reasonable extension of the six (6) month period herein prescribed for submission of an initial plan of development where such action is justified because of unusua ions or circumstances. After completion hereunder of a well capable of producing any Unitized Substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specificall, approved by the Supervisor and the Land Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

Substances in paying quantities or as soon thereafter as required by the Supervisor or the Lund Conmissioner the Unit Operator shall submit for approval by the Director and the Land Commissioner a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all Unitized Land then regarded as reasonably proved to be productive of Unitized Substances in paying quantities; all lands in said schedule on approval of the Director and the Land Commissioner to constitute a pirticipating area, effective as of the date of completion of such well or the effective date of the

Unit Agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of the initial participating area. Said schedule also shall set forth the percentage of Unitized Substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of Unitized Substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and the Land Commissioner. No land shall be excluded from a participating area on account of depletion of the Unitized Substances.

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41 42 It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective ? — of the revision of the participating area.

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

Whenever it is determined, subject to the approval of the Supervisor, as to wells drilled as Federal land and of the Land Commissioner as to wells drilled on State land and the Conservation Consission as to wells on privately owned lands, that a well drilled under this agreement as not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than Working Interest Owners, be allocated to the land on which the well is justiced to lengths such land is not within a participating area established for the pool or deposed is sometiment or production is obtained. Settlement for working interest benefits from such a well shall be such as provided in the Unit Operating Agreement.

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

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

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

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

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14. ROYALTY SETTLEMENT. The United States, the State of New Mexico and other royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a Working Interest Owner as herein in special cases provided for, such Working Interest Owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws, and regulations on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for the use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor and the Land Commissioner, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the plan of operations or as may otherwise be consented to by the Supervisor and the Land Commissioner as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this Unit Agreement.

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

Royalty due the State of New Mexico shall be computed and paid on the basis of the amounts allocated to unitized State land as provided herein at the rate specified in the State oil and gas lease.

Royalty due on account of privately owned lands shall be computed and paid on the masss of all Unitized Substances allocated to such lands.

by Working Interest Comers 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 of ligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or or minimum royalty is waived, suspended, or reduced by law or by approval of the Georetary or his duly authorized representative.

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

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

16. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulations.

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from Unitized Land by wells on land not subject to this agreement, or, with the prior consent of the Director and the Land Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor as to Federal leases and the Land Commissioner as to State leases.

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

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

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

(c) Suspension of drilling or producing operations on all Unitized Lands pursuant to direction or consent of the Secretary and the Land Commissioner, or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of Unitized Land.

- (d) Each lease, sublease or contract relating to the exploration, drilling development or operation for oil or gas of lands, other than those of the United States and State of New Mexico, committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.
- (e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this Unit Agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on Unitized Land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.
- (f) Each sublease or contract relating to the operation and development of Unitized Substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.
- (g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof, subject to the provisions of subsection (e) of Section 2, and subsection (i) of this Section 18.
- (h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, that any such lease is to the non-unitized portion shall continue in force and effect for the term thereof but for not less than two (2) years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; of if, at the expiration of the secondary term, the Lessee or the Unit Operator is then engaged in bonafide drilling or reworking opera ions on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

- 20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and the Land Commissioner or their duly authorized representatives as of the date of approval by the Secretary and shall terminate five (5) years from said effective date unless:
 - (a) such date of expiration is extended by the Director and the Land Commissioner, or
- (b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the Unitized Land is incapable of production of Unitized Substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and Land Commissioner, or
- (c) a valuable discovery of Unitized Substances has been made or accepted on Unitized Land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as Unitized Substances can be produced in quantities sufficient to pay for the cost of producing same from wells on Unitized Land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the Unitized Substances so discovered can be produced as aforesaid, or

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

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

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Land Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Conservation Commission.

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

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the Working Interest Owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, Working Interest Owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Conservation Commission, agree that all powers and authority vested in the Conservation Commission in and by any provisions of this agreement are vested in the Conservation Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

23. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the Conservation Commission or Land Commissioner or to apply for relief from any of said regulations or in any proceedings

relative to operations before the Department of the Interior, the Land Commissioner, or Conservation

Commission or any other legally constituted authority: provided, however, that any other interested

party shall also have the right at his own expense to be heard in any such proceeding.

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

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

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

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, Unit Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246, 30 FR 12319, which are hereby incorporated by reference in this agreement.

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

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

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

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

31. 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, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

ı IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and set opposite their respective names the date of execution. UNIT OPERATOR AND WORKING INTEREST OWNER TENNECO OIL COMPANY Fourth Floor, 201 Wall Building Midland, Texas Address: OTHER WORKING INTEREST OWNERS ATTEST: Date: Address: Date: ___ Address: Date: Address: THE STATE OF TEXAS X COUNTY OF MIDIAND The foregoing instrument was acknowledged before me this ______ day of ________, 1966, by J. P. Roach, Agent and Attornev-in-Fact of Tenneco Oil Company, a Delaware corporation, on behalf of said corporation. Notary Public in and for Midland County, Texas SUE ROEN
201 WALL EDDO. CTH FLOOR
MIDIAND, TOVIS
NOTAGY PUBLIC IN & FOR
MIDIAND COUNTY, TEXAS My commission expires June 1, 1966.

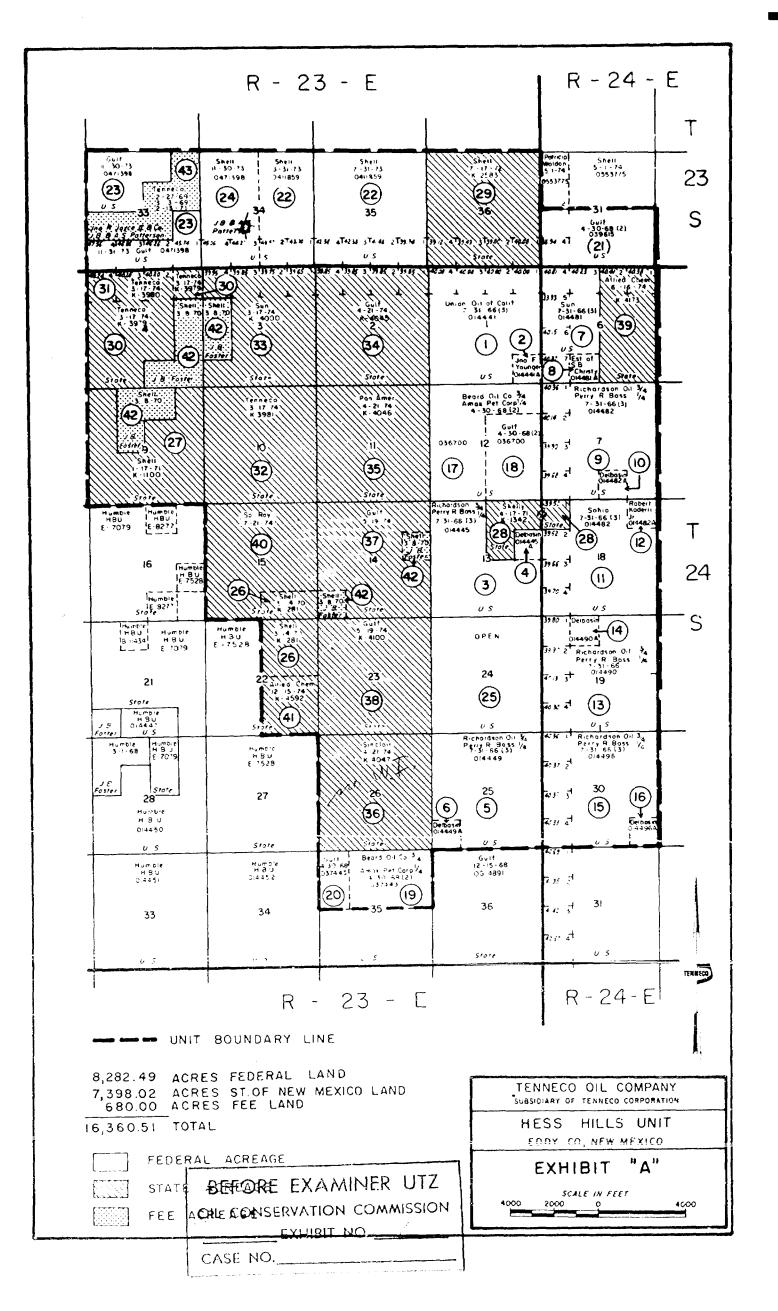


EXHIBIT B - HESS-HILLS UNIT AREA, EDDY COUNTY, NEW MEXICO TOWNSHIP 23 SOUTH, RANGE 23 EAST; TOWNSHIP 24 SOUTH, RANGE 23 EAST; TOWNSHIP 24 SOUTH, RANGE 24 EAST; N.M.P.M.

TRACT NO.	DESCRIPTION OF LEASE	NUMBER OF ACRES	SER.NO. & EXP. DATE OF LEASE	BASIC ROYAL' AND OWNERSH PERCENTAGE	IP	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE
	Federal land						
1	Lots 1,2,3,4, S½N½,SW½, N½SE½, SW½SE½ Section 1, Township 24 South, Range 23 East	600.00	NM-014441 7-31-66	12\%	Union Oil Company of California	Robert C. Thomas 2½%	*Union Oil Com- pany of California - All
2	SE\SE Sec. 1, Township 24 Sout Range 23 Zast		NM-014441(A) 7-31-66	12½%	John F. Younger	Robert C. Thomas 2½%	∜John F. Younger All
3	W ¹ ₂ & SE ¹ ₄ Sec.13 Township 24 Sout Range 23 East		NM-014445 7-31-66	123%	Richardson Oil, Inc75% Terry R. Bass - 25%	Martha C. Gillespie - 1/2 of 1% Edward M. Muse - 1/2 of 1%	*Richardson Oil, Inc 75% *Perry R. Bass- 25%
4	SENNEY Sec. 13, Townshi 24 South, Range 23 East		NM-014445(A) 7-31-66	12½%	Delbasin Corporation	Martha C. Gillespie- 1/2 of 1% Edward M. Muse-1/2 of 1%	*Delbasin Corporation - All
5	N½, SE½, N½SW½, SE½SW½ Sec. 25, Townsh: 24 South, Range 23 East	600.00 ip	NM-014449 7-31-66	12}%	Richardson Oil, Inc 75% Perry R. Bass - 25%	Leona T. Feather - 1/2 of 1% Edward M. Muse - 1/2 of 1%	*Richardson Oil, Inc 75% *Perry R. Bass - 25%
6	SW\2SW\2 Sec.25, Township 24 South, Range 23 East	40.00	NM-014449(A) 7-31-66	12½%	Delbasin Corporation	Leona T. Feather - 1/2 of 1% Edward M. Muse - 1/2 of 1%	*Delbasin Corporation - All
7	Lots 3,4,5,6, 7, SEŁNWŁ, NEŁSWŁ Sec.6, Township 24 South, Range 24 East	281.49	NM-014481 7-31-66	12½%	Sun Oil Company	T.M.Hobday - 3%	Sun Oil Company- All
8	SE\SW\ Sec.6, Township 24 South, Range 24 East	40.00	NM-014481 (A) 7-31-66	12\$%	Estate of S. B. Christy, Jr.	T.M.Hobday - 3%	Estate of S. B. Christy, Jr All
9	Lots 1,2,3,4, Elwin NEE, Nisel, Selsel Section 7, Tormship 24 South, Range 24 East	600.08	NM-014482 7-31-66	12½%	Richardson Oil, Inc 3/4 Perry R. Bass - 1/4	Mattie B.Lang 1/2 of 1: Edward M.Muse 1/2 of 1%	- *Richardson Oil, Inc - 75: *Perry R.Bass- 25
10	SWESEE Sec.7, Township 24 South, Range 24 East	40.00	NH-014482(A) 7-31-66	125%	Delbasin Corporation	Mattie B.Lans 1/2 of 1° Edward M.Muse 1/2 of 1°	-*Delbasin Cor- poration - All
11	Lots 2,3,4,E½ W½, SE½, S½NE½, NW½NE½ Sec. 18 Township 24 Sout Range 24 East		NM-014489 7-31-66	1.25%	Sohio Petroleum Company	Blanche V. White and Emmett White \$750.00 per acre oil pay- ment out of 27	

OIL CONSERVATION COMMISSION

EXHIBIT NO.

CASE NO.

EXHIBIT B - HESS-HILLS UNIT AREA, EDDY COUNTY, NEW MEXICO (Page 2)

TRACT	DESCRIPTION OF LEASE	NUMBER OF ACRES	SER. NO. & EXP. DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING WORKING ROYALTY & INTEREST & PERCENTAGE PERCENTAGE
12	NE'zNE'z Sec.18, Township 24 South, Range 24 East	40.00	NM-014489(A) 7-31-66	12½%	Robert Kaderli, Jr.	Blanche V. *Robert Kaderli,Jr White & - All Emmett White- \$750.00 per acre oil payment out of 27.
13	Lots 1,?.3,4, SE½NW½, E½SW½, E½ Sec. 19, Township 24 South Range 24 East	600.20	NM-014490 7-31-66	12½%	Richardson Oil, Inc 75% Perry R. Bass - 25%	Helen T.Boone-*Richardson Oil, 1/2 of 1% Inc 75% Edward M.Muse-*Perry R.Bass - 1/2 of 1% 25%
14	NEłNWł Sec. 19, Township 24 South Range 24 East	40.00	NM-014490(A) 7-31-66	12፟፟፟፟፟፟፟፟፟፟፠	Delbasin Corporation	Helen T. *Delbasin Corp- Boone - 1/2 oration - All of 17 Edward M.Muse- 1/2 of 17
15	Lots 1,2,3,4,E½W½ NE½,N½SE½, SW½SE½ Sec. 30, Township 24 South Range 24 East		NM-014496 7-31-66	12½%	Richardson Oil, Inc 75% Perry R.Bass - 25%	E.E. Unger - *Richardson Oil, 1/2 of 1% Inc 75% Edward M.Muse - *Perry R.Bass- 1/2 of 1% 25%
16	SEŁSEŁ Sec. 30, Township 24 South Range 24 East	40.00	NM-014496(A) 7-31-66	12½%	Delbasin Corporation	E.E.Unger - *Delbasin Corp- 1/2 of 1% oration - All Edward M.Muse- 1/2 of 1%
17	W눌,N눌NE값 Sec.12, Township 24 Sout Range 23 East	400.00 h,	NM-036700 4-30-68	12½%	Beard Oil Company- 75% Amax Petroleum Corporation-25%	Vola V. beard Oil Horst-1/2 Company -75% of 1% pay- Amax Petroleum able out Corporation - of Beard 25% Oil Company's & Amax Petroleum Corporation's Interest - Bruce Anderson- 3½% payable out of Amax Petroleum Corporation's 25%
10	SiNEL, SEL Sec.1 Township 24 Sout Range 23 East		MI-036700(A) 4-30-68	1213/ 12/2/s	Gulf Oil Corp- oration	Vola V.Horst- Gulf 011 1/2 of 1% Corporation - Bruce Anderson- All 4½%
19	NEW, ENWY Sec. 35, Township 24 South, Range 23 East	240.00	NM-037443 4-30-68	12½%	Beard Oil Company - 75% Amax Petroleum Corporation-25%	Vola V. Beard Oil Horst - 1/2 Company - 75' of 1' pay Amax Petroleum able out of Corporation - Beard Oil 25'. Company's & Amax Petroleum Corporation's Interest - Bruce Anderson- 3'% payable out of Amax Petroleum Corporation's 25'
	Whit Sec.35, Township 24 South Range 23 East	80.00	M-037443(A) 4-30-68	12½ÿ	Gulf Oil Corporation	Vola V. *Guif Oil Corp- Horst-1/2 oration - All of 1% Bruce Ander- son - 4%/

EXHIBIT B - HESS-HILLS UNIT AREA, EDDY COUNTY, NEW MEXICO (Page 3)

TRACT_NO.		NUMBER F ACRES	SER. NO. & EXP. DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCANTAGE		OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE
21	Lots 3,4,E2SW2, SE2 Sec. 31, Township 23 South Kange 24 East	311.76	NM- 039615(A) 4-30-68	12½%	Gulf Oil Corporation	Noover Wright- 3%; Senemex, Inc\$500.00 per acre oil payment out of 2%.	Corporation - All
22	Lots 1,2,N½SE½, NE½ Sec.34; Lots 1,2,3,4,N½S½, N½ Sec. 35, Township 23 South Range 23 East	972.81	NM-0411859 7-31-73	12½%	Shell Oil Company	Velma M. Duncan and Walter Duncan - 5%	*Shell Oil Company - All
23	Lots 1,2,3,4, NEZSEZ,NWZ,NWZNEZ Sec. 33, Township 23 South, Range 23 East		NM-0471398 11-30-73	12½7,	Gulf Oil Corporation	Patricia Boyle 5%	-*Gulf Oil Corporation- All
24	Lots 3,4,N ¹ ₂ SW ¹ ₂ , NW ¹ ₂ Sec. 34, Township 23 South Range 23 East	329.28	NM-0471398(A) 11-30-73	12፟፟፟፟፟፟፟፟፟፟፟	Shell Oil Company	Patricia Boyle - 5%	*Shell Oil Company - All
25	All Section 24, Township 24 South Range 23 East	640.00	UNLEASED		UNLEASED		UNLEASED
	25 Federal Tracts	8,282.49	Acres or 50.6%	of Unit Area			
	State land						
26	Signification Signification Signification Sec. 2 2, Township 24 South, Range 23 East	240.00	K-281 3-14-70	12 <u>1</u> %	Shell Oil Company	NONE	*Shell Oil Company - All
27	NEŽNEŽ, SŽNEŽ, WŽNWŽ, SŽ Sec. 9, Town- ship 24 South, Range 23 East	520.00	K-1106 1-16-71	12½%	Shell Oil Company	NONE	*Shell Oil Company - All
28	Ninel, Swinel Sec. 13, Township 24 South, Range 23 East; Lot 1, Sec. 18, Township 24 South Range 24 East.	159.58	K-1342 4-18-71	12출%	Skelly Oil Company	NONE	Skelly Oil Company - All
29	Lots 1,2,3,4, N½5½, N½ Sec. 36, Township 23 South, Range 23 East	638.49	K-2583 7-17-72	12½%	Shell Oil Company	NONE	*Shell Oil Company - All
30	Lot 1, SWANER, NWASER, SANWA, SWA Sec. 4, Township 24 South, Range 23 East	360.04	К-3979 3-17-74	12½%	Tenneco Oil Company	NONE	Tenneco Oil Company - All
31	Lots 2,3,4, Sec. 4, Town- ship 24 South, Range 23 East	120.52	K-3980 3-17-74	1257	Tennece Oil Company	NONE	Tenneco Oil Company - All

EXHIBIT B - HESS-HILLS UNIT AREA, EDDY COUNTY, NEW MEXICO (Page 4)

33 34 35	All Sec. 10, Township 24 South, Range 23 East Lots 1,2,3,4, S\n\2, SE\n\4, S\n\2, SE\n\4, Sec. 3, Township 24 South, Range 23 East Lots 1,2,3,4, S\n\2 S\2 Sec. 2, Township 24 South, Range 23 East All Sec. 11, Township 24 South, Range 23 East All Sec. 26, Township 24 South Range 23 East	640.00 559.20 639.20 640.00	K-3981 3-17-74 K-4000 3-17-74 K-4045 4-21-74	12½% 12½% 12½%	Tenneco Oil Company Sun Oil Company Gulf Oil Corporatio	NONE n NONE	Tenneco Oil Company - All *Sun Oil Company - All *Gulf Oil Corporation - All
34 35	Stynct, Setynut, Swiswi, Etswit, Sei, Sec. 3, Township 24 South, Range 23 East Lots 1,2,3,4, Stynty Sty Sec. 2, Township 24 South, Range 23 East All Sec. 11, Township 24 South, Range 23 East All Sec. 26, Township 24 South	639.20 640.00	X-4045 4-21-74 K-4046 4-21-74	12½%	Gulf Oil Corporatio	n NONE	pany - All *Gulf Oil Corporation -
35	S½ N½ S½ Sec. 2, Township 24 South, Range 23 East All Sec. 11, Township 24 South, Range 23 East All Sec. 26, Township 24 South	640.00	4-21-74 K-4046 4-21-74		·		Corporation -
36	Township 24 South, Range 23 East All Sec. 26, Township 24 Sout		4-21-74	123%			
<i>,</i> *	Township 24 Sout	640.00			Pan American Petrol eum Corporation	- NONE	*Pan American Petroleum Corporation - All
			K-4047 4-21-74	12፟፟፟፟፟፟፟፟፟፟፠	Sinclair Oil & Gas Company	NONE	Sinclair Oil & Gas Company - All
	NhNEŁ, SWŁNEŁ, NWŁ, SEŁ, NŁSWŁ, SEŁSWŁ, Sec. 14, Township 24 Sout Range 23 East	•	K-4099 5-19-74	12½%	Gulf Oil Corporatio	n NONE	*Gulf Oil Corporation - All
	All Sec. 23, Township 24 South, Range 23 Easc	640.00	K-4100 5-19-74	12½%	Gulf Oil Corporatio	n NONE	*Gulf Oil Corporation - All
	Lots 1,2,S½NE½, SE½ Sec. 6, Township 24 Sola Range 24 East		K-4173 6-16-74	12½%	Allied Chemical Corporation	NONE	Allied Chemical Corporation - All
	W ₂ , NE ₂ ,N ₂ SE ₂ Sec. 15,Township 24 South, Range East		K-4255 7-21-74	12½%	Southland Royalty Company	NONE	Southland Royalty Company All
	SE'z Sec. 22, Township 24 Sout Range 23 East	160.00 th,	K-4292 12-15-74	125%	Allied Chemical Corporation	NONE	Allied Chemical Corporation - All
	16 State Tracts	7,398.02	Acres or 45.2%	of Unit Area		·····	
	Patented land						
	SUNNE, NWESUE Sec.3; SEENEE, EESEE, SWESEE Sec. 4; EENWE, NWENEE Sec. 9; SUESWE, SEENEE Sec. 14, Townshi 24 South, Range 23 East		Patented land. 3-8-70	12½%	Shell Oil Company	NONE	*Shell Oil Company - All
	Ethnet, Swinet, NWESEL, NESWE Sec. 33, Townshi 23 South, Range East 2 Patented Tracts	23	Patented land. 2-27-69 3-3-69 2-13-71 es or 4.1% of Un	12½% it Area	Tenneco Oil Company	NONE	Tenneco Oil Company - Ail

Tenneco Oil Company will earn from indicated Working Interest Utmers 1/2 record title and 1/2 working interest upon completion of first well.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS 1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 19, 1966

EXAMINER HEARING

IN THE MATTER OF: Application of Tenneco Oil Company for a unit agreement, Eddy County, New Mexico.

) Case No. 3430

BEFORE: ELVIS A. UTZ, Examiner

TRANSCRIPT OF HEARING



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 ALBUQUERQUE, NEW MEXICO
ALBUQUERQUE, NEW MEXICO 1092 • PHONE 243-6691 • PHONE 256-1294 • 3430.

MR. UTZ: The Hearing will come to order. Case

MR. HATCH: Application of Tenneco Oil Company for a unit agreement, Eddy County, New Mexico.

> (Whereupon, Exhibits A through F marked for identification.)

MR. KELLY: Booker Kelly of White, Gilbert, Koch and Kelly, on behalf of the Applicant Tenneco. I have two witnesses and ask that they be sworn.

(Witnesses sworn.)

MR. UTZ: Are there other appearances? You may proceed.

K. H. GRIFFIN, called as a witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLY:

- Would you state your name and position, please, and Q residence?
- K. H. Griffin, Midland, Texas. Independent operator working in behalf of Tenneco in this particular case.
 - You have previously testified before this Commission? Q
 - I have.
- Would you state briefly what Tenneco seeks by this Q

application?



A We are seeking to form a 16,460 acre exploratory type unit, Western Eddy County, constitutes 25 tracts of Federal land, 16 tracts of State land, 2 tracts of Fee land.

Q Now, referring to what has been marked Tenneco's Exhibit A, would you show the Examiner the outline area of the proposed unit?

- A Yes. I believe he has Exhibit A.
- Q Yes, he has all the Exhibits. What is the area that will be included in the Unit Agreement?

A It's an area shown on the plat in the dashed outline, constitutes acreage out of 23 South, 23 East and 24 East, 24 South and 23 and 24 East.

MR. UTZ: Is that complete description within the Unit Agreement somewhere?

A Yes, and the Exhibit B there is a tabulated description, all the tracts by acreage content, lots and so forth.

MR. UTZ: By operator?

A By operator.

MR. UTZ: What we will need is a complete description of the unit. It's in here --

- A That is shown on Exhibit A and tabulated on Exhibit

 B. I believe toward the front of the Unit Agreement itself

 there is a tabulation of the acreage, or the description.
 - Q (By Mr. Kelly) Attached to Exhibits A and B is the



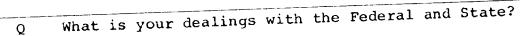
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proposed Unit Agreement, is that correct?

- A Correct.
- Q Does this Unit Agreement constitute an offer similar to that which was made to all proposed operators?
- A Yes. The same agreement was submitted to all 18 operators in the unit area.
- Q Referring to your Unit B, what is your sign-up at the present time?
- A We have 92.1 per cent of the working interest owners, and today we have over 60 per cent of the overriding royalty.
 - Q Have you had any turn-downs?
- A No turn-down on the overriding royalty. We have had one company decline to join as a working interest owner in Tract 36.
 - Q Give the section and range on that.
 - A Section 26, Township 24 South, Range 23 East.
 - Q How about the Fee interest?
- A We are in the processes of securing the ratification by the royalty owners there at the present time. Each operator is getting their own. We have encountered no difficulty to date. We anticipate approximately 100 per cent.
 - Q Is there any Federal or State land under this unit?
 - A Yes.



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A We have discussed this with Mrs. Rhea, we have also discussed it with USGS in Roswell. We have the Washington preliminary approval dated June 7th.

Q Have you been unable to contact any of the royalty owners?

A We have located them all.

Q And you don't anticipate any objection by them?

A No. We do not.

Q What formations will be unitized?

A This is a unit to all horizons, all depths.

Q Can you describe this as a basically standard Unit Agreement?

A This Unit Agreement was prepared from the standard print from the State Land Office, which is patterned after the '61 reprint of the Government, with the changes that Mrs. Rhea requires for the State.

Q Could you show the location of your proposed discovery well?

A The initial test is to be located in the northeast quarter of the southwest quarter, Section 34, Township 23 South, Range 23 East.

Q What zone are you going for?

A It's scheduled to be a Morrow test at approximately



CONVENTIONS

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BOX 1

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10,200 feet.

MR. KELLY: I have no further questions of this witness. We have a further witness to testify to the geology. MR. UTZ: What is the location of the initial well, again?

- The northeast of the southwest of 34. Α MR. KELLY: One other question.
- Q (By Mr. Kelly) Is there any deadline, as far as endangering your leases, for getting this well drilled?
 - It must be commenced by the 31st day of this month. Α
- Do you then request if this application be granted it be granted immediately?
 - Α Correct.

MR. KELLY: That's all I have.

MR. UTZ: Are there questions of the witness? He may be excused.

(Witness excused.)

RAYMOND W. RALL, called as a witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLY:

Q Would you state your name, position and employer, please?

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A I am Raymond W. R-a-1-1. I am senior geologist in the Midland, Texas District of Tenneco Oil Company.

Q Have you previously testified before the New Mexico Oil Conservation Commission?

A No, sir, I have not.

Q Would you give the Examiner a brief statement as to your professional education and qualifications?

A I'm a graduate of the University of Illinois with a Batchelor of Science and Master of Science degree in geology. I have been working as a petroleum geologist since 1951 immediately after graduation from school. During that time I have been with the Pure Oil Company for eight years, and I have been with Tenneco for seven.

Q Has part of your work involved the study of the geology in the proposed unit?

A Yes, sir, it has.

MR. KETLY: Are the witness' qualifications acceptable?

MR. UTZ: Yes, sir.

Q (By Mr. Kelly) Referring to Exhibit C, which is a cross section, would you explain the relevance of that to the Examiner?

A The cross section is a northwest southeast section immediately north of the proposed unit. It is made to illustrate



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S BLDG. . P.O. BOX I

Yes, sir.

the correlations made through the area and to show the primary potential pay zone. The unit designated on the cross section as Reef is the primary zone from which the well will be drilled.

That's in the Strawn?

Now, referring to what you have marked Exhibits D, E, and F, which are structure maps and isopach, would you explain their relevance to the Examiner?

Exhibit D is a structure map on top of the Devonian which is shown on the cross section as the lowermost correlation point on the cross section. This map shows a structural trend extending to the southeast in the vicinity of the Indian Basin Gas Field. The structure becomes important in the area because we think in this area the Strawn Reef crosses a structural trend and at that point there should be an oil or gas trap.

Exhibit E is a structure map drawn on top of the first identifiable Pennsylvanian, actually it's the top of the Pennsylvanianlimestone in the area. This map likewise shows a structural trend extending to the southeastward from the Indian Basin Gas Field. The reefing that we expect in the area enters the unit from the northwest and as it crosses this previously mentioned Devonian structure that's where the



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 ALBUQUERQUE, NEW MEXICO
ALBUQUERQUE, NEW MEXICO 243.6691 BOX 1092 trap should be.

Now, the Wolfcamp isopach, Exhibit F, is a map of the thickness of the Wolfcamp overlying the Pennsylvanian. This is an indirect method here of mapping reef structure or reef growth in that in the areas that have the greatest amount of reef growth. The overlying unit should be the thinnest and a thin does extend through this area. That supports the contention of a reef buildup in the area.

- I believe it was your testimony earlier that the unit was designed primarily to produce from the Strawn, is that correct?
 - That is right, yes. Α
- However, you do feel that these two other zones of Pennsylvanian would be productive of oil or gas?
- Yes. It is rather difficult in the area to know specifically how high the reefing may occur. We expect it to be at least Strawn but it could extend higher up into the section as is the case in the Indian Basin Field.
- Now, in your opinion, would the approval of this unit prevent waste and promote the efficient production of oil and gas in this unit and protect the correlative rights of the various operators?
 - Yes, sir, it would.
 - Now, I believe that you yourself, did not prepare



DAILY COPY,

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the Exhibits you have testified to?

That's right. I did not prepare the maps myself. However, I have reviewed all of the geology in the area and I am in agreement with those that are depicted and I have reviewed the geology, have constructed maps of my own, and they are in agreement.

MR. KELLY: I didn't get the first three Exhibits in, do you want me to recall the witness for that?

MR. UTZ: No.

MR. KELLY: They were just factual items. I would move the introduction of Exhibits A through F.

MR. UTZ: Without objection they will be entered into the record.

> (Whereupon, Exhibits A through F offered and admitted in evidence.)

MR. KELLY: That's all we have on direct examination.

MR. UTZ: Any questions of the witness?

MR. PORTER: Your proposed first test well --

MR. UTZ: It's in Section 34?

Section 34 of 23 South, 23 East.

MR. PORTER: And you propose to go to the Devonian, through the Devonian?

Well, the well is proposed to be a 10,200 foot Morrow test.



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SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIAMS BIDG. • P.O. BOX 1092 • PHONE 243-6491 • ALBUQUERQUE, NEW MEXICO 1203 FIPST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO MR. PORTER: That's all I had.

MR. UTZ: Any other questions? The witness may be excused.

(Witness excused.)

MR. UTZ: Any other statements in this case? The case will be taken under advisement.



SPECIALIZING IN: DEPOSITIONS, HEAKINGS, STATE MENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS	
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) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill, and ability.

Witness my Hand and Seal this 28th day of July, 1966.

NOTARY PUBLIC

My Commission Expires:

June 19, 1967.

I do hareby certify that the foregoing to a current of the promed as in the Exercise of the promed as 13.430, the Exercise of Case No.3.430, then it is to on July 19 ..., 19 66.

New Mexico Cil Concervation Commission

1630

27

July 26, 1966

Griffin & Ross 216 1st State Bank Building Midland, Texas 79701

> Re: Hess Hills Unit Eddy County, New Mexico

Gentlemen:

The Commissioner of Public Lands approved as of July 25, 1966, the Hess Hills Unit Agreement, Eddy County, New Mexico; subject to like approval by the United States Geo-

We handed to Mr. Ken Griffin fourteen originally executed Certificates of Approval.

This Unit Agreement is effective upon approval by the United State sological survey, therefore, please Curnish us a copy of their Certificate of Note mainstion immediatly.

We are enclosing Official Receipt No. A 20000 in the amount of One Hundred Whinty Five (\$135.00) Do Llave which

Very truly yours,

GUYTON B. HAYN

COMMISSIONER OF PUBLIC FAUDS Red Bilberry, Middebor

Oil and Gun Department

BH/MAR/o

co: Oil Conservation commission

Mante re, Northerine

United States Geological Survey Roswall, New Mexico



France 1607 Concell, Williams 1613

TOLO LE 3, Lynd

Teamece 011 Company Tearth Ploor, 201 0011 haildin. Midland, Temps 707 N

Attention: dr. A. A. Troncasa

Sentlemen:

We acknowledge receipt on "mytendor 34, 1900, of ratiolications and joinders to the meas dills unit agreement, 20, 14-20-201-8796, Eddy County, New Pexico, executed by Vola V. Dannel, overriding rayelty owner in Rederal unit tracts Now, 17, 16, 17, and 20; and lengues, Inc., overriding royalty owner in Rederal unit tracts.

Soples of the ratifications and pointers the self of the fortes to the appropriate deforal offices.

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Schooler J. 1960

Teuneco fil Coupany Fourth Floor, 201 Sall Suilding Midland, Texas 79701

Attention: Pr. A. I. Prostum

Centlemen:

Your letter of September 29 received on september 30, 1966, transmits four copies of a ratification and joineer to the mean fills unit agreement, So. 14-05-0301-3790, addy County, Now Lowico, executed by Reese and Rozelle D. Cisvaland, the will become the lessee of record and working interest owner of tract to. 25 mpc. issuance of Rederal lease of-405.

Fursuant to section 20 of the less halls unit agreement, unit tract to. 25 (lease offer 18-485) will be considered effectively corrected to the mess tills unit agreement as of the effective date of the lease.

Copies of the ratification and follower are being easter outsi to the appropriate Tederal offices.

- Carrenal royenra,

Cont

- 6.1 . . Vijenine Grigant (Calabo) - Griganija e

co:
 Lastington (w/ey judictor)
Artesia (w/ey judictor)
SLM - Sunta Fe (w/ey judictor)
Cos. of Pub. Lands - Canta Fe (ttr. only)
NFOCC- Senta Fe (ttr. only)



Connection (1997)

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Gridian & Succe Res. Building Midland Towns 7070

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Drawer 1357 Roswell, New Mexico 33201

August 26, 1966

Griffin & Koss 216 First State Bank Building Midland, Texas 79701

Attention: Mr. Ken II. Griffin

Gentlemen:

We hereby acknowledge receipt on August 26, 1966, of a ratification and joinder to the Hess Hills unit agreement, No. 14-08-0001-3798, Eddy County, New Mexico, executed by Robert C. Thomas, overriding royalty owner in Federal unit tracts Nos. 1 and 2.

Copies of the ratification and joinder are being distributed to the appropriate Federal offices.

Sincerely yours,

(ORIG. SQD) JOHN A. ALAMADON

JOHN A. ANDERSON Regional Oil and Gas Supervisor

ce:
Washington (w/cy of joinder)
Artesia (w/cy of joinder)
BLM, Santa Fe (w/cy of joinder)
Con. of Public Lands, Santa Fe (ltr. only)
NMOCC, Santa Fe (ltr. only)



Drawe: 1537 Roswell New Mexico 3520

August 12 1186

Griffin & Boss 216 First State Book Bull Cing M. diami Taxes 70700

Attention: No. Robert B. Ross

Grad aven:

We havely estimated a receipt on August 10. 17.6. of a recillarion and jourier to the Base Bills and appearent. Bo. 14-05-0001-07% Soly County, New Maximus executed by J. B. Poster and villa Maddlina Poster, basic royalty owners in San Jand and target No. 42.

Section 1) of the Mess Mills unit approved provides then subsequent joinders to the expressed shall be effective as of the first day of the meath following the filling with the Supervisor and the Compissioner of Public Lands, State of Mass Musico. Our records chose then tescipt of the joinder by the Commissioner was admirably by latter of August 10. Accordingly, the above are ribed joinder is compiled effective as of September 1 1006.

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GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico

Bil Conservation Commission

LAND COMMISSIONER GUYTON B. HAYS MEMBER



P.O.BOX 2088 SANTA FE STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

July 20, 1966

Mr. Booker Kelly White, Gilbert, Koch & Kelly Attorneys at Law Post Office Box 787 Santa Fe, New Mexico

Re: Case No. 3430
Order No. R-3093
Applicant:

Tenneco Oil Company

Dear Sir:

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

Very truly yours.

A. L. PORTER, Jr. Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC X
Aztec OCC ____

OTHER Mr. Ken Griffin, Griffin & Ross

1st State Bank Building, Midland, Texas

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

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

> CASE No. 3430 Order No. R-3093

APPLICATION OF TENNECO OIL COMPANY FOR APPROVAL OF THE HESS HILLS UNIT AGREEMENT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 19, 1966, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 20th day of July, 1966, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Tenneco Oil Company, seeks approval of the Hess Hills Unit Agreement covering 16,360.51 acres, more or less, of State, Pederal and Fee lands described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 23 SOUTH, RANGE 23 EAST, NMPM
Sections 33 through 36: All

TOWNSHIP 23 SOUTH, RANGE 24 EAST, NMPM Section 31: S/2

TOWNSHIP 24 SOUTH, RANGE 23 EAST, NMPM Sections 1 through 4: All Sections 9 through 15: All Section 22: E/2 Sections 23 through 26: All Section 35: N/2

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM Sections 6 and 7: All Sections 18 and 19: All Section 30: All

-2-CASE No. 3430 Order No. R-3093

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

IT IS THEREFORE ORDERED:

- (1) That the Hess Hills Unit Agreement is hereby approved.
- (2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom,
- (3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.
- (4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Gaological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.
- (5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO

ATT COMPERANTION COMMISSION

JACK M. CAMPBELL Chairman

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

Docket No. 18-66

DOCKET: EXAMINER HEARING - TUESDAY - JULY 19, 1966

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

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

- CASE 3428: Application of Continental Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Eumont-Hardy Unit Area comprising 1,930 acres, more or less, of State, Federal and Fee lands in Township 20 South, Ranges 37 and 38 East, and Township 21 South, Ranges 36 and 37 East, Lea County, New Mexico.
- Application of Continental Oil Company for two waterflood projects, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Yates, Seven Rivers, and Queen formations, Eumont Pool, through 28 wells in its Eumont Hardy Unit. Applicant further seeks the approval of an offsetting cooperative waterflood project to be conducted on its SEMU Eumont lease by the injection of water into two wells in Section 25, Township 20 South, Range 37 East, all in Lea County, New Mexico.
- CASE 3430: Application of Tenneco Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Hess Hills Unit Area comprising 16,801 acres, more or less, of State, Federal and Fee lands in Townships 23 and 24 South, Ranges 23 and 24 East, Eddy County, New Mexico.
- CASE 3431: Application of Sinclair Oil & Gas Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the approval of the dual completion of its W. H. Turner Well No. 1 located in Unit L of Section 29, Township 21 South, Range 37 East, Lea County, New Mexico, to produce oil from the Drinkard Oil Pool through 2-inch tubing and to produce oil from the Blinebry Oil Pool through the casing-tubing annulus.
- CASU 3432: Application of Gulf Oil Corporation for down-hole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle in the well-bore marginal oil production from the Arrowhead Drinkard Pool and an undesignated Blinebry Pool in its Harry Leonard (NCT-C) Well No. 11 located in Unit K of Section 36, Township 21 South, Range 36 East, Lea County, New Mexico.

CASE 3252 (Reopened):

In the matter of Case No. 3252 being reopened pursuant to the provisions of Order No. R-2917, which order established 640-acre spacing units for the McMillan-Morrow Gas Pool, Eddy County, New Mexico, for a period of one year after first pipeline connection in the pool. All interested parties may appear and show cause why said pool should not be developed on 320-acre spacing units.

- 2 - JULY 19, 1966 EXAMINER HEARING

CASE 3433: Application of Skelly Oil Company for an exception to Rule 104, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 104 C I of the Commission Rules and Regulations to permit the production of oil from two wells located less than 660 feet apart in the West Dollarhide-Drinkard Pool, Lea County, New Mexico. Applicant's Mexico "L" Well No. 18 located 1656 feet from the North line and 990 feet from the East line of Section 5, Township 25 South, Range 38 East, is presently completed in said pool, and applicant proposes to recomplete its Well No. 2, located 1980 feet from the North line and 660 feet from the East line of said Section 5 in said pool, with the assignment of a single 40-acre allowable to both wells.

CASE 3259 (Reopened):

In the matter of Case No. 3259 being reopened pursuant to the provisions of Order No. R-2929, which order established 160-acre spacing units for the Nonombre-Upper Pennsylvanian and Nonombre-Lower Pennsylvanian Pools, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pools should not be developed on 40-acre or 80-acre spacing units.

- CASE 3434: Application of Shell Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the approval of the dual completion (conventional) of its South Wilson Deep Unit Well No. 2 located in Unit J of Section 33, Township 21 South, Range 34 East, Lea County, New Mexico, to produce oil from an undesignated Bone Springs Oil Pool and to produce gas from the Grama Ridge-Morrow Gas Pool through parallel strings of tubing.
- CASE 3435: Application of Tidewater Oil Company for a capacity allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the assignment of a capacity allowable to its GO State "J" Well No. 1 located in Unit H of Section 7, Township 17 South, Range 33 East, Maljamar Pool, Lea County, New Mexico. Said well offsets the waterflood project operated by Great Western Drilling Company on its Malmar Unit in said Section 7.
- CASE 3436: Application of Leonard Latch for a gas injection project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a gas injection project in the Empire Yates-Seven Rivers Pool, Eddy County, New Mexico, by the injection of gas into the Yates formation through his Berry "A" Wells Nos. 11 and 26, located in Units K and O, respectively, of Section 24, Township 17 South, Range 27 East.

KEN H. GRIFFIN 906 Vaughn Building Midland, Texas

June 23, 1966

A. 3.430

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

Attention: Mrs. Ida Rodriguez

Re: Proposed Hess Hills Unit Eddy County, New Mexico

Gentlemen:

K. H. Griffin, 906 Vaughn Building, Midland, Texas, acting in behalf of Tenneco Oil Company, requests that a hearing be set to consider application for approval of the Hess Hills Unit, Eddy County, New Mexico. The unit area for this exploratory type unit will consist of seventeen state tracts, twenty-six federal tracts and two fee tracts out of Township 23 South, Ranges 23 and 24 East and Township 24 South, Ranges 23 and 24 East as outlined on the attached plat, containing in all 16,801.32 acres.

Your consideration in setting this matter for hearing on the July 20, 1966 Examiner hearing docket will be appreciated. If additional information is desired, please do not hesitate to advise.

Cours very truly.

K. H. Griffin

KHG/be

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BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:	
	CASE No. 3430
	Order No. R-3093
APPLICATION OF TENNECO OIL COMPANY FOR APPROVAL OF THE HESS HILLS UNIT AGREEMENT, EDDY , COUNTY, NEW MEXICO	 0.
ORDER OF THE COMMISSION	
BY THE COMMISSION:	
This cause came on for hearing at 9 = 1 July 19 , 196 6, at Santa Fe, New Mexico Elvis A. Utz	clock a.m. on , before Examiner
NOW, on this <u>day of July</u> , a quorum being present, having considered the and the recommendations of the Examiner, and in the premises,	e testimony, the record,
FINDS:	
(1) That due public notice having been law, the Commission has jurisdiction of this matter thereof.	
(2) That the applicant,Tenneco	Oil Company,
seeks approval of the Hess Hills 16,360.51	State,
covering 16,7801 acres, more or less,	of Federal lands and Fee
described as follows:	
EDDY COUNTY, NEW ME	XICO

TOWNSHIP 23 SOUTH, RANGE 23 EAST, NMPM Sections 33 through 36: All

TOWNSHIP 23 SOUTH, RANGE 24 EAST, NMPM Section 31: S/2

TOWNSHIP 24 SOUTH, RANGE 23 EAST, NMPM

Sections 1 through 4: All

Sections 9 through 15: All

Section 22: E/2

Sections 23 through 26: All

Section 35: N/2

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM Sections 6 and 7: All

Sections 18 and 19: All

Section 30: All

concaining 10,559,51 acres, hore of less

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

IT IS THEREFORE ORDERED:

- (1) That the Hess Hills Unit Agreement is hereby approved.
- (2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.
- (3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.
- of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate <u>ipso facto</u> upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.
- (5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated. Case 3430 Veurd 6-18-66 Ren. 6-18-66 1. approve Dennier's Hera Hiller und aggreement la describel in enne aggreement. SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS. EXFERT TESTIMONY, DAILY COPY, CONVENTIONS 1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 19, 1966

EXAMINER HEARING

IN THE MATTER OF: Application of Tenneco Oil Company for a unit agreement, Eddy County, New Mexico.

Case No. 3430

BEFORE: ELVIS A. UTZ, Examiner

TRANSCRIPT OF HEARING



MR. UTZ: The Hearing will come to order. Case

3430.

MR. HATCH: Application of Tenneco Oil Company

MR. HATCH: Application of Tenneco Oil Company for a unit agreement, Eddy County, New Mexico.

(Whereupon, Exhibits A through F marked for identification.)

MR. KELLY: Booker Kelly of White, Gilbert, Koch and Kelly, on behalf of the Applicant Tenneco. I have two witnesses and ask that they be sworn.

(Witnesses sworn.)

MR. UTZ: Are there other appearances? You may proceed.

* * *

K. H. GRIFFIN, called as a witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLY:

- Q Would you state your name and position, please, and residence?
- A K. H. Griffin, Midland, Texas. Independent operator working in behalf of Tennaco in this particular case.
 - Q You have previously testified before this Commission?
 - A I have.
- Q Would you state briefly what Tenneco seeks by this application?



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1120 SIMMS BIDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 1203 FIRST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO A We are seeking to form a 16,460 acre exploratory type unit, Western Eddy County, constitutes 25 tracts of Federal land, 16 tracts of State land, 2 tracts of Fee land.

Q Now, referring to what has been marked Tenneco's Exhibit A, would you show the Examiner the outline area of the proposed unit?

A Yes. I believe he has Exhibit A.

Q Yes, he has all the Exhibits. What is the area that will be included in the Unit Agreement?

A It's an area shown on the plat in the dashed outline, constitutes acreage out of 23 South, 23 East and 24 East, 24 South and 23 and 24 East.

MR. UTZ: Is that complete description within the Unit Agreement somewhere?

A Yes, and the Exhibit B there is a tabulated description, all the tracts by acreage content, lots and so forth.

MR. UTZ: By operator?

A By operator.

MR. UTZ: What we will need is a complete description of the unit. It's in here --

A That is shown on Exhibit A and tabulated on Exhibit
B. I believe toward the front of the Unit Agreement itself
there is a tabulation of the acreage, or the description.

Q (By Mr. Kelly) Attached to Exhibits A and B is the



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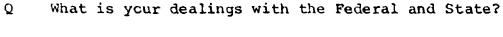
NEW MEXICO PHONE 243-6691
 PHONE 256-1294 BOX 1 S BIDG. . P.O. B

proposed Unit Agreement, is that correct?

- Α Correct.
- Does this Unit Agreement constitute an offer similar Q to that which was made to all proposed operators?
- Yes. The same agreement was submitted to all 18 operators in the unit area.
- Q Referring to your Unit B, what is your sign-up at the present time?
- We have 92.1 per cent of the working interest owners, and today we have over 60 per cent of the overriding royalty.
 - Q Have you had any turn-downs?
- Α No turn-down on the overriding royalty. We have had one company decline to join as a working interest owner in Tract 36.
 - Give the section and range on that. Q
 - Section 26, Township 24 South, Range 23 East. Α
 - Q How about the Fee interest?
- Α We are in the processes of securing the ratification by the royalty owners there at the present time. Each operator is getting their own. We have encountered no difficulty to date. We anticipate approximately 100 per cent.
 - Is there any Federal or State land under this unit?
 - Α Yes.



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A We have discussed this with Mrs. Rhea, we have also discussed it with USGS in Roswell. We have the Washington preliminary approval dated June 7th.

Q Have you been unable to contact any of the royalty owners?

A We have located them all.

Q And you don't anticipate any objection by them?

A No. We do not.

Q What formations will be unitized?

A This is a unit to all horizons, all depths.

Q Can you describe this as a basically standard Unit Agreement?

A This Unit Agreement was prepared from the standard print from the State Land Office, which is patterned after the '61 reprint of the Government, with the changes that Mrs. Rhea requires for the State.

Q Could you show the location of your proposed discovery well?

A The initial test is to be located in the northeast quarter of the southwest quarter, Section 34, Township 23 South, Range 23 East.

Q What zone are you going for?

A It's scheduled to be a Morrow test at approximately



 ALBUQUERQUE, NEW MEXICO
ALBUQ JERQUE, NEW MEXICO 243-6691 • 092 BOX 1 SIMMS BLDG. . P.O. 10,200 feet.

MR. KELLY: I have no further questions of this witness. We have a further witness to testify to the geology. MR. UTZ: What is the location of the initial well, again?

- The northeast of the southwest of 34. A MR. KELLY: One other question.
- Q (By Mr. Kelly) Is there any deadline, as far as endangering your leases, for getting this well drilled?
 - It must be commenced by the 31st day of this month. A
- Do you then request if this application be granted Q it be granted immediately?
 - Correct. Α

MR. KELLY: That's all I have.

MR. UTZ: Are there questions of the witness? He may be excused.

(Witness excused)

RAYMOND W. RALL, called as a witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLY:

Q Would you state your name, position and employer, please?

HEARINGS, STATE MENTS, E. PERT TESTIMONY, DAILY COPY, CONVENTIONS dearnley-meier segerting server un.



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A I am Raymond W. R-a-1-1. I am senior geologist in the Midland, Texas District of Tenneco Oil Company.

- Q Have you previously testified before the New Mexico
 Oil Conservation Commission?
 - A No, sir, I have not.
- Q Would you give the Examiner a brief statement as to your professional education and qualifications?

A I'm a graduate of the University of Illinois with a Batchelor of Science and Master of Science degree in geology. I have been working as a petroleum geologist since 1951 immediately after graduation from school. During that time I have been with the Pure Oil Company for eight years, and I have been with Tenneco for seven.

- Q Has part of your work involved the study of the geology in the proposed unit?
 - A Yes, sir, it has.

MR. KELLY: Are the witness' qualifications acceptable?

MR. UTZ: Yes, sir.

- Q (By Mr. Kelly) Referring to Exhibit C, which is a cross section, would you explain the relevance of that to the Examiner?
- A The cross section is a northwest southeast section immediately north of the proposed unit. It is made to illustrate



the correlations made through the area and to show the primary potential pay zone. The unit designated on the cross section as Reef is the primary zone from which the well will be drilled.

- Q That's in the Strawn?
- A Yes, sir.
- Q Now, referring to what you have marked Exhibits D, E, and F, which are structure maps and isopach, would you explain their relevance to the Examiner?

A Exhibit D is a structure map on top of the Devonian which is shown on the cross section as the lowermost correlation point on the cross section. This map shows a structural trend extending to the southeast in the vicinity of the andian Basin Gas Field. The structure becomes important in the area because we think in this area the Strawn Reef crosses a structural trend and at that point there should be an oil or gas trap.

first identifiable Pennsylvanian, actually it's the top of the Pennsylvanian imestone in the area. This map likewise shows a structural trend extending to the southeastward from the Indian Basin Gas Field. The reefing that we expect in the area enters the unit from the northwest and as it crosses this previously mentioned Devonian structure that's where the



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trap should be.

Now, the Wolfcamp isopach, Exhibit F, is a map of the thickness of the Wolfcamp overlying the Pennsylvanian. This is an indirect method here of mapping reef structure or reef growth in that in the areas that have the greatest amount of reef growth. The overlying unit should be the thinnest and a thin does extend through this area. That supports the contention of a reef buildup in the area.

- Q I believe it was your testimony earlier that the unit was designed primarily to produce from the Strawn, is that correct?
 - A That is right, yes.
- Q However, you do feel that these two other zones of Pennsylvanian would be productive of oil or gas?
- A Yes. It is rather difficult in the area to know specifically how high the reefing may occur. We expect it to be at least Strawn but it could extend higher up into the section as is the case in the Indian Basin Field.
- Q Now, in your opinion, would the approval of this unit prevent waste and promote the efficient production of oil and gas in this unit and protect the correlative rights of the various operators?
 - A Yes, sir, it would.
 - Q Now, I believe that you, yourself, did not prepare



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MMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUJUERQUE, NEW MEXICO RST NATIONAL BANK EAST • PHONE 256-1294 • ALBUJUERQUE, NEW MEXICO the Exhibits you have testified to?

A That's right. I did not prepare the maps myself.

However, I have reviewed all of the geology in the area and

I am in agreement with those that are depicted and I have

reviewed the geology, have constructed maps of my own, and they

are in agreement.

MR. KELLY: I didn't get the first three Exhibits in, do you want me to recall the witness for that?

MR. UTZ: No.

MR. KELLY: They were just factual items. I would move the introduction of Exhibits A through F.

MR. UTZ: Without objection they will be entered into the record.

(Whereupon, Exhibits A through F offered and admitted in evidence.)

MR. KELLY: That's all we have on direct examination.

MR. UTZ: Any questions of the witness?

MR. PORTER: Your proposed first test well --

MR. UTZ: It's in Section 34?

A Section 34 of 23 South, 23 East.

MR. PORTER: And you propose to go to the Devonian, through the Devonian?

A Well, the well is proposed to be a 10,200 foot Morrow test.



SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATE MENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6491 • ALBUQUEROUE, NEW MEXICO 1203 FIRST NATIONAL BANK EAST • PHONE 256-1294 • A.LBUQUEROUE, NEW MEXICO

MR. PORTER: That's all I had.

MR. UTZ: Any other questions? The witness may be excused.

(Witness excused.)

MR. UTZ: Any other statements in this case? The case will be taken under advisement.



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STATE OF NEW MEXICO)	
)	SS
COUNTY OF BERNALILLO)	

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill, and ability.

Witness my Hand and Seal this 28th day of July, 1966.

NOTARY PUBLIC

My Commission Expires:

June 19, 1967.



I do namely contify that the forewoing is a second remark of the pre-solings in the Example of Lage No.3 430, hence by the on July 48...... 1966.

New Mexico Oil Conservation Commission