

CASE 4002: Application of MARATHON  
FOR APPROVAL OF THE DALLAS RANCH  
UNIT AGREEMENT, CHAVES COUNTY.

Case Number

4002

Application

Transcripts.

Small Exhibits

ETC.

MAIL ROOM

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4002

July 24, 1969

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79701

Re: Dallas Ranch Unit  
Termination  
Chaves County, New Mexico

ATTENTION: Mr. Charles L. Southard

Gentlemen:

Your request received July 22, 1967, to terminate the Dallas Ranch Unit pursuant to Sections 8 and 17 of the Unit Agreement for the Development and Operation of the Dallas Ranch Unit, is hereby approved.

Very truly yours,

ALEX J. ARMIJO  
COMMISSIONER OF PUBLIC LANDS

AA/TE/ML/s  
cc: New Mexico Oil Conservation  
Commission

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# MARATHON OIL COMPANY

PRODUCTION - UNITED STATES AND CANADA

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P.O. BOX 552  
MIDLAND, TEXAS 79701

February 10, 1969

Re: Dallas Ranch Unit  
Chaves County, New Mexico

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

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

Gentlemen:

Please find enclosed one Ratification of the Dallas Ranch Unit Agreement executed by J. M. Huber Corporation, which, together with the instruments furnished your office on January 30, 1969, will provide complete execution by all interested parties to such Unit Agreement.

Yours very truly,

MARATHON OIL COMPANY

*A. W. Hanley*  
A. W. Hanley

AWH:r

Addressee List Attached

ADDRESSEE LIST OF WORKING INTEREST OWNERS

Bell Petroleum Company  
Suite 400 - 700 Wilshire Blvd.  
Los Angeles, California 90017  
Attention: Mr. Ralph J. Tingle

Humble Oil & Refining Company  
P. O. Box 1600  
Midland, Texas 79701  
Attention: Mr. M. L. McMillan

Atlantic Richfield Company  
P. O. Box 1978  
Roswell, New Mexico 88201  
Attention: Mr. Jack Biard

Allied Chemical Corporation  
1300 Wilco Building  
Midland, Texas 79701  
Attention: Mr. Paul W. Ferguson

Phillips Petroleum Company  
P. O. Box 791  
Midland, Texas 79701  
Attention: Mr. E. M. Gorence

Joseph E. Seagram & Sons, Inc.  
P. O. Box 4067  
Midland, Texas 79701  
Attention: Mr. Frank Bolen

J. M. Huber Corporation  
1900 Wilco Building  
Midland, Texas 79701  
Attention: Mr. Ron Holcomb

Mr. N. L. Stevens, Jr.  
604 Security National Building  
Roswell, New Mexico 88201

FEB 11 PM 1 23

CONSENT AND RATIFICATION  
DALLAS RANCH UNIT AGREEMENT  
EMBRACING LANDS IN CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Dallas Ranch Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 11th day of December, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Dallas Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ATTEST:

M. A. Young  
M. A. Young, Asst. Secretary

J. M. HUBER CORPORATION

x Thomas G. Baker  
Thomas G. Baker, Asst. Vice President

CORPORATE

STATE OF COLORADO      I  
CITY &                      I  
COUNTY OF DENVER      I

The foregoing instrument was acknowledged before me this 4th day of February, 1968, by Thomas G. Baker who is Asst. Vice Pres of J. M. Huber Corporation, a New Jersey corporation, for and on behalf of said (State) corporation.

William M. Harris  
Notary Public in and for City & County of Denver, State of Colorado

My Commission expires: February 11, 1971

State of New Mexico  
Oil Conservation Commission



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

**December 23, 1968**

Re: Case No. 4002  
Order No. R-3640  
Applicant:  
**Marathon Oil Company**

A. L. Porter, Jr.

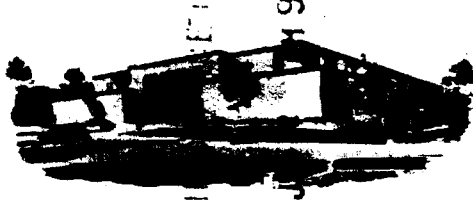
Hobbs OCC **x**

Artesia OCC x

Aztec OCC

Other Unit Division - State Land Office

State of New Mexico



Commissioner of Public Lands



GUYTON B. HAYS  
COMMISSIONER

P. O. BOX 1148  
SANTA FE, NEW MEXICO

December 30, 1968

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79701

Re: Dallas Ranch Unit  
Chaves County, New Mexico

ATTENTION: Mr. W. T. Butler

Gentlemen:

The Commissioner of Public Lands has this date approved your Dallas Ranch Unit, Chaves County, New Mexico. The effective date to be as of the Commissioner's approval as per Section 17 of the Unit Agreement.

Enclosed are five (5) Certificates of Approval.

Very truly yours,

GUYTON B. HAYS  
COMMISSIONER OF PUBLIC LANDS

BY:  
Malcolm L. Long, Supervisor  
Unit Division

GBH/TB/ML/s  
encls.

cc: OCC-Santa Fe, New Mexico



BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 4002  
Order No. R-3640

APPLICATION OF MARATHON OIL COMPANY  
FOR APPROVAL OF THE DALLAS RANCH UNIT  
AGREEMENT, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on December 19, 1968  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 23rd day of December, 1968, 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, Marathon Oil Company, seeks approval  
of the Dallas Ranch Unit Agreement covering 8848.60 acres, more or  
less, of State lands described as follows:

CHAVES COUNTY, NEW MEXICO

TOWNSHIP 9 SOUTH, RANGE 26 EAST, NMPM

Section 13: All  
Section 14: S/2  
Section 21: All  
Section 22: N/2, SE/4, and N/2 SW/4  
Sections 23 through 28: All  
Sections 33 and 34: All  
Section 35: N/2

TOWNSHIP 9 SOUTH, RANGE 27 EAST, NMPM

Section 18: All  
Section 19: N/2, SW/4, W/2 SE/4, and  
NE/4 SE/4

-2-

CASE No. 4002

Order No. R-3640

(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 Dallas Ranch Unit Agreement is hereby approved.

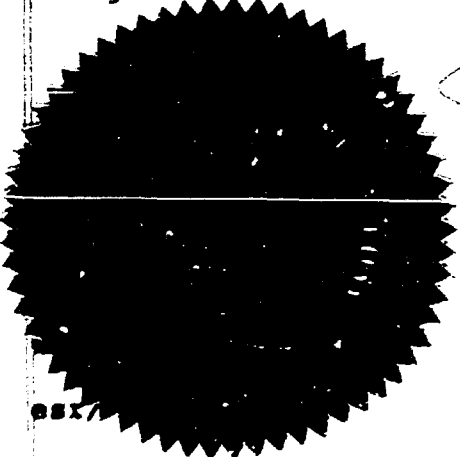
(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered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

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

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

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

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



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

CLYTON B. HAYS, Member

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

Docket No. 40-68

DOCKET: EXAMINER HEARING - THURSDAY - DECEMBER 19, 1968

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

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

CASE 4000: Application of Coastal States Gas Producing Company for  
salt water disposal, Lea County, New Mexico. Applicant,  
in the above-styled cause, seeks authority to dispose of  
produced salt water into the Delaware Sand formation in  
the perforated interval from 5051 feet to 5055 feet in its  
Conoco-Federal Well No. 2 located in Unit B of Section 15,  
Township 26 South, Range 33 East, Salado Draw-Delaware  
Pool, Lea County, New Mexico.

CASE 4001: Application of Tamarack Petroleum Company, Inc. for salt  
water disposal, Lea County, New Mexico. Applicant, in the  
above-styled cause, seeks authority to dispose of produced  
salt water into the Queen formation in the perforated  
interval from approximately 4862 feet to 4892 feet in its  
Union State Well No. 2, located in Unit K of Section 15,  
Township 19 South, Range 35 East, Pearl-Queen Pool, Lea  
County, New Mexico.

CASE 4002: Application of Marathon Oil Company for a unit agreement,  
Chaves County, New Mexico. Applicant, in the above-styled  
cause, seeks approval of the Dallas Ranch Unit Area  
comprising 8,929 acres, more or less, of State lands in  
Township 9 South, Ranges 26 and 27 East, Chaves County,  
New Mexico.

CASE 3968: (Continued and Readvertised)

Application of Texaco, Inc. for salt water disposal, Lea  
County, New Mexico. Applicant, in the above-styled cause,  
seeks authority to dispose of produced salt water into the  
Devonian formation in the open-hole interval from approxi-  
mately 12,400 feet to 12,500 feet in its U. D. Sawyer Well  
No. 4 located in Unit O of Section 34, Township 9 South,  
Range 36 East, Crossroads-Devonian Pool, Lea County, New  
Mexico.

December 19, 1968, Examiner Hearing  
Docket No. 40-68

-2-

CASE 4003: Application of Morris R. Antweil for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Tater-Seven Rivers formation in the perforated and open-hole interval from 3049 feet to 3107 feet in his Martha Forrest Well No. 1 located in Unit L of Section 24, Township 25 South, Range 36 East, Jalmat Pool, Lea County, New Mexico.

CASE 4004: Application of Atlantic-Richfield Company for the amendment of Order No. R-3507, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3507 to permit the disposal of produced salt water into the Lower Queen formation in the interval from 5160 feet to 5380 feet, as well as the previously authorized interval from 4820 feet to 4830 feet in the Upper Queen formation, in its State BS Well No. 1, located in Unit D of Section 13, Township 19 South, Range 34 East, Quail-Queen Pool, Lea County, New Mexico.



MARATHON OIL COMPANY

PRODUCTION - UNITED STATES AND CANADA

HOUSTON DIVISION

WARREN B. LEACH, JR.  
DIVISION ATTORNEY

WILLIAM H. HOLLOWAY  
JACK M. MC ADAMS  
J. ROBERT TAYLOR  
ATTORNEYS

SOUTHERN NATIONAL BANK BUILDING  
P. O. BOX 3128  
HOUSTON, TEXAS 77001  
TEL. 713 CA 2-8721

November 29, 1968

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

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

Re: Application of Marathon Oil Company for Approval of the Dallas Ranch  
Unit Agreement, Chaves County, New Mexico

Dear Mr. Porter:

Pursuant to my telephone conversation of Wednesday, November 27, 1968,  
with you and Mr. Nutter, there is enclosed herewith, in triplicate,  
Marathon's Application for approval of the proposed Dallas Ranch Unit.

I would appreciate it very much if this Application could be docketed  
for hearing on December 18, 1968 or December 19, 1968. Your help in this  
matter is greatly appreciated.

Very truly yours,

*William H. Holloway*  
WILLIAM H. HOLLOWAY

WHH:bms  
encs.

cc: Mr. Ed. L. Smith - w/encs.  
Mr. N. E. Webernick - w/encs.  
Mr. Charles S. Suthard - w/encs.  
Mr. Richard S. Morris - w/encs.

DOCKET MAILED

Date 12-5-68

*Case 4002*

MAIN OFFICE

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## MARATHON OIL COMPANY

PRODUCTION - UNITED STATES AND CANADA

HOUSTON DIVISION

WARREN B. LEACH, JR.  
DIVISION ATTORNEY

WILLIAM H. HOLLOWAY  
JACK M. MC ADAMS  
J. ROBERT TAYLOR  
ATTORNEYS

SOUTHERN NATIONAL BANK BUILDING  
P. O. BOX 3128  
HOUSTON, TEXAS 77001  
TEL. 713 CA 2-9721

November 29, 1968

*Case 4002*

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

Re: Unit Agreement for Dallas  
Ranch Unit Area, Embracing  
8,928.60 Acres, More or Less,  
Situated in Township 9-South,  
Ranges 26 & 27 East, N.M.P.M.,  
Chaves County, New Mexico.

Gentlemen:

Marathon Oil Company hereby makes Application for approval of the Unit Agreement for the Development and Operation of the Dallas Ranch Unit Area, embracing 8,928.60 acres, more or less, in Chaves County, New Mexico, and more fully described as follows:

T-9-S, R-26-E, NMPM

Section 13: All  
Section 14: S/2  
Section 21: All  
Section 22: All  
Section 23: All  
Section 24: All  
Section 25: All  
Section 26: All  
Section 27: All  
Section 28: All  
Section 33: All  
Section 34: All  
Section 35: N/2

T-9-S, R-27-E, NMPM

Section 18: All  
Section 19: All except SE/4 SE/4

November 29, 1968

In support of this Application, Marathon respectfully shows:

- (1) That the proposed Unit Agreement for the Development and Operation of the Dallas Ranch Unit Area will be substantially identical to the standard form for Unit Agreements embracing state lands of the State of New Mexico. Copies of the proposed Unit Agreement will be submitted to the Commission in triplicate as far in advance of the hearing date set for this Application as possible,
- (2) That the proposed Unit Area of 8,928.60 acres, more or less, includes only State of New Mexico lands,
- (3) That all owners of interests within the Unit Area have been offered the opportunity to join in the Unit Agreement,
- (4) That the proposed Unit Agreement has been agreed to by the owners of a majority of the working interest in the proposed Unit Area. It is expected by the date which will be set for a hearing on this Application, the Unit Agreement will have been agreed to by all, or substantially all, of the owners of interests in the land included within the Unit Area,
- (5) That Applicant, Marathon Oil Company, will be designated as Unit Operator in said Unit Agreement and all oil and gas, in any and all formations, are to be unitized under the terms of the Agreement,
- (6) That the primary objective of the initial test well in this exploratory test unit is a granite test to a depth of approximately 6300 feet,
- (7) That in the opinion of Applicant, the proposed Unit Area covers substantially all of the geological structure or anomaly involved; and in the event said Unit Agreement is approved and production of unitized substances is obtained, it is believed that said Unit Agreement will be in the interest of conservation, prevention of waste and that it will protect the correlative rights of all parties concerned, and
- (8) That a list of all interested parties known to Applicant is attached hereto.

Marathon Oil Company respectfully requests that this Application be set for hearing before a duly appointed Examiner of the Commission at the

The Oil Conservation Commission

-3-

November 29, 1968

earliest possible date, that notice be given as required by law and the regulations, and that the Dallas Ranch Unit Area and the Unit Agreement be approved.

Respectfully submitted,

MARATHON OIL COMPANY

BY:

*William H. Holloway*  
WILLIAM H. HOLLOWAY

P. O. Box 3128  
Houston, Texas 77001

WHH:bms  
Attachment



LIST OF INTERESTED PARTIES

DALLAS RANCH UNIT AREA - CHAVES COUNTY, NEW MEXICO

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

Bell Petroleum Company  
Suite 400 - 700 Wilshire Blvd.  
Los Angeles, California 90017

Attention: Mr. Ralph J. Tingle

Humble Oil & Refining Company  
P. O. Box 1600  
Midland, Texas 79701

Attention: Mr. M. L. McMillan

Atlantic Richfield Company  
P. O. Box 1978  
Roswell, New Mexico 88201

Attention: Mr. Jack Biard

Allied Chemical Corporation  
1300 Wilco Building  
Midland, Texas 79701

Attention: Mr. Paul W. Ferguson

Phillips Petroleum Company  
P. O. Box 791  
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Attention: Mr. E. M. Gorence

Joseph E. Seagram & Sons, Inc.  
P. O. Box 4067  
Midland, Texas 79701

Attention: Mr. Frank Bolen

J. M. Huber Corporation  
922 Vaughn Building  
Midland, Texas 79701

Attention: Mr. Ron Holcomb

Champlin Petroleum Company  
P. O. Box 1797  
Midland, Texas 79701

Attention: Mr. Dwight H. Ford

Mr. N. L. Stevens, Jr.  
606 Security National Building  
Roswell, New Mexico 88201

Mr. Miles A. Colligan  
Midland Tower Building  
Midland, Texas 79701

Mr. William B. Barnhill  
Security National Bank Building  
Roswell, New Mexico 88201



# MARATHON OIL COMPANY

PRODUCTION - UNITED STATES AND CANADA

HOUSTON DIVISION

WARREN B. LEACH, JR.  
DIVISION ATTORNEY

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TEL. 713 CA 2-9781

November 29, 1968

*Case 4002*

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

Re: Unit Agreement for Dallas  
Ranch Unit Area, Embracing  
8,928.60 Acres, More or Less,  
Situated in Township 9-South,  
Ranges 26 & 27 East, N.M.P.M.,  
Chaves County, New Mexico.

Gentlemen:

Marathon Oil Company hereby makes Application for approval of the Unit Agreement for the Development and Operation of the Dallas Ranch Unit Area, embracing 8,928.60 acres, more or less, in Chaves County, New Mexico, and more fully described as follows:

T-9-S, R-26-E, NMPM

Section 13: All  
Section 14: S/2  
Section 21: All  
Section 22: All  
Section 23: All  
Section 24: All  
Section 25: All  
Section 26: All  
Section 27: All  
Section 28: All  
Section 33: All  
Section 34: All  
Section 35: N/2

T-9-S, R-27-E, NMPM

Section 18: All  
Section 19: All except SE/4 SE/4

November 29, 1968

In support of this Application, Marathon respectfully shows:

- (1) That the proposed Unit Agreement for the Development and Operation of the Dallas Ranch Unit Area will be substantially identical to the standard form for Unit Agreements embracing state lands of the State of New Mexico. Copies of the proposed Unit Agreement will be submitted to the Commission in triplicate as far in advance of the hearing date set for this Application as possible,
- (2) That the proposed Unit Area of 8,928.60 acres, more or less, includes only State of New Mexico lands,
- (3) That all owners of interests within the Unit Area have been offered the opportunity to join in the Unit Agreement,
- (4) That the proposed Unit Agreement has been agreed to by the owners of a majority of the working interest in the proposed Unit Area. It is expected by the date which will be set for a hearing on this Application, the Unit Agreement will have been agreed to by all, or substantially all, of the owners of interests in the land included within the Unit Area,
- (5) That Applicant, Marathon Oil Company, will be designated as Unit Operator in said Unit Agreement and all oil and gas, in any and all formations, are to be unitized under the terms of the Agreement,
- (6) That the primary objective of the initial test well in this exploratory test unit is a granite test to a depth of approximately 6300 feet,
- (7) That in the opinion of Applicant, the proposed Unit Area covers substantially all of the geological structure or anomaly involved; and in the event said Unit Agreement is approved and production of unitized substances is obtained, it is believed that said Unit Agreement will be in the interest of conservation, prevention of waste and that it will protect the correlative rights of all parties concerned, and
- (8) That a list of all interested parties known to Applicant is attached hereto.

Marathon Oil Company respectfully requests that this Application be set for hearing before a duly appointed Examiner of the Commission at the

The Oil Conservation Commission

-3-

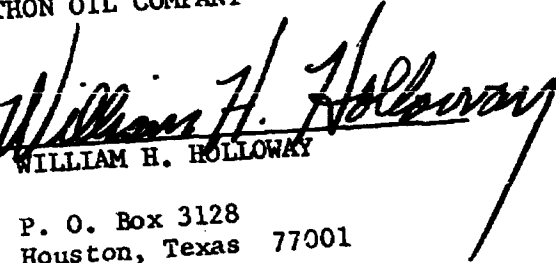
November 29, 1968

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Respectfully submitted,

MARATHON OIL COMPANY

BY:

  
WILLIAM H. HOLLOWAY

P. O. Box 3128  
Houston, Texas 77001

WHH:bms  
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Midland, Texas 79701

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Roswell, New Mexico 88201



## MARATHON OIL COMPANY

PRODUCTION - UNITED STATES AND CANADA

HOUSTON DIVISION

WARREN B. LEACH, JR.  
DIVISION ATTORNEY

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SOUTHERN NATIONAL BANK BUILDING  
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November 29, 1968

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Section 34: All  
Section 35: N/2

T-9-S, R-27-E, NMPM

Section 18: All  
Section 19: All except SE/4 SE/4

MAIL OFFICE  
NOV 31 PM 3 06

November 29, 1968

In support of this Application, Marathon respectfully shows:

- (1) That the proposed Unit Agreement for the Development and Operation of the Dallas Ranch Unit Area will be substantially identical to the standard form for Unit Agreements embracing state lands of the State of New Mexico. Copies of the proposed Unit Agreement will be submitted to the Commission in triplicate as far in advance of the hearing date set for this Application as possible,
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The Oil Conservation Commission

-3-

November 29, 1968

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Respectfully submitted,

MARATHON OIL COMPANY

BY: William H. Holloway  
WILLIAM H. HOLLOWAY

P. O. Box 3128  
Houston, Texas 77001

WHH:bms  
Attachment



LIST OF INTERESTED PARTIES

DALLAS RANCH UNIT AREA - CHAVES COUNTY, NEW MEXICO

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

Bell Petroleum Company  
Suite 400 - 700 Wilshire Blvd.  
Los Angeles, California 90017

Attention: Mr. Ralph J. Tingle

Humble Oil & Refining Company  
P. O. Box 1600  
Midland, Texas 79701

Attention: Mr. M. L. McMillan

Atlantic Richfield Company  
P. O. Box 1978  
Roswell, New Mexico 88201

Attention: Mr. Jack Biard

Allied Chemical Corporation  
1300 Wilco Building  
Midland, Texas 79701

Attention: Mr. Paul W. Ferguson

Phillips Petroleum Company  
P. O. Box 791  
Midland, Texas 79701

Attention: Mr. E. M. Gorence

Joseph E. Seagram & Sons, Inc.  
P. O. Box 4067  
Midland, Texas 79701

Attention: Mr. Frank Bolen

J. M. Tuber Corporation  
922 Vaughn Building  
Midland, Texas 79701

Attention: Mr. Ron Holcomb

Champlin Petroleum Company  
P. O. Box 1797  
Midland, Texas 79701

Attention: Mr. Dwight H. Ford

Mr. N. L. Stevens, Jr.  
606 Security National Building  
Roswell, New Mexico 88201

Mr. Miles A. Colligan  
Midland Tower Building  
Midland, Texas 79701

Mr. William B. Barnhill  
Security National Bank Building  
Roswell, New Mexico 88201

State of New Mexico



Commissioner of Public Lands

GUYTON B. HAYS  
COMMISSIONER

P. O. BOX 1148  
SANTA FE, NEW MEXICO

December 18, 1968

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79701

Re: Proposed Dallas Ranch Unit  
Chaves County, New Mexico

ATTENTION: Mr. W. T. Butler

Gentlemen:

The Commissioner of Public Lands has this date approved as to form and content your proposed Dallas Ranch Unit, Chaves County, New Mexico.

Enclosed is your Official Receipt No. I 46027 in the amount of Seventy-Five (\$75.00) Dollars which covers the filing fee.

Very truly yours,

GUYTON B. HAYS  
COMMISSIONER OF PUBLIC LANDS  
BY:  
Malcolm M. Long, Supervisor  
Unit Division

GMB/PA/PA/s  
encl. 1.

## EXHIBIT

To Application of Marathon Oil Company  
For  
Designation of

Dallas Ranch Unit Area  
Township 9 South, Ranges 26 & 27 East  
Chaves County, New Mexico

### GEOLOGIC REPORT

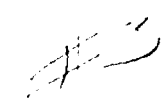
#### LOCATION AND INTRODUCTION

The proposed unit is located 16 miles northeast of Roswell, New Mexico in Township 9 South, Ranges 26 and 27 East. The land surface is relatively flat.

#### GEOLOGY

The unit area is located on a subsurface anticline which plunges in a northeasterly direction at approximately 50 feet per mile. Crossing this anticline is the truncated edge of the pre-Mississippian dolomite which is commonly referred to as the "Devonian" by the oil industry. Regional correlations indicate that this section is probably really Ordovician in age and will be referred to as such in this report. This carbonate section is the primary objective and is expected to range from 200' thick on the east side of the unit to nearly zero on the west side. The trap is formed by structural contours closing against the truncation line and against a permeability barrier on the northwest flank. The existence of this barrier is indicated by the Union #1 Kitchens (Unit K, Section 6, Township 9 South, Range 26 East) which encountered 178' of Ordovician section and only recovered gas in volumes too small to measure and 675' of mud. Permeability and water occurs eastward as evidenced by the Honolulu Oil Corp. #1 McConkey (Unit D, Section 10, Township 9 South, Range 26 East). A drill stem test of this section recovered 800' of salt water and surfaced gas in quantities too small to measure in 180 minutes. The top of this test interval was 6205' (-2362') and is the highest occurrence of water on the prospect. Due to the preponderance of gas shows along this truncation line, it is felt that this is a gas, rather than oil, prospect.

The unit outline, as shown on the structure map, is based on a gas reservoir with an assumed gas-water contact at approximately -1900'. In general, half section increments were used with the exception of 40 acres of fee land in the SE/4 of the SE/4 of Section 19, Township 9 South, Range 27 East.



In our opinion, the unit outline represents a reasonable interpretation of an exploratory unit which might be productive. The unit agreement will provide for enlargement upon appropriate authorizations in the event that areas presently outside the proposed unit prove to be productive.

Upon approval of the unit, Marathon Oil Company, as unit operator, proposes to drill a well to basement at approximately 6000'. The location is tentatively proposed to be in the SW/4 of the SW/4 of Section 23, Township 9 South, Range 26 East. The top of the Ordovician is expected to be at about 5600' using an estimated elevation of 3800'.

Respectfully submitted,  
MARATHON OIL COMPANY

By M.E. Wokosick

Attachments: Exhibit Ordovician Structure Map  
Exhibit Cross Section A-A'

State of New Mexico



Commissioner of Public Lands

December 18, 1968

GUYTON B. HAYS  
COMMISSIONER

P. O. BOX 1148  
SANTA FE, NEW MEXICO

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79701

Re: Proposed Dallas Ranch Unit  
Chaves County, New Mexico

ATTENTION: Mr. W. T. Butler

Gentlemen:

The Commissioner of Public Lands has this date approved as to form and content your proposed Dallas Ranch Unit, Chaves County, New Mexico.

Enclosed is your Official Receipt No. I 46027 in the amount of Seventy-Five (\$75.00) Dollars which covers the filing fee.

Very truly yours,

GUYTON B. HAYS  
COMMISSIONER OF PUBLIC LANDS  
BY:  
Malcolm M. Long, Supervisor  
Unit Division

GHB/TR/KL/s  
encl. 1.

BEFORE EXAMINER MUSTER
OF COMPLETION
App'd _____ EXHIBIT NO. 2
CASE NO. 4007

EXHIBIT

To Application of Marathon Oil Company  
For  
Designation of

Dallas Ranch Unit Area  
Township 9 South, Ranges 26 & 27 East  
Chaves County, New Mexico

GEOLOGIC REPORT

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
*April* EXHIBIT NO. 3  
CASE NO. 4002

LOCATION AND INTRODUCTION

The proposed unit is located 16 miles northeast of Roswell, New Mexico in Township 9 South, Ranges 26 and 27 East. The land surface is relatively flat.

GEOLOGY

The unit area is located on a subsurface anticline which plunges in a northeasterly direction at approximately 50 feet per mile. Crossing this anticline is the truncated edge of the pre-Mississippian dolomite which is commonly referred to as the "Devonian" by the oil industry. Regional correlations indicate that this section is probably really Ordovician in age and will be referred to as such in this report. This carbonate section is the primary objective and is expected to range from 200' thick on the east side of the unit to nearly zero on the west side. The trap is formed by structural contours closing against the truncation line and against a permeability barrier on the northwest flank. The existence of this barrier is indicated by the Union #1 Kitchens (Unit K, Section 6, Township 9 South, Range 26 East) which encountered 178' of Ordovician section and only recovered gas in volumes too small to measure and 675' of mud. Permeability and water occurs eastward as evidenced by the Honolulu Oil Corp. #1 McConkey (Unit D, Section 10, Township 9 South, Range 26 East). A drill stem test of this section recovered 800' of salt water and surfaced gas in quantities too small to measure in 180 minutes. The top of this test interval was 6205' (-2362') and is the highest occurrence of water on the prospect. Due to the preponderance of gas shows along this truncation line, it is felt that this is a gas, rather than oil, prospect.

The unit outline, as shown on the structure map, is based on a gas reservoir with an assumed gas-water contact at approximately -1900'. In general, half section increments were used with the exception of 40 acres of fee land in the SE/4 of the SE/4 of Section 19, Township 9 South, Range 27 East.

In our opinion, the unit outline represents a reasonable interpretation of an exploratory unit which might be productive. The unit agreement will provide for enlargement upon appropriate authorizations in the event that areas presently outside the proposed unit prove to be productive.

Upon approval of the unit, Marathon Oil Company, as unit operator, proposes to drill a well to basement at approximately 6000'. The location is tentatively proposed to be in the SW/4 of the SW/4 of Section 23, Township 9 South, Range 26 East. The top of the Ordovician is expected to be at about 5600' using an estimated elevation of 3800'.

Respectfully submitted,

MARATHON OIL COMPANY

By T. E. Waterman

Attachments: Exhibit Ordovician Structure Map

Exhibit Cross Section A-A'

8929  
80  
8849

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
<i>Agate</i>	EXHIBIT NO. <u>1</u>
CASE NO. <u>4002</u>	

UNIT AGREEMENT FOR THE  
DEVELOPMENT AND OPERATION OF THE  
DALLAS RANCH UNIT AREA, CHAVES COUNTY, NEW MEXICO

NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 11th day of December, 1968,  
by and between the parties subscribing, ratifying, or consenting hereto, and  
herein referred to as the "parties hereto,"

W I T N E S S E T H :

WHEREAS, the parties hereto are the owners of working, royalty, or  
other oil or gas interests in the Unit Area subject to this Agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico  
is authorized by an Act of the Legislature (Chapter 7, Article 11, Section 39,  
N. M. Statutes 1953, annotated) to consent to and approve the development or  
operation of State lands under agreements made by lessees of State lands  
jointly or severally with other lessees where such agreements provide for the  
Unit operation or development of part of or all of any gas pool, field, or  
area; and

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

WHEREAS, the Oil Conservation Commission of the State of New Mexico  
(hereinafter referred to as the "Commission") is authorized by an Act of the  
Legislature (Chapter 72, Laws 1935; Chapter 65, Article 3, Section 14, N. M.  
Statutes 1953, annotated) to approve this Agreement and the conservation pro-  
visions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Dallas  
Ranch Unit Area, covering the land hereinafter described, to give reasonably



effective control of operations therein; and

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

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

1. UNIT AREA:

The following described land is hereby designated and recognized as constituting the Unit Area:

T-9-S, R-26-E, N.M.P.M.:

Section 13 - All  
Section 14 - S/2  
Section 21 - All  
Section 22 - All, except S/2 SW/4  
Section 23 - All  
Section 24 - All  
Section 25 - All  
Section 26 - All  
Section 27 - All  
Section 28 - All  
Section 33 - All  
Section 34 - All  
Section 35 - N/2

T-9-S, R-27-E, N.M.P.M.:

Section 18 - All  
Section 19 - All, except SE/4 SE/4

containing 8,848.60 acres, more or less.

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

"Commissioner") to do so.

All land committed to this Unit Agreement shall constitute land referred to herein as "unitized land" or "lands subject to this Agreement."

2. UNITIZED SUBSTANCES:

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

3. UNIT OPERATOR:

Marathon Oil Company is hereby designated as Unit Operator and, by signature hereto, commits to this Agreement all interest in unitized substances vested in it, as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances; and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR:

Unit Operator shall have the right to resign at any time, but such resignation shall not become effective until a successor Unit Operator has been selected and approved in the manner provided for in Section 5 of this Agreement. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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

The resignation or removal of the Unit Operator under this Agreement shall not terminate 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.

5. SUCCESSOR UNIT OPERATOR:

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

6. ACCOUNTING PROVISIONS:

The Unit Operator shall pay, in the first instance, all costs and expenses incurred in conducting Unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an Operating Agreement entered into by and between the Unit Operator and the owners of such interests, whether one or more, separately or collectively. Any agreement, or agreements, entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, is herein referred to as the "Operating Agreement." No such Operating Agreement

shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistencies or conflict between this Unit Agreement and the Operating Agreement, this Unit Agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR:

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

8. DRILLING TO DISCOVERY:

The Unit Operator shall, within sixty (60) days after the effective date of this Agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the Unit Area and shall drill said well with due diligence to a depth sufficient to test the Ordovician formation, or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth, or until it shall, in the opinion of Unit Operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of six thousand three hundred (6,300) feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit), Unit Operator shall continue drilling diligently, one well at a time, allowing not more than six (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 the Commissioner, or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in a formation, or formations, drilled hereunder. Nothing in this Section 8 shall be deemed to limit the right of the Unit Operator to resign as provided in Section 4 hereof or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation's becoming effective in order to comply with the requirements of this Section 8.

Any well commenced prior to the effective date of this Agreement upon the Unit Area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Commissioner may, after reasonable notice to the Unit Operator and each working interest owner, lessee, and lessor at their last known addresses, declare this Unit Agreement terminated, and all rights, privileges, and obligations granted and assumed by this Unit Agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES:

Should unitized substances in paying quantities be discovered upon the Unit Area, the Unit Operator shall, on or before six (6) months from the time of the completion of the initial discovery well and within thirty (30) days after the expiration of each 12-month period thereafter, file a report with the Commissioner and Commission of the status of the development of the Unit Area and the development contemplated for the following 12-month period.

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

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

If the Unit Operator should fail to comply with the above covenant for reasonable development, this Agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units, but, in such event, the basis of participation by the working interest owners shall remain the same as if this Agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the Unit Operator and the lessees of record in the manner prescribed by Section 7-11-14, N. M. Statutes 1953, annotated, of intention to cancel on account of any alleged breach of said covenant for reasonable development, and any decision entered thereunder shall be subject to appeal in the manner prescribed by Section 7-11-17, N. M. Statutes 1953, annotated; and, provided further, in any event the Unit Operator shall be given a reasonable opportunity, after a final determination, within which to remedy any default, failing in which, this Agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY:

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

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

11. ALLOCATION OF PRODUCTION:

All unitized substances produced from each tract in the unitized area established under this Agreement, except any part thereof used for production or development purposes hereunder (including, but not limited to, drilling, operating, camp, and other production or development purposes, and repressuring or recycling), or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land; 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 its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES:

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

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

All rentals, if any, due under any leases embracing lands other than lands of the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases, and all royalties due under the

terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

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

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

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED IN SO FAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA:

The terms, conditions, and provisions of all leases, subleases, operating agreements, and other contracts relating to the exploration, drilling, development, or operation for oil or gas of the lands committed to this Agreement shall be, as of the effective date hereof, and the same are hereby expressly modified and amended in so far as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended, in so far as necessary, to coincide with the term of this Agreement. The approval of this Agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this Agreement, but otherwise to remain in full force and effect. Each lease committed to this Agreement, in so far as it



applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this Agreement remains in effect; provided, that drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the Unit Operator prior to the expiration of the shortest term lease committed to this Agreement. Termination of this Agreement shall not affect any lease which, pursuant to the terms thereof or any applicable laws, would continue in full force and effect thereafter. The commencement, completion, continued operation, or production of a well, or wells, for unitized substances on the Unit Area shall be construed and considered as the commencement, completion, continued operation, or production on each of the leasehold interests committed to this Agreement, and operations or production pursuant to this Agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto; and there shall be no obligation on the part of the Unit Operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this Agreement, except as provided in Section 9 hereof.

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

effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. CONSERVATION:

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

15. DRAINAGE:

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

16. COVENANTS RUN WITH LAND:

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

17. EFFECTIVE DATE AND TERM:

This Agreement shall become effective upon approval by the Commissioner and, unless terminated earlier by agreement of the owners of the working interests as provided in this Section 17, shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which case this Agreement shall remain in effect so long as unitized substances are being

produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production, and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This Agreement may be terminated at any time by not less than seventy-five per cent (75%), on an acreage basis, of the owners of the working interests signatory hereto, with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this Agreement to termination as provided in said Section 8.

18. RATE OF PRODUCTION:

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

19. APPEARANCES:

Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interested party shall also have the right at his own expense to appear and to participate in any such proceeding.

20. NOTICES:

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

21. UNAVOIDABLE DELAY:

All obligations under this Agreement requiring the Unit Operator to

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

22. LOSS OF TITLE:

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

23. 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 F.R. 12319), as amended, which are set forth in their entirety on Exhibit "C" attached hereto and incorporated herein by reference.

24. SUBSEQUENT JOINDER:

Any oil or gas interest in lands within the Unit Area not committed hereto prior to the submission of this Agreement for final approval by the Commissioner or the Commission may be committed hereto by the owner or owners of

such rights subscribing or consenting to this Agreement or executing a ratification thereof and, if such owner is also a working interest owner, by subscribing to the Operating Agreement providing for the allocation of costs of exploration, development, and operation. A subsequent joinder shall be effective as of the first day of the month following the filing with the Commissioner and the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this Agreement, but such joining party or parties, before participating in any benefits hereunder, shall be required to assume and pay to Unit Operator their proportionate share of the Unit expense incurred prior to such party's, or parties', joinder in the Unit Agreement, and the Unit Operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

25. COUNTERPARTS:

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

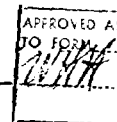
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and have set opposite their respective names the date of execution.

UNIT OPERATOR

MARATHON OIL COMPANY

Date 12-11-68

By D. W. Franklin  
D. W. Franklin,  
Division Exploration Manager



Address: P. O. Box 552  
Midland, Texas 79701

WORKING INTEREST OWNERS

BELL PETROLEUM COMPANY

Date \_\_\_\_\_

By \_\_\_\_\_

Address: Suite 400 - 700 Wilshire Blvd.  
Los Angeles, Calif. 90017

HUMBLE OIL & REFINING COMPANY

Date \_\_\_\_\_

By \_\_\_\_\_

Address: P. O. Box 1600  
Midland, Texas 79701

ATLANTIC RICHFIELD COMPANY

Date \_\_\_\_\_

By \_\_\_\_\_

Address: P. O. Box 1978  
Roswell, New Mexico 88201

ALLIED CHEMICAL CORPORATION

Date \_\_\_\_\_

By \_\_\_\_\_

Address: 1300 Wilco Building  
Midland, Texas 79701

PHILLIPS PETROLEUM COMPANY

Date \_\_\_\_\_

By \_\_\_\_\_

Address: P. O. Box 791  
Midland, Texas 79701

JOSEPH E. SEAGRAM & SONS, INC.

Date \_\_\_\_\_

By \_\_\_\_\_

Address: P. O. Box 4067  
Midland, Texas 79701

J. M. HUBER CORPORATION

Date \_\_\_\_\_

By \_\_\_\_\_

Address: 922 Vaughn Building  
Midland, Texas 79701

Date \_\_\_\_\_

N. L. STEVENS, JR.

Address: 606 Security National Bldg.  
Roswell, New Mexico 88201

STATE OF TEXAS     X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this 11<sup>th</sup> day  
of December, 1968, by D. W. Franklin, Division Exploration Manager of MARATHON  
OIL COMPANY, an Ohio corporation, on behalf of said corporation.

Luther L. Hinton  
Notary Public in and for  
Harris County, Texas

LOUTHER L. HINTON  
Notary Public in and for Harris County, Texas  
My commission expires My Commission Expires June 1, 1969

STATE OF CALIFORNIA    Y  
                              Y  
COUNTY OF LOS ANGELES   Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by \_\_\_\_\_,  
of BELL PETROLEUM COMPANY, a \_\_\_\_\_ corporation, on behalf of said  
corporation.

\_\_\_\_\_  
Notary Public in and for  
Los Angeles County, California

My commission expires \_\_\_\_\_

STATE OF TEXAS        Y  
                              Y  
COUNTY OF MIDLAND    Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by \_\_\_\_\_,  
of HUMBLE OIL & REFINING COMPANY, a Delaware corporation, on behalf of said  
corporation.

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

My commission expires \_\_\_\_\_

STATE OF NEW MEXICO   Y  
                              Y  
COUNTY OF CHAVES     Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by \_\_\_\_\_,  
of ATLANTIC RICHFIELD COMPANY, a Pennsylvania corporation, on behalf of said  
corporation.

\_\_\_\_\_  
Notary Public in and for  
Chaves County, New Mexico

My commission expires \_\_\_\_\_



STATE OF TEXAS       X  
                          X  
COUNTY OF MIDLAND   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by \_\_\_\_\_,  
of ALLIED CHEMICAL CORPORATION, a \_\_\_\_\_ corporation, on behalf of  
said corporation.

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

My commission expires \_\_\_\_\_

STATE OF TEXAS       X  
                          X  
COUNTY OF MIDLAND   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by \_\_\_\_\_,  
of PHILLIPS PETROLEUM COMPANY, a Delaware corporation, on behalf of said cor-  
poration.

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

My commission expires \_\_\_\_\_

STATE OF TEXAS       X  
                          X  
COUNTY OF MIDLAND   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by \_\_\_\_\_,  
of JOSEPH E. SEAGRAM & SONS, INC., a \_\_\_\_\_ corporation, on behalf  
of said corporation.

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

My commission expires \_\_\_\_\_

STATE OF TEXAS        X  
                          X  
COUNTY OF MIDLAND   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by \_\_\_\_\_,  
of J. M. HUBER CORPORATION, a \_\_\_\_\_ corporation, on behalf of  
said corporation.

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

My commission expires \_\_\_\_\_

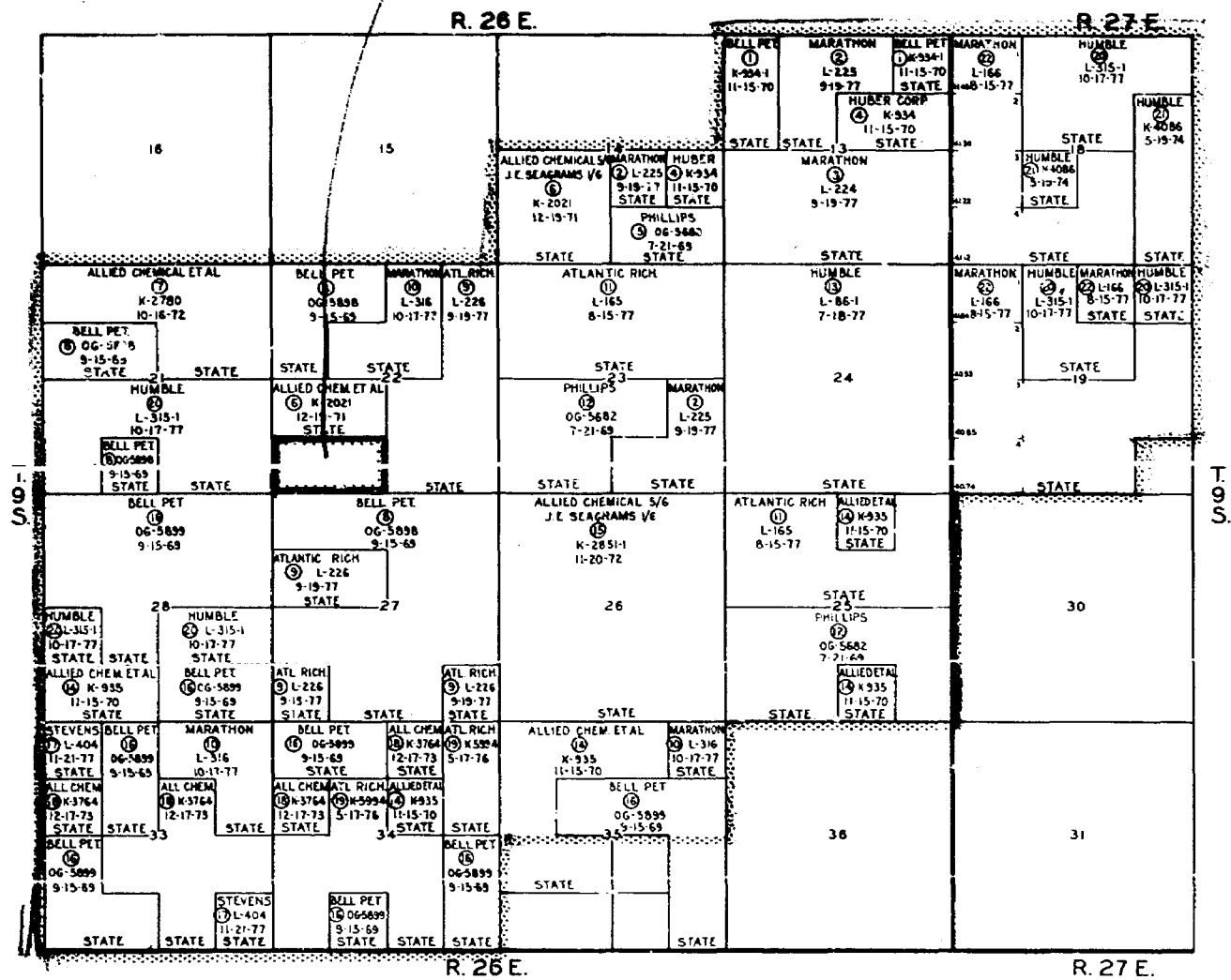
STATE OF NEW MEXICO   X  
                          X  
COUNTY OF CHAVES     X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by N. L. STEVENS, JR.

\_\_\_\_\_  
Notary Public in and for  
Chaves County, New Mexico

My commission expires \_\_\_\_\_

out - Champion  
declines to join unit



STATE LEASE NUMBER IN UNIT	
① K-934-1	⑩ OG-5682
② L-225	⑪ L-86-1
③ L-224	⑫ K-935
④ K-934	⑬ K-2851-1
⑤ OG-5680	⑭ OG-5899
⑥ K-2021	⑮ L-404
⑦ K-2760	⑯ K-3764
⑧ OG-5898	⑰ K-5994
⑨ L-225	⑱ L-315-1
⑪ L-318	⑳ K-4086
⑫ L-165	㉑ L-166

LEGEND  
 UNIT OUTLINE ③ TRACT NUMBER  
 STATE OF NEW MEXICO LAND 884860 Acres

EXHIBIT A  
 DALLAS RANCH UNIT  
 CHAVES COUNTY, NEW MEXICO

*[Handwritten notes and signatures at the bottom of the page, including "ALL RITE" and "Champion"]*

EXHIBIT B  
SCHEDULE SHOWING THE PERCENTAGE AND KIND  
OF OWNERSHIP OF ALL LANDS IN THE  
DALLAS RANCH UNIT AREA - CHAVES COUNTY, NEW MEXICO

Tract Number	Description	No. of Acres	Serial No. and Expiration Date	Basic Royalty & Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
1	Sec. 13: NE/4 NE/4; W/2 NW/4 TOWNSHIP 9 - SOUTH, RANGE 26 - EAST, N.M.P.M.	120.00	K-934-1 11-15-70	State - All (12.5%)		
2	Sec. 13: NW/4 NE/4; E/2 NW/4 Sec. 14: NW/4 SE/4 Sec. 23: E/2 SE/4; SW/4 SE/4	280.00	L-225 9-19-77	State - All (12.5%)	Miles A. Colligan William K. Barnhill 1.75%	Bell Petroleum Company 100.00000%
3	Sec. 13: S/2	320.00	L-224 9-19-77	State - All (12.5%)	None	Marathon Oil Company 100.00000%
4	Sec. 13: S/2 NE/4 Sec. 14: NE/4 SE/4	120.00	K-934 11-15-70	State - All (12.5%)	None	Marathon Oil Company 100.00000%
5	Sec. 14: S/2 SE/4	80.00	OG-5680 7-21-69	State - All (12.5%)	None	J. M. Huber Corporation 100.00000%
6	Sec. 14: SW/4 Sec. 22: N/2 SW/4	240.00	K-2021 12-19-71	State - All (12.5%)	None	Phillips Petroleum Company 100.00000%
7	Sec. 21: NE/4; N/2 NW/4	240.00	K-2780 10-16-72	State - All (12.5%)	None	Allied Chemical Corporation 83.33333% Joseph E. Seagram & Sons, Inc. 16.66667%
8	Sec. 21: S/2 NW/4; SE/4 SW/4	720.00	OG-5898 9-15-69	State - All (12.5%)	Miles A. Colligan 1.75% William K. Barnhill 1.75%	Bell Petroleum Company 100.00000%

(Cont'd)

Tract Number	Description	No. of Acres	Serial No. and Expiration Date	Basic Royalty & Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
8 (Cont'd)	Sec. 22: N/2 NW/4; SW/4 NW/4 Sec. 27: NE/4; N/2 NW/4 N/2 SW/4; SE/4 SW/4; N/2 SE/4; SW/4 SE/4;					
9	Sec. 22: E/2 NE/4; SE/4 Sec. 27: S/2 NW/4; SW/4 SW/4; SE/4 SE/4	400.00	L-226 9-19-77	State - All (12.5%)	None	Atlantic Richfield Company 100.00000%
10	Sec. 22: W/2 NE/4; SE/4 NW/4 Sec. 33: N/2 NE/4; SE/4 NE/4 Sec. 35: NE/4 NE/4	280.00	L-316 10-11-77	State - All (12.5%)	None	Marathon Oil Company 100.00000%
11	Sec. 23: N/2 Sec. 25: E/2 NE/4; SW/4 NE/4; NW/4	600.00	L-165 8-15-77	State - All (12.5%)	None	Atlantic Richfield Company 100.00000%
12	Sec. 23: SW/4; NW/4 SE/4 Sec. 25: SW/4; NW/4 SE/4; E/2 SE/4	480.00	OG-5482 7-21-69	State - All (12.5%)	None	Phillips Petroleum Company 100.00000%
13	Sec. 24: All	640.00	L-86-1 7-18-77	State - All (12.5%)	None	Humble Oil and Refining Company 100.00000%
14	Sec. 25: NW/4 NE/4; SW/4 SE/4; Sec. 28: S/2 SW/4; Sec. 34: SW/4 NE/4 Sec. 35: NW/4 NE/4; N/2 NW/4 SW/4 NW/4.	360.00	K-935 11-15-70	State - All (12.5%)	None	Allied Chemical Corporation 83.33333% Joseph E. Seagram and Sons, Inc. 16.66667%

(Cont'd)

Tract Number	Description	No. of Acres	Serial No. and Expiration Date	Basic Royalty & Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
15	Sec. 26: All	640.00	K-2851-1 11-20-72	State - All (12.5%)	None	Allied Chemical Corporation 83.3333% Joseph E. Seagram & Sons, Inc. 16.66667%
16	Sec. 28: N/2; NE/4 SW/4; S/2 SE/4 Sec. 33: E/2 NW/4; W/2 SW/4; SE/4 SW/4 Sec. 34: N/2 NW/4; SE/4 SW/4 E/2 SE/4. Sec. 35: S/2 NE/4; SE/4 NW/4.	960.00	OC-5899 9-15-59	State - All 12.5%	Miles A. Colligan 1.75% William K. Barnhill 1.75%	Bell Petroleum Company 100.00000%
17	Sec. 33: NW/4 NW/4; SE/4 SE/4	80.00	L-404 11-21-77	State - All (12.5%)	None	Norman L. Stevens, Jr. 100.00000%
18	Sec. 33: SW/4 NE/4; SW/4 NW/4; NE/4 SW/4; N/2 SE/4; SW/4 SE/4. Sec. 34: NW/4 NE/4; SW/4 NW/4	320.00	K-376, 12-17-73	State - All (12.5%)	None	Allied Chemical Corporation 100.00000%
19	Sec. 34: E/2 NE/4; SE/4 NW/4; N/2 SW/4; SW/4 SW/4; W/2 SE/4	320.00	K-5994 5-17-76	State - All (12.5%)	None	Atlantic Richfield Company 100.00000%
20	Sec. 21: SE/4; N/2 SW/4; SW/4 SW/4 Sec. 28: N/2 SE/4; NW/4 SW/4	760.00	L-315-1 10-17-77	State - All (12.5%)	None	Humble Oil & Refining Company 100.00000%
TOWNSHIP 9 - SOUTH, RANGE 27 - EAST N.M.P.M.						
	Sec. 18: N/2 NE/4; SW/4 NE/4; E/2 NW/4.					
	Sec. 19: NE/4 NE/4; SW/4 NE/4; E/2 NW/4.					

(Cont'd)

Tract Number	Description	No. of Acres	Serial No. and Expiration Date	Basic		Overriding Royalty and Percentage	Working Interest and Percentage
				Royalty & Percentage			
21	Sec. 18: SE/4 NE/4; E/2 SE/4; NE/4 SW/4	160.00	K-4086 5-19-74	State - All (12.5%)	None		Humble Oil & Refining Company 100.00000%
22	Sec. 18: Lots 1, 2, 3, 4; SE/4 SW/4; W/2 SE/4. Sec. 19: Lots 1, 2, 3, 4; NW/4 NE/4; SE/4 NE/4; E/2 SW/4; W/2 SE/4; NE/4 SE/4.	728.60	L-166 8-15-77	State - All (12.5%)	None		Marathon Oil Company 100.00000%

TOTAL: Twenty-two tracts comprising 8,848.60 Acres of State of New Mexico Lands.

EXHIBIT "C"

Attached to and Made a Part of the  
Unit Agreement for the Development and Operation of the  
Dallas Ranch Unit Area, Chaves County, New Mexico

Equal Employment Opportunity Provision

During the performance of this contract, Unit Operator (Marathon Oil Company) agrees as follows:

- (1) The Unit Operator will not discriminate against any employee or applicant for employment because of race, religion, color, sex, or national origin. The Unit Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, religion, color, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Unit Operator agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.
- (2) The Unit Operator will, in all solicitations or advertisements for employees placed by or on behalf of the Unit Operator, state that all qualified applicants will receive consideration for employment without regard to race, religion, color, sex, or national origin.
- (3) The Unit Operator will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representative of the Unit Operator's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- (4) The Unit Operator will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.
- (5) The Unit Operator will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- (6) In the event of the Unit Operator's noncompliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be canceled, terminated, or suspended in whole or in part, and the Unit Operator may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.
- (7) The Unit Operator will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Unit



Operator will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that in the event the Unit Operator becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Unit Operator may request the United States to enter into such litigation to protect the interests of the United States.

EXHIBIT "D"

Attached to and Made a Part of the  
Unit Agreement for the Development and Operation of the  
Dallas Ranch Unit Area, Chaves County, New Mexico

Equal Opportunity in Employment Certification of Nonsegregated Facilities

The Unit Operator, Marathon Oil Company, by entering into this contract, certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. It certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. Unit Operator agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color, or national origin, because of habit, local custom, or otherwise. It further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity clause; that it will retain such certifications in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

Notice to Prospective Subcontractors of Requirement  
For Certifications of Nonsegregated Facilities

A Certification of Nonsegregated Facilities, as required by the May 9, 1967, order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal Opportunity clause. The certification may be submitted either for each subcontract or for all subcontracts during a period (i.e., quarterly, semi-annually, or annually).

MARATHON OIL COMPANY

By D. W. Franklin  
D. W. Franklin,  
Division Exploration Manager



dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS  
1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-4491 • ALBUQUERQUE, NEW MEXICO

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
December 19, 1968

IN THE MATTER OF:

Application of Marathon Oil Company  
for a unit agreement, Chaves County,  
New Mexico.

Case No. 4002

BEFORE: DANIEL S. NUTTER

TRANSCRIPT OF HEARING

MR. NUTTER: Call Case 4002.

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

MR. MORRIS: Mr. Examiner, I'm Dick Morris, of  
Montgomery, Federici, Andrews, Hannahs & Morris, Santa Fe,  
appearing on behalf of the applicant. I have two witnesses,  
Mr. Butler and Mr. Miller. I ask that they both stand and be  
sworn at this time.

(Witnesses sworn.)

(Whereupon, Applicant's Exhibits  
1 through 5 marked for  
identification.)

\* \* \* \* \*

W. T. BUTLER, called as a witness, having been  
first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Butler, please state your name and where you  
reside?

A My name is W. T. Butler, I am employed by Marathon  
Oil Company, Midland, Texas.

Q In what capacity are you employed with marathon?

A I am a land man, working in the southeastern two-  
thirds of New Mexico, which includes Chaves County, in which

this unit is located.

Q Have you previously testified before the Commission or one of its examiners and had your qualifications as a land man established as a matter of record?

A Yes, sir.

MR. MORRIS: Are the witness's qualifications accepted?

MR. NUTTER: They are.

Q (By Mr. Morris) Mr. Butler, please refer to the Unit Agreement which has been marked Exhibit 1 in this case, and first turn to Exhibit A attached to that unit agreement with is the plat.

A This is a true copy of the Dallas Ranch Unit Agreement, Exhibit A is the plat showing the outline of the unit area, the tracts within the unit area, the State Lease numbers and leasehold ownership.

Q Now, this shows the outline of the unit area that is stippled, is that correct?

A Yes, sir, there is one tract within the unit area that the owner, Champlin Petroleum Company, declined to join the unit. This tract is the south half of the southwest quarter of Section 22, containing 80 acres, but Marathon as operator is of the opinion that we can successfully operate

this unit without the joinder of this company.

Q So that 80 acres has been deleted from the unit, it's not part of the unit area?

A That is right, sir.

Q How many acres does the Dallas Ranch Unit contain?

A The Dallas Ranch Unit contains 8,848.60 acres.

Q This acreage is located in Township 9 South, 26 and 27 East, is that correct?

A That is correct.

Q Approximately where is this unit located with reference to the City of Roswell?

A The unit is located approximately 15 miles northeast of Roswell.

Q What is Exhibit B to the unit agreement?

A Exhibit B is a take-off, descriptive, showing the tract numbers; describing the acreage in each tract; giving the numbers of acres of each tract; showing the State Lease numbers; the overriding royalty owners, their percentages; and the working interest owners with their percentages, of each tract.

Q Would you summarize the information shown on this exhibit, first with respect to the working interest owners, state who the working interest owners are, and their

approximate percentage interest in the unit?

A The working interest owners are Marathon Oil Company as unit operator, with approximately 18%; Humble Oil and Refining Company, approximately 17%; Allied Chemical Corporation, approximately 17%; Phillips Petroleum Company, approximately 20%; Atlantic Refining Company, approximately 15%; Phillips Petroleum Company, approximately 6%; Joseph E. Seagrams & Sons, Inc., approximately 3%; J. M. Kuber Corporation, a little over 1%; and Norman L. Stevens, approximately 1%.

Q Now, Mr. Butler, do these percentages that you have just given, do they vary depending upon whether you are talking about the cost interest or the interest after pay-out of the initial well?

A The percentages I just gave are the committed acreage percentages. Now, due to farmouts which are being taken by Marathon and Humble, the cost percentages will vary somewhat.

Q What is the status of commitment of the working interest owners to the unit at the present time?

A All working interest owners within the unit outline have verbally committed their acreage to the unit.

Q With respect to the royalty interest, did I understand you to say a while ago that all of the acreage involved in this

unit is State acreage?

A All of the acreage is State acreage and the State of New Mexico is the only royalty owner.

Q Has the State given preliminary approval of this unit?

A Yes, sir; we have a letter from the Commissioner's Office of a preliminary approval to the unit agreement as to form and content, copies of which were presented in this hearing.

Q And that letter has been marked as Exhibit No. 2 in this case, is that correct?

A That is correct.

Q What is the situation with respect to the overriding royalty interest?

A There are only two overriding royalty owners in the unit, these owners are under the Bell Petroleum Company Leases, and these two owners have been given an opportunity to join the unit.

Q Let's refer to the unit agreement itself. What is the form of this agreement?

A The unit agreement is on the State form with no unusual provisions.

Q And this is the standard form for an exploratory



unit?

A That is correct.

Q What formations are unitized?

A All formations of oil and gas are unitized.

Q Who is designated Unit operator?

A Marathon Oil Company is designated unit operator.

Q What is Marathon's initial obligation under this unit agreement?

A The unit agreement provides that Marathon as operator will commence a well within 60 days from the effective date of the agreement, and drill a well to a depth to test the Ordovician Formation, but we will not be required to drill to a depth in excess of 5300 feet.

Q Mr. Butler, was Exhibit No. 1 prepared by you or under your supervision?

A Yes, sir, it was. Let me say, with the assistance of legal counsel.

Q Certainly. Do you have any other comment you wish to make with respect to the unit agreement?

A Yes, sir. We haven't described the acreage within the unit agreement.

Q Well, this is as shown on --

A Page 2 of the unit agreement.

Q All right, fine.

MR. MORRIS: At this time, Mr. Examiner, we offer Marathon's Exhibits 1 and 2 into evidence.

MR. NUTTER: Exhibit 2 is the letter?

MR. MORRIS: Yes, sir.

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

(Whereupon, Marathon's Exhibits 1 and 2 offered and admitted in evidence.)

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

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Butler, now the Champlin acreage, the way you have done this, you haven't included the Champlin acreage in the unit, and carried it as non-committed acreage, you have just completely deleted the acreage from the unit?

A Yes, sir, although I didn't bring the letter with me, I have a letter in my files from Champlin Petroleum Company declining to join the unit, so we omitted them from the unit outline.

Q And the 8,929 acres, excludes the 80-acre tract?

A The 8,848 excludes the unit tract; originally we had 8,928.6 acres.

Q So the acreage, then, is not the 8929 that we

advertised, it would be 80 acres less than that?

A Yes, sir, 8848.60.

MR. MORRIS: That's 8,848.60 acres.

Q (By Mr. Nutter) Now, you mentioned that the two overriding royalty owners, Culligan and Barnhill, have been given an opportunity to join you, have they expressed themselves on this?

A No, sir, we were a little late in getting our agreement prepared and I haven't heard from them.

Q They haven't declined as yet?

A No, sir, they haven't declined as yet.

MR. NUTTER: Are there any further questions of Mr. Butler? He may be excused.

(Witness excused.)

\* \* \* \* \*

DAVID MILLER, called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Miller, please state your name and where you reside.

A I'm David Miller, and I reside in Midland, Texas.

Q By whom are you employed and in what capacity?

A I am a Geologist with Marathon Oil Company.

Q Would you state briefly your education and experience in the Petroleum Industry?

A I received a B. A. Degree in Geology from the University of Illinois, and have served as a Geologist in the Permian Basin for 13 years.

Q What are your present duties with Marathon?

A I am Province Leader, Geological Supervisor in the Exploration Department.

Q Did your duties involve you in the geologic work on the Dallas Ranch Unit?

A It did.

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

MR. NUTTER: They are.

Q (By Mr. Morris) Mr. Miller, please refer to Exhibits 3, 4 and 5; first please identify each of these exhibits and then explain them.

A I am sorry, I don't know the numbers on these exhibits.

Q This is 3 and this is 4.

A Exhibit 3 is a geologic report, Exhibit 4 is a structure map on the Ordovician Formation. Now, Exhibit 5

is a cross-section which crosses the proposed unit. There's an index map on it which shows the location of the cross-section. It goes from the DeKalb No. 1 Lewis across prospect to the Hammond No. 1 Salsberry and it picks the target formation which is the Ordovician, which underlies the Mississippian and overlies the Granite.

Q Now, you have a little plat insert that shows the line of cross-section on the cross-section itself?

A That is correct.

Q Go ahead.

A As you can see from the cross-section, the Ordovician is truncated west of the proposed location. Now, the structure map which is on top of this Ordovician shows that the lateral trap will be caused by an anti-cline crossing this truncation line with the structural contours closing against the truncation line on the southeast flank against a permeability barrier on the northwest flank. Evidence of the permeability barrier is given in the Union No. 1 Kitchen located in Section 6 of Township 9 South, Range 26 East, which tested this Ordovician dolomite and recovered a small amount of gas, a three foot flair, and recovered mud. Permeability and fluid was recovered to the east in the Honolulu-McKonkee Well in Section 10 of Township 9 South, Range 26 East. This well

recovered a small amount of gas and 800 feet of salt water on drillstem test.

We anticipate a gas reservoir rather than oil due to the gas shows and other gas shows laterally along the truncation line. The anticipated gas-water contact is expected at approximately minus 1900 feet, and in my opinion, the unit conforms to the anticipated productive area.

Q Your unit outline is based upon your gas-water contact of a minus 1900 and the permeability barrier along the west side of your unit?

A That is correct.

Q Where will the initial well be drilled?

A The initial well will be in the southwest quarter of the southwest quarter of Section 23, Township 9 South, Range 26 East; this is our tentative location.

Q I believe you've covered this already, but in your opinion, Mr. Miller, does the unit outline fairly cover the structure as you see it at this time?

A It does.

Q Were Exhibits 1, 2 and 3 prepared by you or under your direction?

A They were.

Q Excuse me, not 1, 2 and 3, Exhibits 3, 4 and 5.

A 3, 4 and 5, yes.

MR. MORRIS: Mr. Examiner, we offer Marathon's Exhibits 3, 4 and 5 into evidence.

MR. NUTTER: Marathon's Exhibits 3, 4 and 5 will be admitted into evidence.

(Whereupon, Marathon's Exhibits 3, 4 and 5 offered and admitted into evidence.)

MR. MORRIS: That's all I have.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Miller, as I interpret your structure map here, what we might say is that you have a structural nose extending to the northeast here, backed up against this truncation line with permeability barrier on the west flank?

A That is correct.

Q Now, the red circle in Section 23, I presume, is the proposed location?

A That's right.

Q Now is it going to hurt the operation of this unit to not have that 80 acres in Section 22 committed to it?

A I don't believe it will.

Q What formation is your actual target formation, the Ordovician?

A It is, yes.

Q What are the chances of gas in the Pennsylvanian in this area?

A They're quite remote, I believe.

Q You do expect that gas, if discovered, would be Pennsylvanian or older, at least?

A Yes, sir.

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

(Witness excused.)

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

MR. MORRIS: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case 4002? We'll take the case under advisement.





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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  
December 19, 1968

IN THE MATTER OF:

Application of Marathon Oil Company )  
for a unit agreement, Chaves County, )  
New Mexico. )

Case No. 4002

BEFORE: DANIEL S. NUTTER

TRANSCRIPT OF HEARING

MR. NUTTER: Call Case 4002.

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

MR. MORRIS: Mr. Examiner, I'm Dick Morris, of  
Montgomery, Federici, Andrews, Hannahs & Morris, Santa Fe,  
appearing on behalf of the applicant. I have two witnesses,  
Mr. Butler and Mr. Miller. I ask that they both stand and be  
sworn at this time.

(Witnesses sworn.)

(Whereupon, Applicant's Exhibits  
1 through 5 marked for  
identification.)

\* \* \* \* \*

W. T. BUTLER, called as a witness, having been  
first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Butler, please state your name and where you  
reside?

A My name is W. T. Butler, I am employed by Marathon  
Oil Company, Midland, Texas.

Q In what capacity are you employed with Marathon?

A I am a land man, working in the southeastern two-  
thirds of New Mexico, which includes Chaves County, in which

this unit is located.

Q Have you previously testified before the Commission or one of its examiners and had your qualifications as a land man established as a matter of record?

A Yes, sir.

MR. MORRIS: Are the witness's qualifications accepted?

MR. NUTTER: They are.

Q (By Mr. Morris) Mr. Butler, please refer to the Unit Agreement which has been marked Exhibit 1 in this case, and first turn to Exhibit A attached to that unit agreement with is the plat.

A This is a true copy of the Dallas Ranch Unit Agreement, Exhibit A is the plat showing the outline of the unit area, the tracts within the unit area, the State Lease numbers and leasehold ownership.

Q Now, this shows the outline of the unit area that is stippled, is that correct?

A Yes, sir, there is one tract within the unit area that the owner, Champlin Petroleum Company, declined to join the unit. This tract is the south half of the southwest quarter of Section 22, containing 80 acres, but Marathon as operator is of the opinion that we can successfully operate

this unit without the joinder of this company.

Q So that 80 acres has been deleted from the unit, it's not part of the unit area?

A That is right, sir.

Q How many acres does the Dallas Ranch Unit contain?

A The Dallas Ranch Unit contains 8,848.60 acres.

Q This acreage is located in Township 9 South, 26 and 27 East, is that correct?

A That is correct.

Q Approximately where is this unit located with reference to the City of Roswell?

A The unit is located approximately 15 miles northeast of Roswell.

Q What is Exhibit B to the unit agreement?

A Exhibit B is a take-off, descriptive, showing the tract numbers; describing the acreage in each tract; giving the numbers of acres of each tract; showing the State Lease numbers; the overriding royalty owners, their percentages; and the working interest owners with their percentages, of each tract.

Q Would you summarize the information shown on this exhibit, first with respect to the working interest owners, state who the working interest owners are, and their

approximate percentage interest in the unit?

A The working interest owners are Marathon Oil Company as unit operator, with approximately 18%; Humble Oil and Refining Company, approximately 17%; Allied Chemical Corporation, approximately 17%; Phillips Petroleum Company, approximately 20%; Atlantic Refining Company, approximately 15%; Phillips Petroleum Company, approximately 6%; Joseph E. Seagrams & Sons, Inc., approximately 3%; J. M. Huber Corporation, a little over 1%; and Norman L. Stevens, approximately 1%.

Q Now, Mr. Butler, do these percentages that you have just given, do they vary depending upon whether you are talking about the cost interest or the interest after pay-out of the initial well?

A The percentages I just gave are the committed acreage percentages. Now, due to farmouts which are being taken by Marathon and Humble, the cost percentages will vary somewhat.

Q What is the status of commitment of the working interest owners to the unit at the present time?

A All working interest owners within the unit outline have verbally committed their acreage to the unit.

Q With respect to the royalty interest, did I understand you to say a while ago that all of the acreage involved in this

unit is State acreage?

A All of the acreage is State acreage and the State of New Mexico is the only royalty owner.

Q Has the State given preliminary approval of this unit?

A Yes, sir; we have a letter from the Commissioner's Office of a preliminary approval to the unit agreement as to form and content, copies of which were presented in this hearing.

Q And that letter has been marked as Exhibit No. 2 in this case, is that correct?

A That is correct.

Q What is the situation with respect to the overriding royalty interest?

A There are only two overriding royalty owners in the unit, these owners are under the Bell Petroleum Company Leases, and these two owners have been given an opportunity to join the unit.

Q Let's refer to the unit agreement itself. What is the form of this agreement?

A The unit agreement is on the State form with no unusual provisions.

Q And this is the standard form for an exploratory

unit?

A That is correct.

Q What formations are unitized?

A All formations of oil and gas are unitized.

Q Who is designated Unit operator?

A Marathon Oil Company is designated unit operator.

Q What is Marathon's initial obligation under this unit agreement?

A The unit agreement provides that Marathon as operator will commence a well within 60 days from the effective date of the agreement, and drill a well to a depth to test the Ordovician Formation, but we will not be required to drill to a depth in excess of 5300 feet.

Q Mr. Butler, was Exhibit No. 1 prepared by you or under your supervision?

A Yes, sir, it was. Let me say, with the assistance of legal counsel.

Q Certainly. Do you have any other comment you wish to make with respect to the unit agreement?

A Yes, sir. We haven't described the acreage within the unit agreement.

Q Well, this is as shown on --

A Page 2 of the unit agreement.



Q All right, fine.

MR. MORRIS: At this time, Mr. Examiner, we offer Marathon's Exhibits 1 and 2 into evidence.

MR. NUTTER: Exhibit 2 is the letter?

MR. MORRIS: Yes, sir.

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

(Whereupon, Marathon's Exhibits 1 and 2 offered and admitted in evidence.)

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

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Butler, now the Champlin acreage, the way you have done this, you haven't included the Champlin acreage in the unit, and carried it as non-committed acreage, you have just completely deleted the acreage from the unit?

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advertised, it would be 80 acres less than that?

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(Witness excused.)

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Q Mr. Miller, please state your name and where you reside.

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Q Were Exhibits 1, 2 and 3 prepared by you or under your direction?

A They were.

Q Excuse me, not 1, 2 and 3, Exhibits 3, 4 and 5.

A 3, 4 and 5, yes.

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MR. NUTTER: Marathon's Exhibits 3, 4 and 5 will be admitted into evidence.

(Whereupon, Marathon's Exhibits 3, 4 and 5 offered and admitted into evidence.)

MR. MORRIS: That's all I have.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Miller, as I interpret your structure map here, what we might say is that you have a structural nose extending to the northeast here, backed up against this truncation line with permeability barrier on the west flank?

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Q What formation is your actual target formation, the Ordovician?

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Q You do expect that gas, if discovered, would be Pennsylvanian or older, at least?

A Yes, sir.

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

(Witness excused.)

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

MR. MORRIS: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case 4002? We'll take the case under advisement.





DRAFT

GMH/esr

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 4002

Order No. R- 2640

APPLICATION OF MARATHON OIL COMPANY  
FOR APPROVAL OF THE DALLAS RANCH  
UNIT AGREEMENT, CHAVES, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 ~~o'clock~~ a.m. on  
December 19, 1968, at Santa Fe, New Mexico, before Examiner  
Daniel S. Nutter.

NOW, on this \_\_\_\_\_ day of December, 1968, 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, Marathon Oil Company,  
seeks approval of the Dallas Ranch Unit Agreement  
covering 8848.60 ~~8,929~~ acres, more or less, of State ~~Federal~~ lands  
described as follows:

CHAVES COUNTY, NEW MEXICO  
TOWNSHIP 9 SOUTH, RANGE 26 EAST, NMPM

Section 13: all ✓  
Section 14: S/2  
Section 21: all  
Section 22: N/2, SE/4, and N/2 SW/4  
Sections 23 through 28: all  
Sections 33 and 34: all  
Section 35: N/2

TOWNSHIP 9 SOUTH, RANGE 27 EAST, NMPM

Section 18: all ✓  
Section 19: N/2, SW/4, W/2 SE/4, and NE/4 SE/4

(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 Dallas Ranch Unit Agreement is hereby approved.

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

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

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

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

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



MARATHON OIL COMPANY

PRODUCTION - UNITED STATES AND CANADA

69 JAN 31 AM 8 25

4002

P.O. BOX 552  
MIDLAND, TEXAS 79701  
January 30, 1969

Re: Dallas Ranch Unit  
Chaves County, New Mexico

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

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

Gentlemen:

As evidenced by the enclosed Certificate of Approval, the Commissioner of Public Lands of the State of New Mexico approved the Dallas Ranch Unit Agreement on December 30, 1968. Attached you will find a counterpart of such Agreement executed by Marathon Oil Company, Ratifications of the Dallas Ranch Unit Agreement from all of the other Unit participants with the exception of J. M. Huber Corporation, and Ratification of this Unit by William B. Barnhill and Miles A. Colligan, the two overriding royalty owners in the Unit Area.

You will be furnished a Ratification of this Unit Agreement executed by J. M. Huber Corporation to complete your files on same, which instrument we expect to receive at any time.

Yours very truly,

MARATHON OIL COMPANY

A. W. Hanley

AWH:r  
Encl.

ADDRESSEE LIST OF WORKING INTEREST OWNERS

Bell Petroleum Company  
Suite 400 - 700 Wilshire Blvd.  
Los Angeles, California 90017  
Attention: Mr. Ralph J. Tingle

Humble Oil & Refining Company  
P. O. Box 1600  
Midland, Texas 79701  
Attention: Mr. M. L. McMillan

Atlantic Richfield Company  
P. O. Box 1978  
Roswell, New Mexico 88201  
Attention: Mr. Jack Biard

Allied Chemical Corporation  
1300 Wilco Building  
Midland, Texas 79701  
Attention: Mr. Paul W. Ferguson

Phillips Petroleum Company  
P. O. Box 791  
Midland, Texas 79701  
Attention: Mr. E. M. Gorence

Joseph E. Seagram & Sons, Inc.  
P. O. Box 4067  
Midland, Texas 79701  
Attention: Mr. Frank Bolen

J. M. Huber Corporation  
1900 Wilco Building  
Midland, Texas 79701  
Attention: Mr. Ron Holcomb

Mr. N. L. Stevens, Jr.  
604 Security National Building  
Roswell, New Mexico 88201

00 25

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

**DALLAS RANCH UNIT**  
**CHAVES COUNTY, NEW MEXICO**


---

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated December 11, 1968, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the afore-said statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 30th. day of December, 19 68.

  
COMMISSIONER OF PUBLIC LANDS  
of the State of New Mexico

UNIT AGREEMENT FOR THE  
DEVELOPMENT AND OPERATION OF THE  
DALLAS RANCH UNIT AREA, CHAVES COUNTY, NEW MEXICO

NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 11th day of December, 1968,  
by and between the parties subscribing, ratifying, or consenting hereto, and  
herein referred to as the "parties hereto,"

W I T N E S S E T H :

WHEREAS, the parties hereto are the owners of working, royalty, or  
other oil or gas interests in the Unit Area subject to this Agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico  
is authorized by an Act of the Legislature (Chapter 7, Article 11, Section 39,  
N. M. Statutes 1953, annotated) to consent to and approve the development or  
operation of State lands under agreements made by lessees of State lands  
jointly or severally with other lessees where such agreements provide for the  
Unit operation or development of part of or all of any gas pool, field, or  
area; and

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

WHEREAS, the Oil Conservation Commission of the State of New Mexico  
(hereinafter referred to as the "Commission") is authorized by an Act of the  
Legislature (Chapter 72, Laws 1935; Chapter 65, Article 3, Section 14, N. M.  
Statutes 1953, annotated) to approve this Agreement and the conservation pro-  
visions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Dallas  
Ranch Unit Area, covering the land hereinafter described, to give reasonably

effective control of operations therein; and

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

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

1. UNIT AREA:

The following described land is hereby designated and recognized as constituting the Unit Area:

T-9-S, R-26-E, N.M.P.M.:

Section 13 - All  
Section 14 - S/2  
Section 21 - All  
Section 22 - All, except S/2 SW/4  
Section 23 - All  
Section 24 - All  
Section 25 - All  
Section 26 - All  
Section 27 - All  
Section 28 - All  
Section 33 - All  
Section 34 - All  
Section 35 - N/2

T-9-S, R-27-E, N.M.P.M.:

Section 18 - All  
Section 19 - All, except SE/4 SE/4

containing 8,848.60 acres, more or less.

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

"Commissioner") to do so.

All land committed to this Unit Agreement shall constitute land referred to herein as "unitized land" or "lands subject to this Agreement."

2. UNITIZED SUBSTANCES:

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

3. UNIT OPERATOR:

Marathon Oil Company is hereby designated as Unit Operator and, by signature hereto, commits to this Agreement all interest in unitized substances vested in it, as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances; and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR:

Unit Operator shall have the right to resign at any time, but such resignation shall not become effective until a successor Unit Operator has been selected and approved in the manner provided for in Section 5 of this Agreement. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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

The resignation or removal of the Unit Operator under this Agreement shall not terminate 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.

5. SUCCESSOR UNIT OPERATOR:

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

6. ACCOUNTING PROVISIONS:

The Unit Operator shall pay, in the first instance, all costs and expenses incurred in conducting Unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an Operating Agreement entered into by and between the Unit Operator and the owners of such interests, whether one or more, separately or collectively. Any agreement, or agreements, entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, is herein referred to as the "Operating Agreement." No such Operating Agreement

shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistencies or conflict between this Unit Agreement and the Operating Agreement, this Unit Agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR:

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

8. DRILLING TO DISCOVERY:

The Unit Operator shall, within sixty (60) days after the effective date of this Agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the Unit Area and shall drill said well with due diligence to a depth sufficient to test the Ordovician formation, or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth, or until it shall, in the opinion of Unit Operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of six thousand three hundred (6,300) feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit), Unit Operator shall continue drilling diligently, one well at a time, allowing not more than six (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 the Commissioner, or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in a formation, or formations, drilled hereunder. Nothing in this Section 8 shall be deemed to limit the right of the Unit Operator to resign as provided in Section 4 hereof or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation's becoming effective in order to comply with the requirements of this Section 8.

Any well commenced prior to the effective date of this Agreement upon the Unit Area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Commissioner may, after reasonable notice to the Unit Operator and each working interest owner, lessee, and lessor at their last known addresses, declare this Unit Agreement terminated, and all rights, privileges, and obligations granted and assumed by this Unit Agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES:

Should unitized substances in paying quantities be discovered upon the Unit Area, the Unit Operator shall, on or before six (6) months from the time of the completion of the initial discovery well and within thirty (30) days after the expiration of each 12-month period thereafter, file a report with the Commissioner and Commission of the status of the development of the Unit Area and the development contemplated for the following 12-month period.

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

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

If the Unit Operator should fail to comply with the above covenant for reasonable development, this Agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units, but, in such event, the basis of participation by the working interest owners shall remain the same as if this Agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the Unit Operator and the lessees of record in the manner prescribed by Section 7-11-14, N. M. Statutes 1953, annotated, of intention to cancel on account of any alleged breach of said covenant for reasonable development, and any decision entered thereunder shall be subject to appeal in the manner prescribed by Section 7-11-17, N. M. Statutes 1953, annotated; and, provided further, in any event the Unit Operator shall be given a reasonable opportunity, after a final determination, within which to remedy any default, failing in which, this Agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY:

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

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

11. ALLOCATION OF PRODUCTION:

All unitized substances produced from each tract in the unitized area established under this Agreement, except any part thereof used for production or development purposes hereunder (including, but not limited to, drilling, operating, camp, and other production or development purposes, and repressuring or recycling), or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land; 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 its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES:

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

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

All rentals, if any, due under any leases embracing lands other than lands of the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases, and all royalties due under the

terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

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

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

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED IN SO FAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA:

The terms, conditions, and provisions of all leases, subleases, operating agreements, and other contracts relating to the exploration, drilling, development, or operation for oil or gas of the lands committed to this Agreement shall be, as of the effective date hereof, and the same are hereby expressly modified and amended in so far as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended, in so far as necessary, to coincide with the term of this Agreement. The approval of this Agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this Agreement, but otherwise to remain in full force and effect. Each lease committed to this Agreement, in so far as it

applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this Agreement remains in effect; provided, that drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the Unit Operator prior to the expiration of the shortest term lease committed to this Agreement. Termination of this Agreement shall not affect any lease which, pursuant to the terms thereof or any applicable laws, would continue in full force and effect thereafter. The commencement, completion, continued operation, or production of a well, or wells, for unitized substances on the Unit Area shall be construed and considered as the commencement, completion, continued operation, or production on each of the leasehold interests committed to this Agreement, and operations or production pursuant to this Agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto; and there shall be no obligation on the part of the Unit Operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this Agreement, except as provided in Section 9 hereof.

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

effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. CONSERVATION:

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

15. DRAINAGE:

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

16. COVENANTS RUN WITH LAND:

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

17. EFFECTIVE DATE AND TERM:

This Agreement shall become effective upon approval by the Commissioner and, unless terminated earlier by agreement of the owners of the working interests as provided in this Section 17, shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which case this Agreement shall remain in effect so long as unitized substances are being



produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production, and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This Agreement may be terminated at any time by not less than seventy-five per cent (75%), on an acreage basis, of the owners of the working interests signatory hereto, with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this Agreement to termination as provided in said Section 8.

18. RATE OF PRODUCTION:

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

19. APPEARANCES:

Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interested party shall also have the right at his own expense to appear and to participate in any such proceeding.

20. NOTICES:

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

21. UNAVOIDABLE DELAY:

All obligations under this Agreement requiring the Unit Operator to

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

22. LOSS OF TITLE:

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

23. 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 F.R. 12319), as amended, which are set forth in their entirety on Exhibit "C" attached hereto and incorporated herein by reference.

24. SUBSEQUENT JOINDER:

Any oil or gas interest in lands within the Unit Area not committed hereto prior to the submission of this Agreement for final approval by the Commissioner or the Commission may be committed hereto by the owner or owners of

such rights subscribing or consenting to this Agreement or executing a ratification thereof and, if such owner is also a working interest owner, by subscribing to the Operating Agreement providing for the allocation of costs of exploration, development, and operation. A subsequent joinder shall be effective as of the first day of the month following the filing with the Commissioner and the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this Agreement, but such joining party or parties, before participating in any benefits hereunder, shall be required to assume and pay to Unit Operator their proportionate share of the Unit expense incurred prior to such party's, or parties', joinder in the Unit Agreement, and the Unit Operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

25. COUNTERPARTS:

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

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

UNIT OPERATOR

MARATHON OIL COMPANY

Date 12-11-68

By D. W. Franklin  
D. W. Franklin,  
Division Exploration Manager

Address: P. O. Box 552  
Midland, Texas 79701

CONSENT AND RATIFICATION  
DALLAS RANCH UNIT AGREEMENT  
EMBRACING LANDS IN CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Dallas Ranch Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 11th day of December, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Dallas Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ATTEST:

B. King  
Secretary

BELL PETROLEUM COMPANY

x R. L. Packer  
President

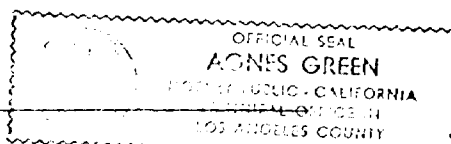
CORPORATE

STATE OF CALIFORNIA     I  
                                     I  
COUNTY OF LOS ANGELES     I

The foregoing instrument was acknowledged before me this 19th day of December, 1968, by R. L. Packer who is President of BELL PETROLEUM COMPANY, a California corporation, for and on behalf of said (State) corporation.

Agnes Green  
Notary Public in and for Los Angeles  
County, California

My Commission expires:



My Commission Expires July 13, 1970

CONSENT AND RATIFICATION  
DALLAS RANCH UNIT AGREEMENT  
EMBRACING LANDS IN CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Dallas Ranch Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 11th day of December, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Dallas Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

HUMBLE OIL & REFINING COMPANY

x

x

*A. T. Gibbon*  
Agent and Attorney In Fact

FORM APVD.  
BY 020

CORPORATE

STATE OF TEXAS

COUNTY OF MIDLAND

I  
I  
I

The foregoing instrument was acknowledged before me this 27th day of December, 1968, by A. T. GIBBON  
IN FACT  
who is AGENT & ATTORNEY /of HUMBLE OIL & REFINING COMPANY,  
a DELAWARE corporation, for and on behalf of said  
(State)  
corporation.

*Patricia G. Proctor*  
Notary Public in and for MIDLAND  
COUNTY, TEXAS

My Commission expires: JUNE 1, 1969

CONSENT AND RATIFICATION  
DALLAS RANCH UNIT AGREEMENT  
EMBRACING LANDS IN CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Dallas Ranch Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 11th day of December, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Dallas Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

x

x ATLANTIC RICHFIELD COMPANY

By:

S. L. Smith  
Attorney-In-Fact

CORPORATE

STATE OF New Mexico

COUNTY OF Chaves

I  
I  
I

The foregoing instrument was acknowledged before me this 18th day of December, 1968, by S. L. Smith who is ATTORNEY IN FACT of Atlantic Richfield Company, a Pennsylvania corporation, for and on behalf of said (State) corporation.

Paula Geraldine Black  
Notary Public in and for Chaves Co.  
New Mexico

My Commission expires: 10-10-70

CONSENT AND RATIFICATION  
DALLAS RANCH UNIT AGREEMENT  
EMBRACING LANDS IN CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Dallas Ranch Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 11th day of December, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Dallas Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

x \_\_\_\_\_ x Allied Chemical Corporation  
\_\_\_\_\_  
By Roger W. Stoneburner  
ATTORNEY-IN-FACT  
\_\_\_\_\_

STATE OF Texas      i  
COUNTY OF Harris      i  
   i

CORPORATE

The foregoing instrument was acknowledged before me this 25th day of December, 1968, by Roger W. Stoneburner who is Attorney-in-fact of Allied Chemical Corporation, a New York corporation, for and on behalf of said (State) corporation.

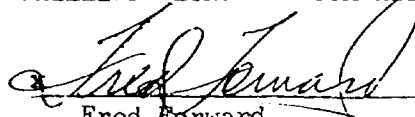
Addie L. Butel  
Notary Public in and for \_\_\_\_\_  
\_\_\_\_\_

ADDIE L. BUTEL  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1969

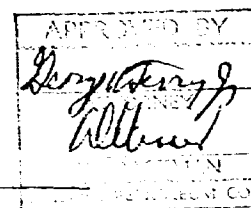
CONSENT AND RATIFICATION  
DALLAS RANCH UNIT AGREEMENT  
EMBRACING LANDS IN CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Dallas Ranch Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 11th day of December, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Dallas Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

  
Fred Forward  
Attorney-in-Fact

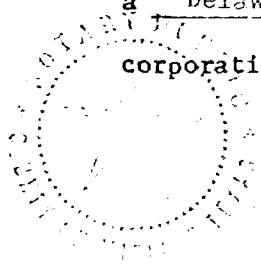
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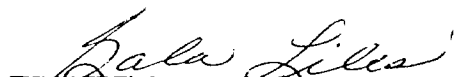


CORPORATE

STATE OF TEXAS      1  
COUNTY OF MIDLAND      1

The foregoing instrument was acknowledged before me this 20th day of December, 1968, by Fred Forward who is Attorney-in-Fact of Phillips Petroleum Company, a Delaware corporation, for and on behalf of said (State) corporation.



  
Notary Public in and for Midland  
County, Texas

My Commission expires: 6-1-69



CONSENT AND RATIFICATION  
DALLAS RANCH UNIT AGREEMENT  
EMBRACING LANDS IN CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Dallas Ranch Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 11th day of December, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Dallas Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

JOSEPH E. SEAGRAM & SONS, INC.

x

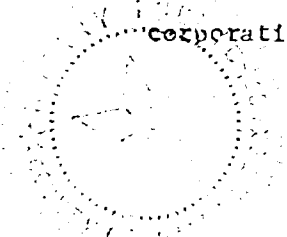
By

J. B. Scrafford  
Attorney-in-Fact

CORPORATE

STATE OF TEXAS      I  
   I  
COUNTY OF DALLAS      I

The foregoing instrument was acknowledged before me this 30th day of December, 1968, by J. B. SCRAFFORD who is Attorney-in-Fact of JOSEPH E. SEAGRAM & SONS, INC., a Indiana corporation, for and on behalf of said (State) corporation.



Ruth Currin  
Notary Public in and for Dallas  
County, Texas

RUTH CURRIN, Notary Public,  
in and for Dallas County, Texas  
My Commission Expires June 1, 1969

My Commission expires: June 1, 1969

CONSENT AND RATIFICATION  
DALLAS RANCH UNIT AGREEMENT  
EMBRACING LANDS IN CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Dallas Ranch Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 11th day of December, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Dallas Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

x Betty Cady x Norman L. Stevens, Jr.  
Norman L. Stevens, Jr.

CORPORATE

STATE OF \_\_\_\_\_ I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1968, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

Notary Public in and for \_\_\_\_\_

My Commission expires: \_\_\_\_\_

INDIVIDUAL

STATE OF New Mexico I  
COUNTY OF Chaves I

The foregoing instrument was acknowledged before me this 23<sup>rd</sup>  
day of December, 1968, by Norman L. Steven, Jr.

Betty Cady  
Notary Public in and for \_\_\_\_\_



My Commission expires: \_\_\_\_\_ My Commission Expires Aug. 22, 1972

CONSENT AND RATIFICATION  
DALLAS RANCH UNIT AGREEMENT  
EMBRACING LANDS IN CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Dallas Ranch Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 11th day of December, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Dallas Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

x

x

Wm. B. Barnhill  
Wm. B. Barnhill

Myles A. Colligan  
Myles A. Colligan

CORPORATE

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1968, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

Notary Public in and for \_\_\_\_\_

My Commission expires: \_\_\_\_\_

INDIVIDUAL

STATE OF New Mexico I  
COUNTY OF Chaves I

The foregoing instrument was acknowledged before me this 24<sup>th</sup>  
day of December, 1968, by Myles A. Calligan and  
Wm B. Barnhill.

Vega L. Stovall  
Notary Public in and for Chaves  
County, New Mexico



My Commission expires: April 23 1970

WORKING INTEREST OWNERS

BELL PETROLEUM COMPANY

Date \_\_\_\_\_

By \_\_\_\_\_

Address: Suite 400 - 700 Wilshire Blvd.  
Los Angeles, Calif. 90017

HUMBLE OIL & REFINING COMPANY

Date \_\_\_\_\_

By \_\_\_\_\_

Address: P. O. Box 1600  
Midland, Texas 79701

ATLANTIC RICHFIELD COMPANY

Date \_\_\_\_\_

By \_\_\_\_\_

Address: P. O. Box 1978  
Roswell, New Mexico 88201

ALLIED CHEMICAL CORPORATION

Date \_\_\_\_\_

By \_\_\_\_\_

Address: 1300 Wilco Building  
Midland, Texas 79701

PHILLIPS PETROLEUM COMPANY

Date \_\_\_\_\_

By \_\_\_\_\_

Address: P. O. Box 791  
Midland, Texas 79701

JOSEPH E. SEAGRAM & SONS, INC.

Date \_\_\_\_\_

By \_\_\_\_\_

Address: P. O. Box 4067  
Midland, Texas 79701

J. M. HUBER CORPORATION

Date \_\_\_\_\_

By \_\_\_\_\_

Address: 922 Vaughn Building  
Midland, Texas 79701

Date \_\_\_\_\_

N. L. STEVENS, JR.  
Address: 606 Security National Bldg.  
Roswell, New Mexico 88201

STATE OF TEXAS     X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this 11<sup>th</sup> day of December, 1968, by D. W. Franklin, Division Exploration Manager of MARATHON OIL COMPANY, an Ohio corporation, on behalf of said corporation.

LUTHER L. HINTON  
Notary Public in and for Harris County, Texas  
My commission expires June 1 1969

Luther L. Hinton  
Notary Public in and for  
Harris County, Texas

STATE OF CALIFORNIA    X  
                              X  
COUNTY OF LOS ANGELES   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by \_\_\_\_\_,  
of BELL PETROLEUM COMPANY, a \_\_\_\_\_ corporation, on behalf of said  
corporation.

\_\_\_\_\_  
Notary Public in and for  
Los Angeles County, California

My commission expires \_\_\_\_\_

STATE OF TEXAS        X  
                              X  
COUNTY OF MIDLAND   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by \_\_\_\_\_,  
of HUMBLE OIL & REFINING COMPANY, a Delaware corporation, on behalf of said  
corporation.

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

My commission expires \_\_\_\_\_

STATE OF NEW MEXICO   X  
                              X  
COUNTY OF CHAVES     X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by \_\_\_\_\_,  
of ATLANTIC RICHFIELD COMPANY, a Pennsylvania corporation, on behalf of said  
corporation.

\_\_\_\_\_  
Notary Public in and for  
Chaves County, New Mexico

My commission expires \_\_\_\_\_



STATE OF TEXAS     X  
                          X  
COUNTY OF MIDLAND   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by \_\_\_\_\_,  
of ALLIED CHEMICAL CORPORATION, a \_\_\_\_\_ corporation, on behalf of  
said corporation.

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

My commission expires \_\_\_\_\_

STATE OF TEXAS     X  
                          X  
COUNTY OF MIDLAND   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by \_\_\_\_\_,  
of PHILLIPS PETROLEUM COMPANY, a Delaware corporation, on behalf of said cor-  
poration.

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

My commission expires \_\_\_\_\_

STATE OF TEXAS     X  
                          X  
COUNTY OF MIDLAND   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by \_\_\_\_\_,  
of JOSEPH E. SEAGRAM & SONS, INC., a \_\_\_\_\_ corporation, on behalf  
of said corporation.

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

My commission expires \_\_\_\_\_

STATE OF TEXAS     Y  
                          Y  
COUNTY OF MIDLAND   Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by \_\_\_\_\_,  
of J. M. HUBER CORPORATION, a \_\_\_\_\_ corporation, on behalf of  
said corporation.

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

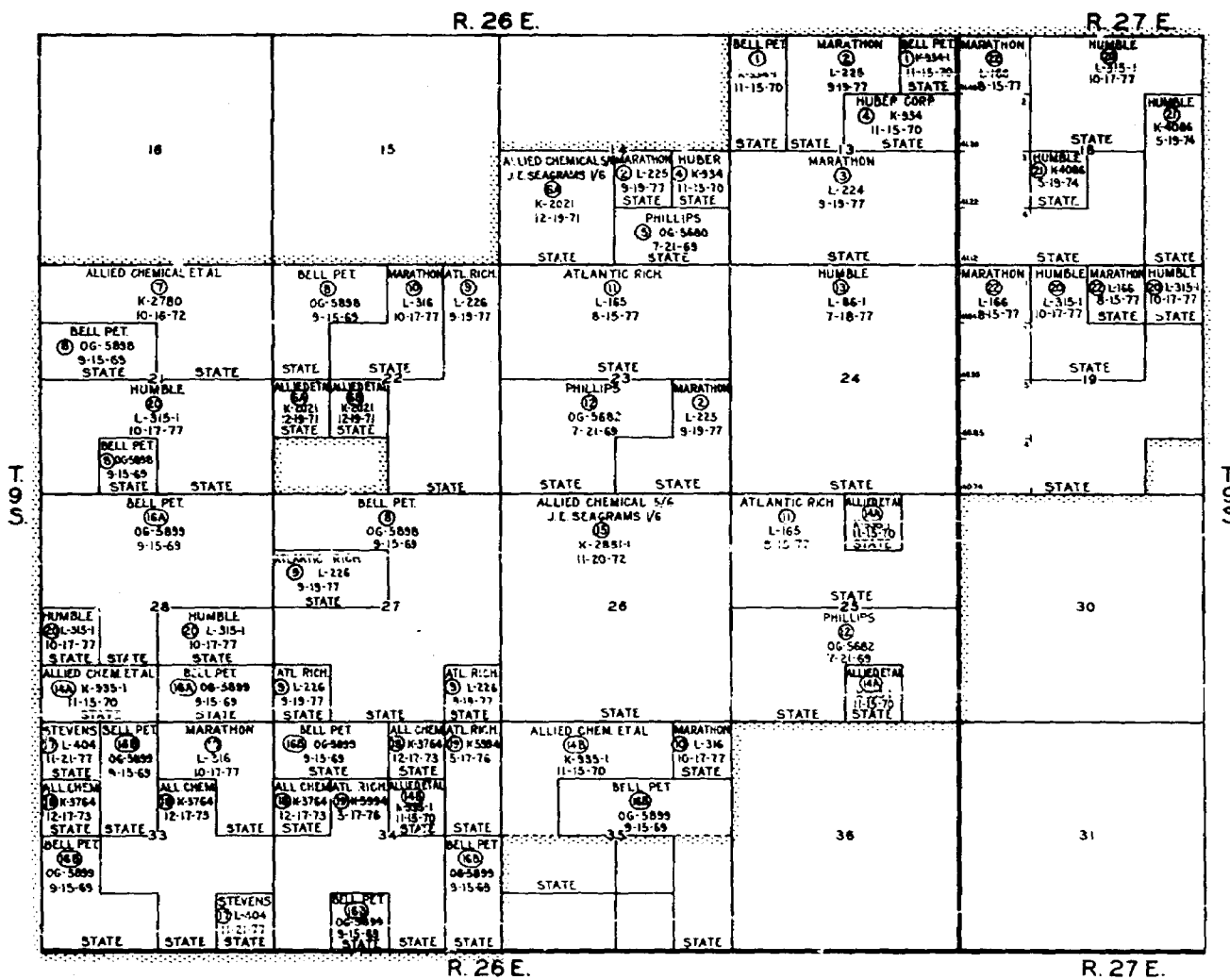
My commission expires \_\_\_\_\_

STATE OF NEW MEXICO   Y  
                          Y  
COUNTY OF CHAVES     Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 196\_\_, by N. L. STEVENS, JR.

\_\_\_\_\_  
Notary Public in and for  
Chaves County, New Mexico

My commission expires \_\_\_\_\_



STATE LEASE NUMBERS IN UNIT	
① K-934-1	⑩ OG-5682
② L-224	⑪ L-86-1
③ L-224	⑫ K-935-1
④ K-934	⑬ K-935-1
⑤ OG-5680	⑭ K-2851-1
⑥ K-2021	⑮ OG-5899
⑦ K-2021	⑯ OG-5899
⑧ K-2780	⑰ L-404
⑨ OG-5898	⑱ K-3764
⑩ L-226	⑲ K-5994
⑪ L-316	⑳ L-315-1
⑫ L-165	㉑ K-4086
	㉒ L-165

**LEGEND**

UNIT OUTLINE   
 TRACT NUMBER

STATE OF NEW MEXICO LAND 8848.60 Acres

**EXHIBIT A**  
**DALLAS RANCH UNIT**  
 CHAVES COUNTY, NEW MEXICO

EXHIBIT B  
SCHEDULE SHOWING THE PERCENTAGE AND KIND  
OF OWNERSHIP OF ALL LANDS IN THE  
DALLAS RANCH UNIT AREA - CHAVES COUNTY, NEW MEXICO

Tract Number	Description	No. of Acres	Serial No. & Expiration Date of Use.	Basic Royalty & Percentage	Overriding Royalty and Percentage	Lessee of Record	Working Interest Percentage
<u>TOWNSHIP 9-SOUTH, RANGE 26-EAST, N.M.P.M.</u>							
1	Sec. 13: NE/4 NE/4; W/2 NW/4	120.00	K-934-1 11-15-70	State - All (12.5%)	Miles A. Colligan William K. Barnhill 1.75%	Bell Petroleum Company	100.00000%
2	Sec. 13: NW/4 NE/4; E/2 NW/4 Sec. 14: NW/4 SE/4 Sec. 23: E/2 SE/4; SW/4 SE/4	280.00	L-225 9-19-77	State - All (12.5%)	None	Marathon Oil Company	100.00000%
3	Sec. 13: S/2	320.00	L-224 9-19-77	State - All (12.5%)	None	Marathon Oil Company	100.00000%
4	Sec. 13: S/2 NE/4 Sec. 14: NE/4 SE/4	120.00	K-934 11-15-70	State All (12.5%)	None	J. M. Huber Corporation	100.00000%
5	Sec. 14: S/2 SE/4	80.00	OG-5680 7-21-69	State - All (12.5%)	None	Phillips Petroleum Company	100.00000%
6-A	Sec. 14: SW/4 Sec. 22: NW/4 SW/4	200.00	K-2021 12-19-71	State - All (12.5%)	None	Allied Chemical Corporation Joseph E. Seagram & Sons, Inc.	83.33333% 16.66667%
6-B	Sec. 22: NE/4 SW/4	40.00	K-2021 12-19-71	State - All (12.5%)	None	Allied Chemical Corporation Joseph E. Seagram & Sons, Inc.	83.33333% 16.66667%
7	Sec. 21: NE/4; N/2 NW/4	240.00	K-2780 10-16-72	State - All (12.5%)	None	Allied Chemical Corporation Joseph E. Seagram & Sons, Inc.	83.33333% 16.66667%

Tract Number	Description	No. of Acres	Serial No. & Expiration Date of Use.	Basic Royalty & Percentage	Overriding Royalty and Percentage	Lessee of Record	Working Interest Percentage
8	Sec. 21: S/2 NW/4; SE/4 SW/4 Sec. 22: N/2 NW/4; SW/4 NW/4 Sec. 27: NE/4; N/2 NW/4 N/2 SW/4; SE/4 SW/4; N/2 SE/4; SW/4 SE/4	720.00	OG-5898 9-15-69	State - All (12.5%)	Miles A. Colligan William K. Barnhill 1.75%	Bell Petroleum Company	100.00000%
9	Sec. 22: E/2 NE/4; SE/4 Sec. 27: S/2 NW/4; SW/4 SW/4; SE/4 SE/4	400.00	L-226 9-19-77	State - All (12.5%)	None	Atlantic Richfield Company	100.00000%
10	Sec. 22: W/2 NE/4; SE/4 NW/4 Sec. 33: N/2 NE/4; SE/4 NE/4 Sec. 35: NE/4 NE/4	280.00	L-316 10-17-77	State - All (12.5%)	None	Marathon Oil Company	100.00000%
11	Sec. 23: N/2 Sec. 25: E/2 NE/4; SW/4 NE/4; NW/4	600.00	L-165 8-15-77	State - All (12.5%)	None	Atlantic Richfield Company	100.00000%
12	Sec. 23: SW/4; NW/4 SE/4 Sec. 25: SW/4; NW/4 SE/4; E/2 SE/4	480.00	OG-5682 7-21-69	State - All (12.5%)	None	Phillips Petroleum Company	100.00000%
13	Sec. 24: All	640.00	L-86-1 7-18-77	State - All (12.5%)	None	Humble Oil & Refining Company	100.00000%
14-A	Sec. 25: NW/4 NE/4; SW/4 SE/4 Sec. 28: S/2 SW/4	160.00	K-935-1 11-15-70	State - All (12.5%)	None	Allied Chemical Corporation Joseph E. Seagram & Sons, Inc.	83.33333% 16.66667%
14-B	Sec. 34: SW/4 NE/4 Sec. 35: NW/4 NE/4; N/2 NW/4 SW/4 NW/4	200.00	K-935-1 11-15-70	State - All (12.5%)	None	Allied Chemical Corporation Joseph E. Seagram & Sons, Inc.	83.33333% 16.66667%

Tract Number	Description	No. of Acres	Serial No. & Expiration Date of Use.	Basic Royalty & Percentage	Overriding Royalty and Percentage	Lessee of Record	Working Interest Percentage
15	Sec. 26: All	640.00	K-2851-1 11-20-72	State - All (12.5%)	None	Allied Chemical Corporation Joseph E. Seagram & Sons, Inc.	83.33333% 16.66667%
16-A	Sec. 28: N/2; NE/4 SW/4; S/2 SE/4	440.00	OG-5899 9-15-69	State - All (12.5%)	Miles A. Colligan William K. Barnhill 1.75%	Bell Petroleum Company	100.00000%
16-B	Sec. 33: E/2 NW/4; W/2 SW/4; SE/4 SW/4	520.00	OG-5899 9-15-69	State - All (12.5%)	Miles A. Colligan William K. Barnhill 1.75%	Bell Petroleum Company	100.00000%
	Sec. 34: N/2 NW/4; SE/4 SW/4; E/2 SE/4						
	Sec. 35: S/2 NE/4; SE/4 NW/4						
17	Sec. 33: NW/4 NW/4; SE/4 SE/4	80.00	L-404 11-21-77	State - All (12.5%)	None	Norman L. Stevens, Jr.	100.00000%
18	Sec. 33: SW/4 NE/4; SW/4 NW/4; NE/4 SW/4; N/2 SE/4; SW/4 SE/4	320.00	K-3764 12-17-73	State - All (12.5%)	None	Allied Chemical Corporation	100.00000%
	Sec. 34: NW/4 NE/4; SW/4 NW/4						
19	Sec. 34: E/2 NE/4; SE/4 NW/4; N/2 SW/4; SW/4 SW/4; W/2 SE/4	320.00	K-5994 5-17-76	State - All (12.5%)	None	Atlantic Richfield Company	100.00000%
20	Sec. 21: SE/4; N/2 SW/4; SW/4 SW/4	760.00	L-315-1 10-17-77	State - All (12.5%)	None	Humble Oil & Refining Company	100.00000%
	Sec. 28: N/2 SE/4; NW/4 SW/4						

Tract Number	Description	No. of Acres	Serial No. & Expiration Date of Use.	Basic Royalty & Percentage	Overriding Royalty and Percentage	Lessee of Record	Working Interest Percentage
<u>TOWNSHIP 9-SOUTH, RANGE 27-EAST, N.M.P.M.</u>							
20	Sec. 18: N/2 NE/4; SW/4 NE/4; (Cont'd) E/2 NW/4						
	Sec. 19: NE/4 NE/4; SW/4 NE/4; E/2 NW/4						
21	Sec. 18: SE/4 NE/4; E/2 SE/4; NE/4 SW/4	160.00	K-4086 5-19-74	State - All (12.5%)	None	Humble Oil & Refining Company	100.000000%
22	Sec. 18: Lots 1, 2, 3, 4; SE/4 SW/4; W/2 SE/4	728.60	L-166 8-15-77	State - All (12.5%)	None	Marathon Oil Company	100.000000%
	Sec. 19: Lots 1, 2, 3, 4; NW/4 NE/4; SE/4 NE/4; E/2 SW/4; W/2 SE/4; NE/4 SE/4						

TOTAL: Twenty-Five Tracts comprising 8,848.60 Acres of State of New Mexico Lands.

EXHIBIT "C"

Attached to and Made a Part of the  
Unit Agreement for the Development and Operation of the  
Dallas Ranch Unit Area, Chaves County, New Mexico

Equal Employment Opportunity Provision

During the performance of this contract, Unit Operator (Marathon Oil Company) agrees as follows:

- (1) The Unit Operator will not discriminate against any employee or applicant for employment because of race, religion, color, sex, or national origin. The Unit Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, religion, color, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Unit Operator agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.
- (2) The Unit Operator will, in all solicitations or advertisements for employees placed by or on behalf of the Unit Operator, state that all qualified applicants will receive consideration for employment without regard to race, religion, color, sex, or national origin.
- (3) The Unit Operator will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representative of the Unit Operator's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- (4) The Unit Operator will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.
- (5) The Unit Operator will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- (6) In the event of the Unit Operator's noncompliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be canceled, terminated, or suspended in whole or in part, and the Unit Operator may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.
- (7) The Unit Operator will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Unit



Operator will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that in the event the Unit Operator becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Unit Operator may request the United States to enter into such litigation to protect the interests of the United States.

EXHIBIT "D"

Attached to and Made a Part of the  
Unit Agreement for the Development and Operation of the  
Dallas Ranch Unit Area, Chaves County, New Mexico

Equal Opportunity in Employment Certification of Nonsegregated Facilities

The Unit Operator, Marathon Oil Company, by entering into this contract, certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. It certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. Unit Operator agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color, or national origin, because of habit, local custom, or otherwise. It further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity clause; that it will retain such certifications in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

Notice to Prospective Subcontractors of Requirement  
For Certifications of Nonsegregated Facilities

A Certification of Nonsegregated Facilities, as required by the May 9, 1967, order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal Opportunity clause. The certification may be submitted either for each subcontract or for all subcontracts during a period (i.e., quarterly, semi-annually, or annually).

MARATHON OIL COMPANY

By

D. W. Franklin  
D. W. Franklin,  
Division Exploration Manager

