

CASE 6082: GULF OIL CORPORATION FOR  
APPROVAL OF THE SAND WELL UNIT  
AGREEMENT, LEA COUNTY, NEW MEXICO

Case Number

6082

Application

Transcripts.

Small Exhibits

ETC.



State of New Mexico



Commissioner of Public Lands  
September 1, 1978

PHIL R. LUCERO  
COMMISSIONER

P. O. BOX 1148  
SANTA FE, NEW MEXICO 87301

Gulf Oil Corporation  
P. O. Drawer 1150  
Midland, Texas 79702

No. 6082

Re: Sand Well Unit  
Lea County, New Mexico  
(TERMINATION)

ATTENTION: Mr. R. E. Griffith

Gentlemen:

Your second unit test well on the captioned unit, was to of  
been commenced July 30, 1978, pursuant to Section 9 of the Unit  
Agreement.

Inasmuch as the second test well was not commenced, the  
Sand Well Unit Agreement has terminated automatically as of July  
30, 1978.

Please advise all interested parties of this action.

Very truly yours,

PHIL R. LUCERO  
COMMISSIONER OF PUBLIC LANDS

BY:  
RAY D. GRAHAM, Director  
Oil and Gas Division

PRL/RDG/s  
cc:

OCD-Santa Fe, New Mexico  
USGS-Roswell, New Mexico  
USGS-Albuquerque, New Mexico

RECEIVED

SEP 1 1978

Oil Conservation Commission

Unit Name SAND WELL UNIT-EXPLORATORY  
 Operator Gulf Energy & Minerals Company-U.S.  
 County La

DATE	OCC CASE NO.	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	EMPLOYEE FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO. <u>8-3581</u>							
Commissioner	<u>11-16-77</u>	<u>11-17-77</u>	3,84292	1,800.32	1,922.60	120.00	Yes	5 yrs.

UNIT AREA  
 TOWNSHIP 23 SOUTH, RANGE 35 EAST, NMEP  
 Section 3: All  
 Section 4: All  
 Section 9: All  
 Section 10: All  
 Section 15: All  
 Section 16: All

TERMINATED  
 9-1-78  
 Ch: 7-30-78



Unit Name SAND WELL UNIT-EXPLORATORY  
 Operator GULF ENERGY & MINERALS COMPANY-U.S.  
 County Lea

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACREAGE	LESSEE
							DATE	ACRES	NOT RATIFIED	
13	B-1040-1	C.S.	16	23S	35E	E/2SE/4	NOT COMPLETED	80.00		Amerada Hess Corporation
14	L-347	C.S.	4	23S	35E	S/2 NE/4NE/4	9-22-77	360.00		Gulf Oil Corporation
15	L-439	C.S.	16	23S	35E	W/2, W/2SE/4	9-22-77	400.00		Gulf Oil Corporation
16	L-2497	C.S.	9	23S	35E	S/2 NE/4	9-22-77	480.00		Gulf Oil Corporation
17	L-4888	C.S.	9	23S	35E	NW/4, W/2NE/4, SE/4NE/4	10-14-77	280.00		Mesa Petroleum Company
18	C-3231	C.S.	4	23S	35E	Lot 1, S/2N/2	9-22-77	200.00		Gulf Oil Corporation

TERMINATED  
 eff. 1-30-78

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
November 16, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Gulf Oil Corporation  
for a unit agreement, Lea County,  
New Mexico.

CASE  
6082

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: Lynn Teschendorf, Esq.  
Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

For the Applicant: Jeffrey G. Shrader, Esq.  
Attorney at Law  
The Gulf Companies  
P. O. Box 1150  
Midland, Texas

sid morrish reporting service  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

I N D E X

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 Phone (505) 962-9212

1 MR. STAMETS: Call the next case, Case 6082.

2 MS. TESCHENDORF: Case 6082, application of Gulf  
3 Oil Corporation for a unit agreement, Lea County, New Mexico.

4 MR. SHRADER: Mr. Examiner, my name is Jeff Shrader  
5 and I am representing Gulf Oil Corporation. I am from Midland,  
6 Texas, and I have two witnesses to be sworn.

7 (THEREUPON, the witnesses were sworn.)

8 MR. SHRADER: Mr. Sperling of Albuquerque has entered  
9 a letter of appearance on behalf of Gulf in this case and  
10 I would like to ask the Examiner to let the record indicate  
11 that Mr. Sperling has entered that letter of appearance.

12 MR. STAMETS: The record will so show.

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14 CHES BLACKHAM

15 was called as a witness by the applicant, and having been  
16 first duly sworn, testified upon his oath as follows, to-wit:

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19 BY MR. SHRADER:

20 Q Please state your name and by whom you are employed  
21 and in what capacity?

22 A Ches Blackham and I am employed by Gulf Oil  
23 Corporation as a land agent.

24 Q While you have been with Gulf have part of your duties  
25 as a land agent consisted of formulating the proposed Sand Well

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1 Unit?

2 A Yes, they have.

3 Q So, you are familiar with the negotiations that  
4 have gone on in putting this unit together and you do have  
5 personal knowledge as to the numbers of interest owners who  
6 have agreed to the formation of this unit and you are familiar  
7 with the unit agreement?

8 A Yes, I am.

9 MR. SHRADER: Mr. Examiner, is the witness qualified  
10 with respect -- with regards to the status of the unit?

11 MR. STAMETS: Yes, he is qualified.

12 Q (Mr. Shrader continuing.) Now, in this application  
13 Gulf is seeking approval of its Sand Well Unit which will be  
14 located in Township 23 South, Range 35 East, in Lea County,  
15 New Mexico, and what type of a unit is the Sand Well Unit?

16 A It is a federal exploratory unit covering three  
17 thousand eight hundred forty-two point ninety-two acres of land  
18 comprised of federal, state and fee land.

19 Having marked as Gulf Oil Exhibit Number One shows  
20 a breakdown as to acreages. As is shown the federal acreage  
21 consists of one thousand nine hundred twenty-two point sixty  
22 acres or fifty point oh three percent of the unit.

23 State lands consist of one thousand eight hundred  
24 point thirty-two acres or forty-six point eighty-five percent  
25 of the unit.

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1 Fee lands constitute one hundred and twenty acres  
2 or three point one-two percent of the unit.

3 Q What else does Gulf's Exhibit Number One show?

4 A The various columns from two through four of Gulf's  
5 Exhibit Number One are as follows: Column Number One shows  
6 the tract number as it appeared on Exhibit B of the unit  
7 agreement.

8 Column Number Two gives the legal description of  
9 each tract within the unit area.

10 Column Three is the percentage of the area that that  
11 tract covers and the exact acreage that that tract covers.

12 Column Number Four gives the serial of the lease,  
13 itself, and the expiration date.

14 Column Number Five shows the basic royalty of the  
15 particular lease and the royalty owner.

16 Column Number Six shows the lessee of record and  
17 whether or not the lessee of record is committed to the unit.

18 Column Number Seven shows the name of the overriding  
19 royalty owner, if there is one. It also shows the percentage  
20 of overriding royalty retained and whether or not that interest  
21 has been committed.

22 Column Number Eight shows the working interest owner  
23 and the percentage of the working interest that has been  
24 committed to the unit.

25 Q Do you have a copy of the proposed Sand Well Unit

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1 Agreement?

2 A Yes. Gulf's Exhibit Number Two is a copy of the  
3 proposed unit agreement.

4 Q Is this unit agreement in a form previously approved  
5 by the United States Geological Survey and by the Commissioner  
6 of Public Lands for the State of New Mexico?

7 A Yes, it is.

8 Q And in this unit agreement is there participation  
9 for royalty and overriding royalty based upon acreage within  
10 the participating area?

11 A Yes, it is.

12 Q Does the proposed unit agreement contain a segregation  
13 clause for non-productive acreage?

14 A Yes, it does.

15 Q Does the unit agreement provide for subsequent  
16 joinder?

17 A Yes, it does.

18 Q What is the status of the unit at the present time  
19 with respect to approval by the U.S.G.S. and the Commissioner  
20 of Public Lands for the State of New Mexico?

21 A We have received preliminary approval by both the  
22 U.S.G.S. and the Commissioner of Public Lands of the State of  
23 New Mexico.

24 Q What is the status of sign-up of the various classes  
25 of owners regarding this unit?

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1 A We have prepared an Exhibit Number Three which  
2 shows the current status of the various owners which I will  
3 explain.

4 Section A under federal acreage -- lessee of record,  
5 all lessees of record and working interest owners are  
6 committed to the unit.

7 There are fifteen individual overriding royalty  
8 owners thirteen of which have ratified the unit agreement.  
9 The remaining two royalty owners have indicated that they  
10 will ratify but ratifications were not received prior to  
11 the time of our coming to the hearing.

12 Section B on state acreage, two of the three lessees  
13 of record have committed four of six working interest owners.  
14 One of these working interest owners is the lessee of record  
15 that has not committed.

16 These two parties have been or are being carried  
17 by the other working interest owners in the unit agreement.  
18 There are no overriding royalty interest owners.

19 The fee acreage which there are one hundred and  
20 twenty acres, ninety-two percent of this one hundred and  
21 twenty acres is under lease to Gulf Oil Corporation and there-  
22 fore committed to the unit.

23 Ratifications have been received by seventeen point  
24 one four percent of the royalty interest owners.

25 We anticipate that we will receive the majority of

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1 ratification. There are only two parties with interest of  
2 a fourth interest of this one hundred and twenty acres that  
3 have indicated that they may not ratify the unit agreement.

4 Q Now, under the state acreage all of the working  
5 interest owners are either actually committed or are being  
6 carried by the other committed owners, is that correct?

7 A Under the state, yeah, that is correct.

8 Q Were these exhibits prepared by you or under your  
9 supervision?

10 A Yes, they were.

11 Q Is there any necessity of a quick approval or action  
12 on this unit agreement?

13 A Yes, there is and if I may explain. The well has  
14 been spudded and is presently drilling at approximately ten  
15 thousand two hundred and fifty feet.

16 The reason that it was spudded prior to the final  
17 approval is we had a lease expiration problem which we  
18 communitized the east half of Section 9, 23 South, 35 East,  
19 to hold this lease.

20 We have another lease expiration date being the  
21 twenty-first of November. Plus as -- part of this well can  
22 qualify as a unit well under the terms of the unit agreement  
23 which states that we shall test all formations to the  
24 Pennsylvanian Age and we have been advised that we cannot  
25 test all of those formations or drill through them prior to

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1 final approval of this unit. Otherwise the well will not  
2 count as a unit well.

3 MR. SHRADER: Mr. Examiner, I have no further  
4 questions of the witness.

5 MR. STAMETS: Are there any questions of the witness?  
6 He may be excused.

7 (THEREUPON, the witness was excused.)

8  
9 GERALD J. SAVAGE

10 was called as a witness by the applicant, and having been  
11 first duly sworn, testified upon his oath as follows, to-wit:

12  
13 DIRECT EXAMINATION

14 BY MR. SHRADER:

15 Q Would you please state your name and by whom you are  
16 employed and in what capacity?

17 A I am Gerald Savage and I am employed by Gulf Oil  
18 Corporation as Senior Exploration Geologist in Midland, Texas.

19 Q Have you previously testified before the New Mexico  
20 Oil Conservation Commission and stated your qualifications  
21 as a geologist?

22 A Yes, I have.

23 Q Have they been accepted?

24 A Yes, they have.

25 MR. SHRADER: Mr. Examiner, is the witness qualified?

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1 MR. STAMETS: He is considered qualified.

2 Q (Mr. Shrader continuing.) What is the purpose of  
3 the Sand Well Unit?

4 A The purpose of the Sand Well Unit is to evaluate  
5 the potential for oil and gas under the unit area. This  
6 prospect is based on subsurface well data indicating the  
7 presence of porous Morrow sandstones as found in the Amoco  
8 No. 1 Rock Lake Unit and the Union Oil Company No. 1 Northern  
9 Natural State, both located three miles north of our  
10 proposed unit well.

11 Seismic data indicates these sands should be found  
12 higher structurally and on trend to the southeast at the  
13 location of the initial test well.

14 Q What is the location of the initial test well for  
15 this unit?

16 A The initial test well is located in Section 9,  
17 Township 23 South, Range 35 East, nineteen hundred and eighty  
18 feet from the south line and nineteen hundred and eighty  
19 feet from the east line, Lea County, New Mexico.

20 Q What are the formations to be tested by this well?

21 A We intend to test all formations of Pennsylvanian  
22 Age and if at the base of the Pennsylvanian we are structurally  
23 well located we plan to continue to and test the Fusselman  
24 formation.

25 Q Do you have an exhibit which shows the boundaries

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1 of the proposed unit?

2 A Yes, I do. It is Gulf's Exhibit Number Four and this  
3 exhibit shows the boundary of the proposed unit with a  
4 hachured line. The unit includes Sections 3, 4, 9, 10, 15  
5 and 16 of Township 23 South, Range 35 East, Lea County, New  
6 Mexico.

7 The location for the initial test well for the Sand  
8 Well Unit is shown by a yellow circle on the exhibit.

9 Q Now, does Gulf Exhibit Number Four show the location  
10 of the Amoco No. 1 Rock Lake Unit and the Union Oil Company  
11 No. 1 Northern Natural State?

12 A Yes, these two tests are shown in Section 28, Township  
13 22 South, Range 35 East on the exhibit.

14 Q What else is shown by this exhibit?

15 A This exhibit also shows a structure contoured on the  
16 top of the Morrow formation influenced by seismic data at the  
17 Fusselman level with a contour interval of one hundred feet.

18 It is shown to be bounded on the east and west  
19 sides by down to the west faults and all sections are cut by  
20 the minus ten thousand six hundred and fifty foot contour  
21 level.

22 Q What chance do you feel that this unit has for the  
23 successful recovery of hydrocarbons?

24 A I feel that this prospect is one of the best I have  
25 recently encountered in that the Morrow sands are present and

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1 have proved to be productive in the Union Oil well to the  
2 north and should be present and structurally better located  
3 under the proposed unit.

4 Q From a geological viewpoint do you believe the  
5 formation of this unit will protect correlative rights and  
6 prevent waste?

7 A Yes, I believe it will.

8 Q Were these exhibits prepared by you -- or was this  
9 exhibit prepared by you, I mean, or under your supervision?

10 A Yes, it was.

11 MR. SHRADER: Mr. Examiner, I have no other questions  
12 at this time and I would offer Gulf's Exhibits Numbers One  
13 through Four in this case.

14 MR. STAMETS: These exhibits will be admitted. Any  
15 questions of the witness? He may be excused. Anything  
16 further in this case? The case will be taken under advisement.

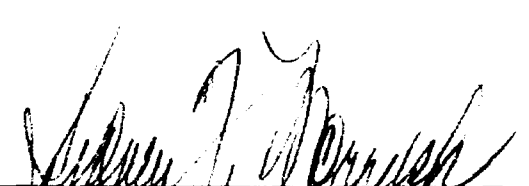
17 (THEREUPON, the witness was excused and  
18 the case was concluded.)  
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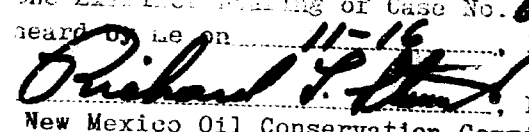
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,  
do hereby certify that the foregoing and attached Transcript  
of Hearing before the New Mexico Oil Conservation Commission  
was reported by me, and the same is a true and correct record  
of the said proceedings to the best of my knowledge, skill and  
ability.

  
Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner's hearing of Case No. 6082,  
heard by me on 11-16, 1929.  
, Examiner  
New Mexico Oil Conservation Commission

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Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

For the Applicant: Jeffrey G. Shrader, Esq.  
Attorney at Law  
The Gulf Companies  
P. O. Box 1150  
Midland, Texas

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1 Unit?

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20 of overriding royalty retained and whether or not that interest  
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24 one four percent of the royalty interest owners.

25 We anticipate that we will receive the majority of

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1 ratification. There are only two parties with interest of  
2 a fourth interest of this one hundred and twenty acres that  
3 have indicated that they may not ratify the unit agreement.

4 Q Now, under the state acreage all of the working  
5 interest owners are either actually committed or are being  
6 carried by the other committed owners, is that correct?

7 A Under the state, yeah, that is correct.

8 Q Were these exhibits prepared by you or under your  
9 supervision?

10 A Yes, they were.

11 Q Is there any necessity of a quick approval or action  
12 on this unit agreement?

13 A Yes, there is and if I may explain. The well has  
14 been spudded and is presently drilling at approximately ten  
15 thousand two hundred and fifty feet.

16 The reason that it was spudded prior to the final  
17 approval is we had a lease expiration problem which we  
18 communitized the east half of Section 9, 23 South, 35 East,  
19 to hold this lease.

20 We have another lease expiration date being the  
21 twenty-first of November. Plus as -- part of this well can  
22 qualify as a unit well under the terms of the unit agreement  
23 which states that we shall test all formations to the  
24 Pennsylvanian Age and we have been advised that we cannot  
25 test all of those formations or drill through them prior to

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1 final approval of this unit. Otherwise the well will not  
2 count as a unit well.

3 MR. SHRADER: Mr. Examiner, I have no further  
4 questions of the witness.

5 MR. STAMETS: Are there any questions of the witness?  
6 He may be excused.

7 (THEREUPON, the witness was excused.)  
8

9 GERALD J. SAVAGE

10 was called as a witness by the applicant, and having been  
11 first duly sworn, testified upon his oath as follows, to-wit:

12  
13 DIRECT EXAMINATION

14 BY MR. SHRADER:

15 Q Would you please state your name and by whom you are  
16 employed and in what capacity?

17 A I am Gerald Savage and I am employed by Gulf Oil  
18 Corporation as Senior Exploration Geologist in Midland, Texas.

19 Q Have you previously testified before the New Mexico  
20 Oil Conservation Commission and stated your qualifications  
21 as a geologist?

22 A Yes, I have.

23 Q Have they been accepted?

24 A Yes, they have.

25 MR. SHRADER: Mr. Examiner, is the witness qualified?

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1 MR. STAMETS: He is considered qualified.

2 Q (Mr. Shrader continuing.) What is the purpose of  
3 the Sand Well Unit?

4 A The purpose of the Sand Well Unit is to evaluate  
5 the potential for oil and gas under the unit area. This  
6 prospect is based on subsurface well data indicating the  
7 presence of porous Morrow sandstones as found in the Amoco  
8 No. 1 Rock Lake Unit and the Union Oil Company No. 1 Northern  
9 Natural State, both located three miles north of our  
10 proposed unit well.

11 Seismic data indicates these sands should be found  
12 higher structurally and on trend to the southeast at the  
13 location of the initial test well.

14 Q What is the location of the initial test well for  
15 this unit?

16 A The initial test well is located in Section 9,  
17 Township 23 South, Range 35 East, nineteen hundred and eighty  
18 feet from the south line and nineteen hundred and eighty  
19 feet from the east line, Lea County, New Mexico.

20 Q What are the formations to be tested by this well?

21 A We intend to test all formations of Pennsylvanian  
22 Age and if at the base of the Pennsylvanian we are structurally  
23 well located we plan to continue to and test the Fusselman  
24 formation.

25 Q Do you have an exhibit which shows the boundaries

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1 of the proposed unit?

2 A Yes, I do. It is Gulf's Exhibit Number Four and this  
3 exhibit shows the boundary of the proposed unit with a  
4 hachured line. The unit includes Sections 3, 4, 9, 10, 15  
5 and 16 of Township 23 South, Range 35 East, Lea County, New  
6 Mexico.

7 The location for the initial test well for the Sand  
8 Well Unit is shown by a yellow circle on the exhibit.

9 Q Now, does Gulf Exhibit Number Four show the location  
10 of the Amoco No. 1 Rock Lake Unit and the Union Oil Company  
11 No. 1 Northern Natural State?

12 A Yes, these two tests are shown in Section 28, Township  
13 22 South, Range 35 East on the exhibit.

14 Q What else is shown by this exhibit?

15 A This exhibit also shows a structure contoured on the  
16 top of the Morrow formation influenced by seismic data at the  
17 Fusselman level with a contour interval of one hundred feet.

18 It is shown to be bounded on the east and west  
19 sides by down to the west faults and all sections are cut by  
20 the minus ten thousand six hundred and fifty foot contour  
21 level.

22 Q What chance do you feel that this unit has for the  
23 successful recovery of hydrocarbons?

24 A I feel that this prospect is one of the best I have  
25 recently encountered in that the Morrow sands are present and

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1 have proved to be productive in the Union Oil well to the  
2 north and should be present and structurally better located  
3 under the proposed unit.

4 Q From a geological viewpoint do you believe the  
5 formation of this unit will protect correlative rights and  
6 prevent waste?

7 A Yes, I believe it will.

8 Q Were these exhibits prepared by you -- or was this  
9 exhibit prepared by you, I mean, or under your supervision?

10 A Yes, it was.

11 MR. SHRADER: Mr. Examiner, I have no other questions  
12 at this time and I would offer Gulf's Exhibits Numbers One  
13 through Four in this case.

14 MR. STAMETS: These exhibits will be admitted. Any  
15 questions of the witness? He may be excused. Anything  
16 further in this case? The case will be taken under advisement.

17 (THEREUPON, the witness was excused and  
18 the case was concluded.)  
19  
20  
21  
22  
23  
24  
25

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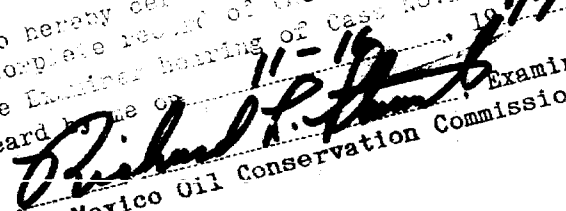
REPORTER'S CERTIFICATE

1  
2 I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,  
3 do hereby certify that the foregoing and attached Transcript  
4 of Hearing before the New Mexico Oil Conservation Commission  
5 was reported by me, and the same is a true and correct record  
6 of the said proceedings to the best of my knowledge, skill and  
7 ability.

8  
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11   
12 Sidney F. Morrish, C.S.R.  
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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 6082  
heard by me on 11-19-77.  
  
New Mexico Oil Conservation Commission Examiner

Unit Name SAND WELL UNIT-EXPLORATORY  
 Operator Gulf Energy & Minerals Company-U.S.  
 County Lea

DATE	OCC CASE NO. <u>2081</u>	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INCENTIVE FEE	SEGREGATION CLAUSE	TERM
APPROVED 11-16-77	OCC ORDER NO. <u>8-5581</u>	11-17-77	3,842.92	1,800.32	1,922.60	120.00	Yes	5 yrs.

UNIT AREA

TOWNSHIP 23 SOUTH, RANGE 35 EAST, NMPM  
 Section 3: All  
 Section 4: All  
 Section 9: All  
 Section 10: All  
 Section 15: All  
 Section 16: All

Unit Name  
Operator  
County

SAND WELL UNIT-EXPLORATORY  
GULF ENERGY & MINERALS COMPANY-U.S.  
1a

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACRES	ACREAGE		LESSEE
							DATE	ACRES		NOT RATIFIED		
13	B-1040-1	C.S.	16	23S	35E	E/2SE/4	NOT COMMITTED		80.00		Amerada Hess Corporation	
14	L-347	C.S.	4	23S	35E	S/2 NE/4NE/4	9-22-77	360.00			Gulf Oil Corporation	
15	L-439	C.S.	16	23S	35E	W/2, W/2SE/4	9-22-77	400.00			Gulf Oil Corporation	
16	L-2497	C.S.	9	23S	35E	S/2 NE/4	9-22-77	480.00			Gulf Oil Corporation	
17	L-4888	C.S.	9	23S	35E	NW/4, W/2NE/4, SE/4NE/4	10-14-77	280.00			Mesa Petroleum Company	
18	:G-3231	C.S.	4	23S	35E	Lot 1, S/2N/2	9-22-77	200.32			Gulf Oil Corporation	



# OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501



DIRECTOR  
JOE D. RAMEY

LAND COMMISSIONER  
PHIL R. LUCERO  
November 29, 1977

STATE GEOLOGIST  
EMERY C. ARNOLD

Mr. Jeff Shrader  
Attorney  
Gulf Oil Corporation  
P. O. Drawer 1150  
Midland, Texas 79702

Re: CASE NO. 6082  
ORDER NO. R-5581

Applicant:

Gulf Oil Corporation

Dear Sir:

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

Yours very truly,

  
JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC X  
Artesia OCC X  
Aztec OCC       

Other

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. 6082  
Order No. R-5581

APPLICATION OF GULF OIL CORPORATION  
FOR APPROVAL OF THE SAND WELL UNIT  
AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 16, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 22nd day of November, 1977, 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, Gulf Oil Corporation, seeks approval of the Sand Well Unit Agreement covering 3842.92 acres, more or less, of State, Federal and Fee lands described as follows:

LEA COUNTY, NEW MEXICO  
TOWNSHIP 23 SOUTH, RANGE 35 EAST, NMPM

Sections 3 and 4: All  
Sections 9 and 10: All  
Sections 15 and 16: All

(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 Sand Well Unit Agreement is hereby approved.

-2-

Case No. 6082  
Order No. R-5581

(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.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

  
EMERY C. ARNOLD, Member

  
JOE D. RAMEY, Member & Secretary

S E A L

jr/



# Gulf Energy and Minerals Company-U.S.

SOUTHWEST DIVISION

R. E. Griffith  
MANAGER-LAND

P. O. Drawer 1150  
Midland, TX 79702

December 5, 1977

Re: Sand Well Unit  
Lea County, New Mexico

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

*No. 6082*

Attn: Mr. Phil R. Lucero

Gentlemen:

Pursuant with paragraph three of Order No. R-5581, I am enclosing one executed original Sand Well Unit Agreement.

If we can be of any further assistance, please contact Mr. Chesley Blackham of our Land Department.

Yours very truly,

*R. E. Griffith*

R. E. Griffith

CTB:d1m  
Enc.



A DIVISION OF GULF OIL CORPORATION

UNIT AGREEMENT

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1 UNIT AGREEMENT  
2 FOR THE DEVELOPMENT AND OPERATION

3 SANDWELL  
4 UNIT AREA  
5 COUNTY OF LEA  
6 STATE OF NEW MEXICO

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

8 THIS AGREEMENT entered into as of the 22nd day of September,  
9 19 77, by and between the parties subscribing, ratifying or con-  
10 senting hereto, and herein referred to as the "parties hereto".

11 WITNESSETH:

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

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

25 WHEREAS, the Commissioner of Public Lands of the State of New  
26 Mexico is authorized by an Act of the Legislature (Sec. 7-11-39  
27 N.M. Statutes 1953 Annotated) to consent to or approve this agree-  
28 ment on behalf of the State of New Mexico, insofar as it covers  
29 and includes lands and mineral interests of the State of New  
30 Mexico; and

1 WHEREAS, the Oil Conservation Commission of the State of  
2 New Mexico is authorized by an Act of the Legislature (Article 3,  
3 Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this agree-  
4 ment and the conservation provisions hereof; and

5 WHEREAS, the parties hereto hold sufficient interests in the  
6 SANDWELL Unit Area covering the land  
7 hereinafter described to give reasonably effective control of opera-  
8 tions therein; and

9 WHEREAS, it is the purpose of the parties hereto to conserve  
10 natural resources, prevent waste, and secure other benefits obtain-  
11 able through development and operation of the area subject to this  
12 agreement under the terms, conditions and limitations herein set  
13 forth;

14 NOW THEREFORE, in consideration of the premises and the pro-  
15 mises herein contained, the parties hereto commit to this agreement  
16 their respective interests in the below-defined unit area, and  
17 agree severally among themselves as follows:

18 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act  
19 of February 25, 1920, as amended, supra, and all valid pertinent  
20 regulations, including operating and unit plan regulations, hereto-  
21 fore issued thereunder or valid, pertinent and reasonable regula-  
22 tions hereafter issued thereunder are accepted and made a part of  
23 this agreement as to Federal lands, provided such regulations are  
24 not inconsistent with the terms of this agreement; and as to non-  
25 Federal lands, the oil and gas operating regulations in effect as  
26 of the effective date hereof governing drilling and producing  
27 operations, not inconsistent with the terms hereof or the laws  
28 of the State of which the non-Federal land is located, are hereby  
29 accepted and made a part of this agreement.

30 2. UNIT AREA. The area specified on the map attached hereto

1 marked Exhibit "A" is hereby designated and recognized as  
2 constituting the unit area, containing 3842.92 acres, more or  
3 less.

4 Exhibit "A" shows, in addition to the boundary of the unit  
5 area, the boundaries and identity of tracts and leases in said  
6 area to the extent known to the Unit Operator. Exhibit "B"  
7 attached hereto is a schedule showing to the extent known to  
8 the Unit Operator the acreage, percentage, and kind of ownership  
9 of oil and gas interests in all land in the unit area. However,  
10 nothing herein or in said schedule or map shall be construed as  
11 a representation by any party hereto as to the ownership of any  
12 interest other than such interest or interests as are shown in  
13 said map or schedule as owned by such party. Exhibits "A" and  
14 "B" shall be revised by the Unit Operator whenever changes in  
15 the unit area render such revision necessary, or when requested  
16 by the Oil and Gas Supervisor, hereinafter referred to as "Super-  
17 visor," or when requested by the Commissioner of Public Lands of  
18 the State of New Mexico, hereinafter referred to as "Commissioner,"  
19 and not less than five copies of the revised exhibits shall be  
20 filed with the Supervisor, and two copies thereof shall be filed  
21 with the Commissioner, and one copy with the New Mexico Oil Con-  
22 servation Commission, hereinafter referred to as "Commission."

23 The above-described unit area shall when practicable be  
24 expanded to include therein any additional lands or shall be  
25 contracted to exclude lands whenever such expansion or contraction  
26 is deemed to be necessary or advisable to conform with the purposes  
27 of this agreement. Such expansion or contraction shall be effected  
28 in the following manner:

29 (a) Unit Operator, on its own motion or on demand of the  
30 Director of the Geological Survey, hereinafter referred to as

1 "Director," or on demand of the Commissioner, after preliminary  
2 concurrence by the Director and the Commissioner, shall prepare  
3 a notice of proposed expansion or contraction describing the  
4 contemplated changes in the boundaries of the unit area, the  
5 reasons therefor, and the proposed effective date thereof, pre-  
6 ferably the first day of a month subsequent to the date of notice.

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

12 (c) Upon expiration of the 30-day period provided in the  
13 preceding item (b) hereof, Unit Operator shall file with the  
14 Supervisor, the Commissioner and the Commission evidence of mailing  
15 of the notice of expansion or contraction and a copy of any objec-  
16 tions thereto which have been filed with the Unit Operator, together  
17 with an application in sufficient number, for approval of such  
18 expansion or contraction and with appropriate joinders.

19 (d) After due consideration of all pertinent information,  
20 the expansion or contraction shall, upon approval by the Super-  
21 visor, the Commissioner and the Commission, become effective as  
22 of the date prescribed in the notice thereof.

23 (e) All legal subdivisions of lands (i.e., 40 acres by Govern-  
24 ment survey or its nearest lot or tract equivalent; in instances  
25 of irregular surveys unusually large lots or tracts shall be con-  
26 sidered in multiples of 40 acres or the nearest aliquot equivalent  
27 thereof), no parts of which are entitled to be in a participating  
28 area on or before the fifth anniversary of the effective date of  
29 the first initial participating area established under this unit  
30 agreement, shall be eliminated automatically from this agreement,

1 effective as of said fifth anniversary, and such lands shall no  
2 longer be a part of the unit area and shall no longer be  
3 subject to this agreement, unless diligent drilling operations  
4 are in progress on unitized lands not entitled to participation  
5 on said fifth anniversary, in which event all such lands  
6 shall remain subject hereto so long as such drilling operations  
7 are continued diligently with not more than 90 days' time  
8 elapsing between the completion of one well and the commence-  
9 ment of the next well. All legal subdivisions of lands not  
10 entitled to be in a participating area within 10 years after  
11 the effective date of the first initial participating area  
12 approved under this agreement shall be automatically elimi-  
13 nated from this agreement as of said tenth anniversary. All  
14 lands proved productive by diligent drilling operations after  
15 the aforesaid 5-year period shall become participating in  
16 the same manner as during said 5-year period. However, when  
17 such diligent drilling operations cease, all nonparticipating  
18 lands shall be automatically eliminated effective as of the  
19 91st day thereafter. The Unit Operator shall, within 90  
20 days after the effective date of any elimination hereunder,  
21 describe the area so eliminated to the satisfaction of the  
22 Supervisor and the Commissioner, and promptly notify all  
23 parties in interest.

24 If conditions warrant extension of the 10-year period  
25 specified in this subsection 2(e), a single extension of not  
26 to exceed 2 years may be accomplished by consent of the owners  
27 of 90% of the working interests in the current nonpartici-  
28 pating unitized lands and the owners of 60% of the basic  
29 royalty interests (exclusive of the basic royalty interests  
30 of the United States) in nonparticipating unitized lands

1 with approval of the Director and Commissioner, provided  
2 such extension application is submitted to the Director and  
3 Commissioner not later than 60 days prior to the expiration  
4 of said ten-year period.

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

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

15 4. UNIT OPERATOR. GULF OIL CORPORATION is hereby  
16 designated as Unit Operator and by signature hereto as Unit  
17 Operator agrees and consents to accept the duties and obligations  
18 of Unit Operator for the discovery, development and production of  
19 unitized substances as herein provided. Whenever reference is made  
20 herein to the Unit Operator, such reference means the Unit Operator  
21 acting in that capacity and not as an owner of interest in unitized  
22 substances, and the term "working interest owner" when used herein  
23 shall include or refer to Unit Operator as the owner of a working  
24 interest when such an interest is owned by it.

25 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator  
26 shall have the right to resign at any time prior to the establish-  
27 ment of a participating area or areas hereunder, but such resigna-  
28 tion shall not become effective so as to release Unit Operator from  
29 the duties and obligations of Unit Operator and terminate Unit  
30 Operator's rights as such for a period of 6 months after notice of



1 intention to resign has been served by Unit Operator on all  
2 working interest owners and the Supervisor, the Commissioner  
3 and the Commission, and until all wells then drilled hereunder are  
4 placed in a satisfactory condition for suspension or abandonment  
5 whichever is required by the Supervisor as to Federal lands and  
6 by the Commission as to State and privately owned lands, unless  
7 a new Unit Operator shall have been selected and approved and  
8 shall have taken over and assumed the duties and obligations of  
9 Unit Operator prior to the expiration of said period.

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

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

23 The Unit Operator may, upon default or failure in the per-  
24 formance of its duties or obligations hereunder, be subject to  
25 removal by the same percentage vote of the owners of working  
26 interests as herein provided for the selection of a new Unit  
27 Operator. Such removal shall be effective upon notice thereof  
28 to the Supervisor and the Commissioner.

29 The resignation or removal of Unit Operator under this agree-  
30 ment shall not terminate its right, title or interest as the owner

1 of a working interest or other interest in unitized substances,  
2 but upon the resignation or removal of Unit Operator becoming  
3 effective, such Unit Operator shall deliver possession of all  
4 wells, equipment, materials and appurtenances used in conducting  
5 the unit operations to the new duly qualified successor Unit  
6 Operator or to the common agent, if no such new Unit Operator  
7 is elected, to be used for the purpose of conducting unit opera-  
8 tions hereunder. Nothing herein shall be construed as authorizing  
9 removal of any material, equipment and appurtenances needed for  
10 the preservation of any wells.

11 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator  
12 shall tender his or its resignation as Unit Operator or shall be  
13 removed as hereinabove provided, or a change of Unit Operator is  
14 negotiated by working interest owners, the owners of the working  
15 interests in the participating area or areas according to their  
16 respective acreage interests in such participating area or areas,  
17 or, until a participating area shall have been established, the  
18 owners of the working interests according to their respective  
19 acreage interests in all unitized land, shall by majority vote  
20 select a successor Unit Operator: Provided, That, if a majority  
21 but less than 75 per cent of the working interests qualified to  
22 vote are owned by one party to this agreement, a concurring vote  
23 of one or more additional working interest owners shall be required  
24 to select a new operator. Such selection shall not become effective  
25 until

26 (a) a Unit Operator so selected shall accept in writing the  
27 duties and responsibilities of Unit Operator, and

28 (b) the selection shall have been approved by the Supervisor  
29 and the Commissioner.

30 If no successor Unit Operator is selected and qualified as

1       herein provided, the Director and Commissioner at their election  
2       may declare this unit agreement terminated.

3               7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If  
4       the Unit Operator is not the sole owner of working interest, costs  
5       and expenses incurred by Unit Operator in conducting unit opera-  
6       tions hereunder shall be paid and apportioned among and borne by  
7       the owners of working interests, all in accordance with the agree-  
8       ment or agreements entered into by and between the Unit Operator  
9       and the owners of working interests, whether one or more, sepa-  
10      rately or collectively. Any agreement or agreements entered into  
11      between the working interest owners and the Unit Operator as pro-  
12      vided in this section, whether one or more, are herein referred to  
13      as the "unit operating agreement." Such unit operating agree-  
14      ment shall also provide the manner in which the working interest  
15      owners shall be entitled to receive their respective proportionate  
16      and allocated share of the benefits accruing hereto in conformity  
17      with their underlying operating agreements, leases or other  
18      independent contracts, and such other rights and obligations as  
19      between Unit Operator and the working interest owners as may be  
20      agreed upon by Unit Operator and the working interest owners; how-  
21      ever, no such unit operating agreement shall be deemed either to  
22      modify any of the terms and conditions of this unit agreement or  
23      to relieve the Unit Operator of any right or obligation established  
24      under this unit agreement, and in case of any inconsistency or  
25      conflict between this unit agreement and the unit operating agree-  
26      ment, this unit agreement shall govern. Three true copies of any  
27      unit operating agreement executed pursuant to this section should  
28      be filed with the Supervisor and two true copies with the Commis-  
29      sioner and one true copy with the Commission, prior to approval of  
30      this unit agreement.

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

16           9. DRILLING TO DISCOVERY. Within six (6) months after the  
17 effective date hereof, the Unit Operator shall begin to drill an  
18 adequate test well at a location approved by the Supervisor, if on  
19 Federal land, or by the Commissioner if on State Land, or by the Com-  
20 mission if on fee land, unless on such effective date a well is being  
21 drilled conformably with the terms hereof, and thereafter continue  
22 such drilling diligently until all formations of Pennsylvania age have ~~been~~  
23 been tested or until at a lesser depth unitized substances shall be  
24 discovered which can be produced in paying quantities (to wit: quanti-  
25 ties sufficient to repay the costs of drilling, completing, and  
26 producing operations, with a reasonable profit) or the Unit Operator  
27 shall at any time establish to the satisfaction of the Supervisor  
28 if located on Federal lands, or the Commissioner if located on  
29 State lands, or the Commission if located on fee lands, that further  
30 drilling of said well would be unwarranted or impracticable, provided

1 however, that Unit Operator shall not in any event be required  
2 to drill said well to a depth in excess of 15,600 feet. Until the  
3 discovery of a deposit of unitized substances capable of being  
4 produced in paying quantities, the Unit Operator shall continue  
5 drilling one well at a time, allowing not more than 6 months be-  
6 tween the completion of one well and the beginning of the next  
7 well, until a well capable of producing unitized substances in  
8 paying quantities is completed to the satisfaction of said Super-  
9 visor if on Federal land, or the Commissioner if on State land,  
10 or the Commission if on fee land, or until it is reasonably proved  
11 that the unitized land is incapable of producing unitized substances  
12 in paying quantities in the formations drilled hereunder. Nothing  
13 in this section shall be deemed to limit the right of the Unit  
14 Operator to resign as provided in Section 5 hereof, or as requiring  
15 Unit Operator to commence or continue any drilling during the period  
16 pending such resignation becoming effective in order to comply with  
17 the requirements of this section. The Supervisor and Commissioner  
18 may modify the drilling requirements of this section by granting  
19 reasonable extensions of time when, in their opinion, such action  
20 is warranted. Upon failure to commence any well provided for in  
21 this section within the time allowed, including any extension of  
22 time granted by the Supervisor and the Commissioner, this agreement  
23 will automatically terminate; upon failure to continue drilling  
24 diligently any well commenced hereunder, the Supervisor and Com-  
25 missioner may, after 15 days notice to the Unit Operator, declare  
26 this unit agreement terminated.

27 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6  
28 months after completion of a well capable of producing unitized  
29 substances in paying quantities, the Unit Operator shall submit  
30 for the approval of the Supervisor and the Commissioner an

1 acceptable plan of development and operation for the unitized  
2 land which, when approved by the Supervisor and the Commissioner,  
3 shall constitute the further drilling and operating obligations  
4 of the Unit Operator under this agreement for the period specified  
5 therein. Thereafter, from time to time before the expiration of  
6 any existing plan, the Unit Operator shall submit for the approval  
7 of the Supervisor and the Commissioner a plan for an additional  
8 specified period for the development and operation of the unitized  
9 land.

10 Any plan submitted pursuant to this section shall provide for  
11 the exploration of the unitized area and for the diligent drilling  
12 necessary for determination of the area or areas thereof capable  
13 of producing unitized substances in paying quantities in each and  
14 every productive formation and shall be as complete and adequate  
15 as the Supervisor, the Commissioner and Commission may determine  
16 to be necessary for timely development and proper conservation of  
17 the oil and gas resources of the unitized area and shall:

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

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

24 Separate plans may be submitted for separate productive zones,  
25 subject to the approval of the Supervisor, the Commissioner and  
26 the Commission.

27 Plans shall be modified or supplemented when necessary to  
28 meet changed conditions or to protect the interests of all parties  
29 to this agreement. Reasonable diligence shall be exercised in  
30 complying with the obligations of the approved plan of development.

1 The Supervisor and Commissioner are authorized to grant a reason-  
2 able extension of the 6-month period herein prescribed for sub-  
3 mission of an initial plan of development where such action is  
4 justified because of unusual conditions or circumstances. After  
5 completion hereunder of a well capable of producing any unitized  
6 substances in paying quantities, no further wells, except such as  
7 may be necessary to afford protection against operations not under  
8 this agreement and such as may be specifically approved by the  
9 Supervisor and the Commissioner, shall be drilled except in  
10 accordance with a plan of development approved as herein provided.

11 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a  
12 well capable of producing unitized substances in paying quantities  
13 or as soon thereafter as required by the Supervisor and Commissioner,  
14 the Unit Operator shall submit for approval by the Supervisor and  
15 Commissioner a schedule, based on subdivisions of the public land  
16 survey or aliquot parts thereof, of all land then regarded as  
17 reasonably proved to be productive in paying quantities; all lands  
18 in said schedule on approval of the Supervisor and Commissioner  
19 to constitute a participating area, effective as of the date of  
20 completion of such well or the effective date of this unit agree-  
21 ment, whichever is later. The acreages of both Federal and non-  
22 Federal lands shall be based upon appropriate computations from  
23 the courses and distances shown on the last approved public land  
24 survey as of the effective date of each initial participating area.  
25 Said schedule shall also set forth the percentage of unitized sub-  
26 stances to be allocated as herein provided to each tract in the  
27 participating area so established, and shall govern the allocation  
28 of production commencing with the effective date of the participating  
29 area. A separate participating area shall be established for each  
30 separate pool or deposit of unitized substances or for any group

1       thereof which is produced as a single pool or zone, and any  
2       two or more participating areas so established may be combined  
3       into one, on approval of the Supervisor and Commissioner. When  
4       production from two or more participating areas, so established,  
5       is subsequently found to be from a common pool or deposit said  
6       participating areas shall be combined into one effective as of  
7       such appropriate date as may be approved or prescribed by the  
8       Supervisor and Commissioner. The participating area or areas  
9       so established shall be revised from time to time, subject to  
10      like approval, to include additional land then regarded as  
11      reasonably proved to be productive in paying quantities or  
12      necessary for unit operations, or to exclude land then regarded  
13      as reasonably proved not to be productive in paying quantities  
14      and the schedule of allocation percentages shall be revised  
15      accordingly. The effective date of any revisions shall be the  
16      first day of the month in which is obtained the knowledge or  
17      information on which such revision is predicated, provided,  
18      however, that a more appropriate effective date may be used if  
19      justified by the Unit Operator and approved by the Supervisor  
20      and Commissioner. No land shall be excluded from a participating  
21      area on account of depletion of the unitized substances, except  
22      that any participating area established under the provisions of  
23      this unit agreement shall terminate automatically whenever all  
24      completions in the formation on which the participating area is  
25      based are abandoned.

26           It is the intent of this section that a participating area  
27      shall represent the area known or reasonably estimated to be pro-  
28      ductive in paying quantities, but, regardless of any revision  
29      of the participating area, nothing herein contained shall be con-  
30      strued as requiring any retroactive adjustment for production



1 obtained prior to the effective date of the revision of the  
2 participating area.

3 In the absence of agreement at any time between the Unit  
4 Operator and the Supervisor and Commissioner as to the proper  
5 definition or redefinition of a participating area, or until a  
6 participating area has, or areas have, been established as pro-  
7 vided herein, the portion of all payments affected thereby shall  
8 be impounded in a manner mutually acceptable to the owners of  
9 working interests and the Supervisor and Commissioner. Royalties  
10 due the United States and the State of New Mexico, which shall  
11 be determined by the Supervisor for Federal land and the Com-  
12 missioner for State land and the amount thereof shall be deposited,  
13 as directed by the Supervisor and Commissioner respectively, to  
14 be held as unearned money until a participating area is finally  
15 approved and then applied as earned or returned in accordance  
16 with a determination of the sum due as Federal and State royalty  
17 on the basis of such approved participating area.

18 Whenever it is determined, subject to the approval of the  
19 Supervisor as to wells drilled on Federal land and of the Com-  
20 missioner as to wells drilled on State land, that a well drilled  
21 under this agreement is not capable of production in paying quanti-  
22 ties and inclusion of the land on which it is situated in a parti-  
23 cipating area is unwarranted, production from such well shall, for  
24 the purposes of settlement among all parties other than working  
25 interest owners, be allocated to the land on which the well is  
26 located unless such land is already within the participating area  
27 established for the pool or deposit from which such production is  
28 obtained. Settlement for working interest benefits from such a  
29 well shall be made as provided in the unit operating agreement.

30 12. ALLOCATION OF PRODUCTION. All unitized substances

1 produced from each participating area established under this  
2 agreement, except any part thereof used in conformity with good  
3 operating practices within the unitized area for drilling,  
4 operating, camp and other production or development purposes,  
5 for repressuring or recycling in accordance with a plan of  
6 development approved by the Supervisor and Commissioner, or  
7 unavoidably lost, shall be deemed to be produced equally on an  
8 acreage basis from the several tracts of unitized land of the  
9 participating area established for such production and, for the  
10 purpose of determining any benefits accruing under this agreement,  
11 each such tract of unitized land shall have allocated to it such  
12 percentage of said production as the number of acres of such tract  
13 included in said participating area bears to the total acres of  
14 unitized land in said participating area, except that allocation  
15 of production hereunder for purposes other than for settlement  
16 of the royalty, overriding royalty, or payment out of production  
17 obligations of the respective working interest owners, shall be  
18 on the basis prescribed in the unit operating agreement whether  
19 in conformity with the basis of allocation herein set forth or  
20 otherwise. It is hereby agreed that production of unitized sub-  
21 stances from a participating area shall be allocated as provided  
22 herein regardless of whether any wells are drilled on any particular  
23 part or tract of said participating area. If any gas produced  
24 from one participating area is used for repressuring or recycling  
25 purposes in another participating area, the first gas withdrawn  
26 from such last mentioned participating area for sale during the  
27 life of this agreement shall be considered to be the gas so trans-  
28 ferred until an amount equal to that transferred shall be so pro-  
29 duced for sale and such gas shall be allocated to the participating  
30 area from which initially produced as such area was last defined

1 at the time of such final production.

2 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR  
3 FORMATIONS. Any party hereto owning or controlling the working  
4 interest in any unitized land having thereon a regular well loca-  
5 tion may with the approval of the Supervisor as to Federal land,  
6 the Commissioner as to State land and the Commission as to pri-  
7 vately owned land, at such party's sole risk, cost and expense,  
8 drill a well to test any formation for which a participating area  
9 has not been established or to test any formation for which a  
10 participating area has been established if such location is not  
11 within said participating area, unless within 90 days of receipt  
12 of notice from said party of his intention to drill the well the  
13 Unit Operator elects and commences to drill such a well in like  
14 manner as other wells are drilled by the Unit Operator under this  
15 agreement.

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

23 If any well drilled as aforesaid by a working interest owner  
24 obtains production in quantities insufficient to justify the in-  
25 clusion of the land upon which such well is situated in a partici-  
26 pating area, such well may be operated and produced by the party  
27 drilling the same subject to the conservation requirements of  
28 this agreement. The royalties in amount or value of production  
29 from any such well shall be paid as specified in the underlying  
30 lease and agreements affected.

1           14. ROYALTY SETTLEMENT. The United States and any State  
2 and any royalty owner who is entitled to take in kind a share  
3 of the substances now unitized hereunder shall hereafter be  
4 entitled to the right to take in kind its share of the unitized  
5 substances, and the Unit Operator, or the working interest owner  
6 in case of the operation of a well by a working interest owner as  
7 herein provided for in special cases, shall make deliveries of  
8 such royalty share taken in kind in conformity with the applicable  
9 contracts, laws and regulations. Settlement for royalty interest  
10 not taken in kind shall be made by working interest owners respon-  
11 sible therefor under existing contracts, laws and regulations, or  
12 by the Unit Operator, on or before the last day of each month for  
13 unitized substances produced during the preceding calendar month;  
14 provided, however, that nothing herein contained shall operate to  
15 relieve the lessees of any land from their respective lease obli-  
16 gations for the payment of any royalties due under their leases.

17           If gas obtained from lands not subject to this agreement is  
18 introduced into any participating area hereunder, for use in re-  
19 pressuring, stimulation of production, or increasing ultimate  
20 recovery, in conformity with a plan of operations approved by the  
21 Supervisor, the Commissioner, and Commission, a like amount of gas,  
22 after settlement as herein provided for any gas transferred from  
23 any other participating area and with appropriate deduction for  
24 loss from any cause, may be withdrawn from the formation in which  
25 the gas is introduced, royalty free as to dry gas, but not as to  
26 any products which may be extracted therefrom; provided that such  
27 withdrawal shall be at such time as may be provided in the approved  
28 plan of operations or as may otherwise be consented to by the  
29 Supervisor, the Commissioner and Commission as conforming to good  
30 petroleum engineering practice; and provided further, that such

1 right of withdrawal shall terminate on the termination of this  
2 unit agreement.

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

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

16 15. RENTAL SETTLEMENT. Rental or minimum royalties due on  
17 leases committed hereto shall be paid by working interest owners  
18 responsible therefor under existing contracts, laws and regula-  
19 tions, provided that nothing herein contained shall operate to  
20 relieve the lessees of any land from their respective lease obli-  
21 gations for the payment of any rental or minimum royalty due under  
22 their leases. Rental or minimum royalty for lands of the United  
23 States subject to this agreement shall be paid at the rate specified  
24 in the respective leases from the United States unless such rental  
25 or minimum royalty is waived, suspended or reduced by law or by  
26 approval of the Secretary or his duly authorized representative.

27 Rentals on State of New Mexico lands subject to this agree-  
28 ment shall be paid at the rates specified in the respective leases.

29 With respect to any lease on non-Federal land containing pro-  
30 visions which would terminate such lease unless drilling operations

1 are commenced upon the land covered thereby within the time  
2 therein specified or rentals are paid for the privilege of  
3 deferring such drilling operations, the rentals required thereby  
4 shall, notwithstanding any other provisions of this agreement,  
5 be deemed to accrue and become payable during the term thereof  
6 as extended by this agreement and until the required drilling  
7 operations are commenced upon the land covered thereby or until  
8 some portion of such land is included with a participating area.

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

13 17. DRAINAGE. The Unit Operator shall take such measures  
14 as the Supervisor and Commissioner deem appropriate and adequate  
15 to prevent drainage of unitized substances from unitized land by  
16 wells on land not subject to this agreement.

17 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,  
18 conditions and provisions of all leases, subleases and other con-  
19 tracts relating to exploration, drilling, development or operations  
20 for oil or gas on lands committed to this agreement are hereby  
21 expressly modified and amended to the extent necessary to make  
22 the same conform to the provisions hereof, but otherwise to remain  
23 in full force and effect; and the parties hereto hereby consent  
24 that the Secretary as to Federal leases and the Commissioner as  
25 to State leases shall and each by his approval hereof, or by the  
26 approval hereof by their duly authorized representatives, do hereby  
27 establish, alter, change or revoke the drilling, producing, rental,  
28 minimum royalty and royalty requirements of Federal and State  
29 leases committed hereto and the regulations in respect thereto  
30 to conform said requirements to the provisions of this agreement,

1 and, without limiting the generality of the foregoing, all leases,  
2 subleases, and contracts are particularly modified in accordance  
3 with the following:

4 (a) The development and operation of lands subject to this  
5 agreement under the terms hereof shall be deemed full per-  
6 formance of all obligations for development and operation  
7 with respect to each and every separately owned tract subject  
8 to this agreement, regardless of whether there is any develop-  
9 ment of any particular tract of the unit area.

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

16 (c) Suspension of drilling or producing operations on all  
17 unitized lands pursuant to direction or consent of the  
18 Secretary and Commissioner or their duly authorized repre-  
19 sentatives shall be deemed to constitute such suspension  
20 pursuant to such direction or consent as to each and every  
21 tract of unitized land. A suspension of drilling or producing  
22 operations limited to specified lands shall be applicable  
23 only to such lands.

24 (d) Each lease, sublease or contract relating to the ex-  
25 ploration, drilling, development or operation for oil or  
26 gas of lands other than those of the United States or State  
27 of New Mexico committed to this agreement, which by its  
28 terms might expire prior to the termination of this agree-  
29 ment, is hereby extended beyond any such term so provided  
30 therein so that it shall be continued in full force and

1 effect for and during the term of this agreement.

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

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

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



1 committed hereto until the termination hereof, subject to  
2 the provisions of subsection (e) of Section 2 and sub-  
3 section (i) of this Section 18.

4 (h) The segregation of any Federal lease committed to  
5 this agreement is governed by the following provisions in  
6 the fourth paragraph of Sec. 17(j) of the Mineral Leasing  
7 Act, as amended by the Act of September 2, 1960 (74 Stat.  
8 781-784): "Any (Federal) lease heretofore or hereafter  
9 committed to any such (unit) plan embracing lands that  
10 are in part within and in part outside of the area covered  
11 by any such plan shall be segregated into separate leases  
12 as to the lands committed and the lands not committed as  
13 of the effective date of unitization: Provided, however,  
14 That any such lease as to the nonunitized portion shall  
15 continue in force and effect for the term thereof but for  
16 not less than two years from the date of such segregation  
17 and so long thereafter as oil or gas is produced in paying  
18 quantities."

19 (i) Any lease embracing lands of the State of New Mexico  
20 having only a portion of its lands committed hereto, shall  
21 be segregated as to the portion committed and the portion  
22 not committed, and the provisions of such lease shall apply  
23 separately to such segregated portions commencing as of the  
24 effective date hereof; provided, however, notwithstanding  
25 any of the provisions of this agreement to the contrary, any  
26 lease embracing lands of the State of New Mexico having only  
27 a portion of its lands committed hereto shall continue in  
28 full force and effect beyond the term provided therein as  
29 to all lands embraced in such lease, if oil or gas is dis-  
30 covered and is capable of being produced in paying quantities

1 from some part of the lands embraced in such lease at  
2 the expiration of the secondary term of such lease; or  
3 if, at the expiration of the secondary term, the lessee  
4 or Unit Operator is then engaged in bona fide drilling  
5 or reworking operations on some part of the lands embraced  
6 in such lease, the same, as to all lands embraced therein  
7 shall remain in full force and effect so long as such opera-  
8 tions are being diligently prosecuted, and if they result  
9 in the production of oil or gas, said lease shall continue  
10 in full force and effect as to all of the lands embraced  
11 therein, so long thereafter as oil or gas in paying quantities  
12 is being produced from any portion of said lands.

13 (j) Any lease, other than a Federal lease, having only a  
14 portion of its lands committed hereto shall be segregated  
15 as to the portion committed and the portion not committed,  
16 and the provisions of such lease shall apply separately to  
17 such segregated portions commencing as of the effective date  
18 hereof. In the event any such lease provides for a lump sum  
19 rental payment, such payment shall be prorated between the  
20 portions so segregated in proportion to the acreage of the  
21 respective tracts.

22 19. COVENANTS RUN WITH LAND. The covenants herein shall be  
23 construed to be covenants running with the land with respect to  
24 the interest of the parties hereto and their successors in interest  
25 until this agreement terminates, and any grant, transfer, or con-  
26 veyance of interest in land or leases subject hereto shall be and  
27 hereby is conditioned upon the assumption of all privileges and  
28 obligations hereunder by the grantee, transferee or other successor  
29 in interest. No assignment or transfer of any working interest,  
30 royalty, or other interest subject hereto shall be binding upon

1 Unit Operator until the first day of the calendar month after  
2 Unit Operator is furnished with the original, photostatic, or  
3 certified copy of the instrument of transfer.

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

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

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

19 (c) a valuable discovery of unitized substances has been  
20 made or accepted on unitized land during said initial term  
21 or any extension thereof, in which event the agreement shall  
22 remain in effect for such term and so long as unitized sub-  
23 stances can be produced in quantities sufficient to pay for  
24 the cost of producing same from wells on unitized land within  
25 any participating area established hereunder and, should  
26 production cease, so long thereafter as diligent operations  
27 are in progress for the restoration of production or discovery  
28 of new production and so long thereafter as unitized sub-  
29 stances so discovered can be produced as aforesaid, or

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

1 This agreement may be terminated at any time by not less than  
2 75 per centum, on an acreage basis, of the working interest owners  
3 signatory hereto, with the approval of the Supervisor and Commis-  
4 sioner; notice of any such approval to be given by the Unit  
5 Operator to all parties hereto.

6 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The  
7 Director is hereby vested with authority to alter or modify from  
8 time to time in his discretion the quantity and rate of production  
9 under this agreement when such quantity and rate is not fixed  
10 pursuant to Federal or State law or does not conform to any state-  
11 wide voluntary conservation or allocation program, which is estab-  
12 lished, recognized and generally adhered to by the majority of  
13 operators in such State, such authority being hereby limited to  
14 alteration or modification in the public interest, the purpose  
15 thereof and the public interest to be served thereby to be stated  
16 in the order of alteration or modification. Without regard to  
17 the foregoing, the Director is also hereby vested with authority  
18 to alter or modify from time to time in his discretion the rate  
19 of prospecting and development and the quantity and rate of pro-  
20 duction under this agreement when such alteration or modification  
21 is in the interest of attaining the conservation objectives stated  
22 in this agreement and is not in violation of any applicable Federal  
23 or State law; provided, further, that no such alteration or modi-  
24 fication shall be effective as to any land of the State of New  
25 Mexico, as to the rate of prospecting and developing in the absence  
26 of the specific written approval thereof by the Commissioner and  
27 as to any lands of the State of New Mexico or privately owned lands  
28 subject to this agreement as to the quantity and rate of production  
29 in the absence of specific written approval thereof by the  
30 Commission.

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

4 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor  
5 the working interest owners nor any of them shall be subject to  
6 any forfeiture, termination or expiration of any rights hereunder  
7 or under any leases or contracts subject hereto, or to any penalty  
8 or liability on account of delay or failure in whole or in part  
9 to comply with any applicable provision thereof to the extent that  
10 the Unit Operator, working interest owners or any of them are hin-  
11 dered, delayed or prevented from complying therewith by reason of  
12 failure of the Unit Operator to obtain in the exercise of due  
13 diligence, the concurrence of proper representatives of the United  
14 States and proper representatives of the State of New Mexico in  
15 and about any matters or things concerning which it is required  
16 herein that such concurrence be obtained. The parties hereto,  
17 including the Commission, agree that all powers and authority  
18 vested in the Commission in and by any provisions of this agree-  
19 ment are vested in the Commission and shall be exercised by it  
20 pursuant to the provisions of the laws of the State of New Mexico  
21 and subject in any case to appeal or judicial review as may now  
22 or hereafter be provided by the laws of the State of New Mexico.

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

1 the Department of the Interior, the Commissioner, or Commission,  
2 or any other legally constituted authority; provided, however,  
3 that any other interested party shall also have the right at his  
4 own expense to be heard in any such proceeding.

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

14 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement  
15 contained shall be construed as a waiver by any party hereto of  
16 the right to assert any legal or constitutional right or defense  
17 as to the validity or invalidity of any law of the State wherein  
18 said unitized lands are located, or of the United States, or regu-  
19 lations issued thereunder in any way affecting such party, or as  
20 a waiver by any such party of any right beyond his or its authority  
21 to waive.

22 26. UNAVOIDABLE DELAY. All obligations under this agreement  
23 requiring the Unit Operator to commence or continue drilling or to  
24 operate on or produce unitized substances from any of the lands  
25 covered by this agreement shall be suspended while the Unit Opera-  
26 tor, despite the exercise of due care and diligence, is prevented  
27 from complying with such obligations, in whole or in part, by  
28 strikes, acts of God, Federal, State or municipal law or agencies,  
29 unavoidable accidents, uncontrollable delays in transportation,  
30 inability to obtain necessary materials in open market, or other

1 matters beyond the reasonable control of the Unit Operator  
2 whether similar to matters herein enumerated or not. No unit  
3 obligation which is suspended under this section shall become  
4 due less than thirty (30) days after it has been determined  
5 that the suspension is no longer applicable. Determination of  
6 creditable "Unavoidable Delay" time shall be made by the Unit  
7 Operator subject to approval of the Supervisor and Commissioner.

8 27. NONDISCRIMINATION. In connection with the performance  
9 of work under this agreement, the operator agrees to comply with  
10 all of the provisions of section 202 (1) to (7) inclusive of  
11 Executive Order 11246 (30 F.R. 12319)<sup>as amended</sup> which are hereby incor-  
12 porated by reference in this agreement.

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

30 Unit Operator as such is relieved from any responsibility for

1 any defect or failure of any title hereunder.

2 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of  
3 any substantial interest in a tract within the unit area fails  
4 or refuses to subscribe or consent to this agreement, the owner  
5 of the working interest in that tract may withdraw said tract  
6 from this agreement by written notice delivered to the Supervisor  
7 and the Commissioner and the Unit Operator prior to the approval  
8 of this agreement by the Supervisor and Commissioner. Any oil  
9 or gas interests in lands within the unit area not committed hereto  
10 prior to submission of this agreement for final approval may there-  
11 after be committed hereto by the owner or owners thereof sub-  
12 scribing or consenting to this agreement, and, if the interest  
13 is a working interest, by the owner of such interest also sub-  
14 scribing to the unit operating agreement. After operations are  
15 commenced hereunder, the right of subsequent joinder, as provided  
16 in this section, by a working interest owner is subject to such  
17 requirements or approvals, if any, pertaining to such joinder,  
18 as may be provided for in the unit operating agreement. After  
19 final approval hereof, joinder by a non-working interest owner  
20 must be consented to in writing by the working interest owner  
21 committed hereto and responsible for the payment of any benefits  
22 that may accrue hereunder in behalf of such non-working interest.  
23 A non-working interest may not be committed to this unit agree-  
24 ment unless the corresponding working interest is committed hereto.  
25 Joinder to the unit agreement by a working interest owner, at any  
26 time, must be accompanied by appropriate joinder to the Unit Operat-  
27 ing agreement, if more than one committed working interest owner  
28 is involved, in order for the interest to be regarded as committed  
29 to this unit agreement. Except as may otherwise herein be provided,  
30 subsequent joinders to this agreement shall be effective as of the



1 first day of the month following the filing with the Supervisor  
2 and the Commissioner of duly executed counterparts of all or any  
3 papers necessary to establish effective commitment of any tract  
4 to this agreement unless objection to such joinder is duly made  
5 within 60 days by the Supervisor, provided, however, that as to  
6 State lands all subsequent joinders must be approved by the  
7 Commissioner.

8 30. COUNTERPARTS. This agreement may be executed in any  
9 number of counterparts no one of which needs to be executed by  
10 all parties or may be ratified or consented to by separate instru-  
11 ment in writing specifically referring hereto and shall be binding  
12 upon all those parties who have executed such a counterpart, rati-  
13 fication, or consent hereto with the same force and effect as if  
14 all such parties had signed the same document and regardless of  
15 whether or not it is executed by all other parties owning or  
16 claiming an interest in the lands within the above described unit  
17 area.

18 31. BUREAU OF LAND MANAGEMENT SPECIAL STIPULATIONS. Nothing  
19 in this agreement shall modify or change any special federal stipula-  
20 tion relating to surface management, surface disturbances, or cultural  
21 resources attached to and made a part of any oil and gas lease cover-  
22 ing lands within the unit area.

23  
24 IN WITNESS WHEREOF, the parties hereto have caused this agree-  
25 ment to be executed and have set opposite their respective names the  
26 date of execution.

UNIT OPERATOR AND WORKING INTEREST OWNER

DATE: September 22, 1977

Address: P. O. Box 1150

Midland, Texas, 79702

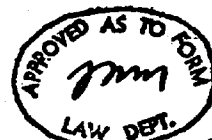
ATTEST:

*C. S. [Signature]*  
Assistant Secretary

GULF OIL CORPORATION

By

*[Signature]*  
Attorney-in-Fact





1. NM 10283-A
2. NM 13427
3. NM 14337
4. NM 14501
5. NM 14802
6. NM 15039
7. NM 15456
8. NM 17604
9. NM 18856
10. NM 19208
11. NM 19454
12. NM 22097
13. B-1040
14. L-347
15. L-439
16. L-2497
17. L-4888
18. LG-3231
19. Gulf




- Unit Area Outline**
-  **Federal Lands, 1922.60Ac.  
50.0297% Unit Area**
-  **State Lands, 1800.32 Ac.  
46.8477% Unit Area**
-  **Fee (Patent) Lands, 120 Ac.  
3.1226% Unit Area**

EXHIBIT "A"  
SAND WELL UNIT

Page 2

UNIT AREA DESCRIPTION

T-23-S, R-35-E, N.M.P.M.

Section 3: All  
Section 4: All  
Section 9: All  
Section 10: All  
Section 15: All  
Section 16: All

Containing 3842.92 acres, more or less, Lea County, New Mexico.

EXHIBIT "E"  
SCHEDULE OF LANDS AND LEASES  
SAND WELL UNIT  
LEA COUNTY, NEW MEXICO

Tract No.	Description	Acres	Serial No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
1	T-23-S, R-35-E Sec 1: Lots 1, 2, S/2 NE/4, SE/4	320.91	NM-10283-A 9-1-79	12.5% U.S.A.	Gulf Oil Corporation 100%	Stan F. Waliszek et ux, Jane M. Waliszek 5%	Gulf Oil Corp. 100%
2	T-23-S, R-35-E Sec 3: S/2 SW/4 Sec 15: N/2 NE/4 N/2 NW/4	240.00	NM-13427 4-1-81	12.5% U.S.A.	Union Oil Co. of California 100%	William B. Kidd- 5%	Union Oil Co. of California 100%
3	T-23-S, R-35-E Sec 3: Lot 3, SE/4 NW/4	80.39	NM-14337 9-1-81	12.5% U.S.A.	Mrs. Jack C. Fraser 100%	None	Mrs. Jack C. Fraser 100%
4	T-23-S, R-35-E Sec 10: S/2 NE/4, NW/4 SW/4, SE/4 SW/4	160.00	NM-14501 12-1-81	12.5% U.S.A.	Superior Oil Company 100%	W. M. Smith 5%	Superior Oil Co. 100%
5	T-23-S, R-35-E Sec 10: N/2 NE/4	80.00	NM-14802 2-1-82	12.5% U.S.A.	BTA Oil Producers 100%	D. L. Simasko 20% of 4% John M. Hawes 80% of 4%	BTA Oil Producers 100%
6	T-23-S, R-35-E Sec 3: Lot 4, SW/4 NW/4	80.34	NM-15039 3-1-82	12.5% U.S.A.	Gulf Oil Corporation 100%	Dorothy Langley 5%	Gulf Oil Corp. 100%
7	T-23-S, R-35-E Sec 10: W/2 SE/4	80.00	NM-15456 4-1-82	12.5% U.S.A.	Union Oil Co. of California 100%	J.C. Head 5%	Union Oil Co. of Calif. 100%

8	T-23-S, R-35-E Sec 10: NE/4 SW/4, SW/4 SW/4	NM-17604 3-1-83	12.5% U.S.A.	Gulf Oil Corporation 100%	Clec C. Ainsworth 5%	Gulf Oil Corp. 100%
9	T-23S, R-35-E Sec 3: N/2 SW/4 Sec 15: S/2 NE/4, S/2 NW/4	NM-18856 8-1-83	12.5% U.S.A.	Aztec Oil & Gas Co. 100%	Obie P. Leonard 6.25%	Aztec Oil Co. 100%
10	T-23-S, R-35-E Sec 4: Lots 2, 3, 4. Sec 10: NW/4	NM-19208 10-1-83	12.5% U.S.A.	Gulf Oil Corporation 100%	Beulah E. Grear- 4% J. Paul Reynolds- 1%	Gulf Oil Corp. 100%
11	T-23S, R-35-E Sec 10: E/2 SE/4	NM-19454 11-1-83	12.5% U.S.A.	BTA Oil Producers 100%	Marshall R. Perkins 5%	BTA Producers 100%
12	T-23-S, R-35-E Sec 15: SW/4 SE/4, SW/4	NM-22097 9-1-84	12.5% U.S.A.	Exxon Corporation 100%	Josephine McSweeney Henry R. Keller T. E. Tomlinson 5% Undivided	Exxon Corporation 100%
TOTAL: 1922.60 Acres Federal Lands, 50.0297% of the Unit Area.						

13	T-23-S, R-35-E Sec 16: E/2 SE/4	B-1040 -1 HBP	12.5% State of N.M.	Amerada Hess Corporation 100%	None	50.00%--Amerada Hess Corp. 31.14%--Bass Enterprises Prod. Co. 12.57%--Sun Oil Company 6.29%--Amoco Prod. Co.
14	T-23-S, R-35-E Sec 4: S/2 Sec 9: NE/4 NE/4	L-347 10-17-77	12.5% State of N.M.	Gulf Oil Corporation 100%	None	Gulf Oil Corp. 100%
15	T-23-S, R-35-E Sec 16: W/2, W/2 SE/4	L-439 11-21-77	12.5% State of N.M.	Gulf Oil Corporation 100%	None	Gulf Oil Corp. 100%
16	T-23-S, R-35-E Sec 9: S/2 Sec 16: NE/4	L-2497 2-18-79	12.5% State of N.M.	Gulf Oil Corporation 100%	None	Gulf Oil Corp. 100%

17	T-23-S, R-35-E Sec 9: NW/4, W/2 NE/4 SE/4 NE/4	280.00	L-4888 9-15-80	12.5% State of N.M.	Mesa Petroleum Co. 100%	None	Mesa Petro. Co. 100%
18	T-23-S, R-35-E Sec 4: Lot 1, S/2 N/2	200.32	LG-3231 12-1-85	12.5% State of N.M.	Gulf Oil Corp. 100%	None	Gulf Oil Corp. 100%
TOTAL: 1800.32 Acres State Lands/46.8477% of the Unit Area.							
19	T-23-S, R-35-E Sec 15: E/2 SE/4 NW/4 SE/4	120.00	Gulf Fee 8-20-79	18.75% Hugh Ward - 5/48 Ophelia W. Ratliff - 5/48 Velma W. Kerr - 5/48 Rose M. Fuller - 4/48 Helen Linder - 5/192 Ruby Dell Bulger - 5/192 Virginia McCarthy - 5/384 Cynthia Poulin - 5/384 Ethel Lee Klingman - 5/384 E. L. Bauer - 5/384 Mache Gordon Riley - 3/64 Betty Moran Rice - 31/512 #Mary Gertrude Moran Fagan - 31/512 #Phyllis C. Hayes - 1/160 #L. A. Griffith - 1/640 Elizabeth Rittenhouse Lamb - 85% of 1/16 Georgia K. Clingenpeel - 5.93% of 1/128 Rex de Vlaming - 6.35% of 1/128 #George Kerby - 19.06% of 1/128 #Guila Kerby - 5.93% of 1/128 Gertrude A. Webster - 15% of 1/16 #Fred K. Haskell - 1/256 #Archy Elkins - 30.97% of 1/128 #Wm. C. C. Chambliss - 19.06% of 1/128 Virginia Priddy - 6.35% of 1/128 #George W. de Vlaming - 6.35% of 1/128	Gulf Oil Corp. 92% Open: 8%	None	Gulf Oil Corp. 92% Open: 8%
			9-10-82 9-20-80				
			9-12-82				
			9-23-80				
			9-29-82				
				*See information continued #Open (not leased by Gulf)			
					*10-6-79		
						20% Royalty 1st Natl Bank & Jessie Belvins Crump Estate - 1/8 Fort Worth Natl Bank & J. C. Crump Estate - 1/8	

TOTAL FEE LANDS: 120.00 Acres, 3.1226% of Unit Area

RECAPITULATION

FEDERAL LANDS	1922.60 Acres	50.0297% of Unit Area
STATE LANDS	1800.32 Acres	46.8477% of Unit Area
FEE LANDS	<u>120.00 Acres</u>	<u>3.1226% of Unit Area</u>
TOTAL	3842.92 Acres	100.0000%



# United States Department of the Interior

GEOLOGICAL SURVEY  
Conservation Division  
P. O. Box 26124  
Albuquerque, New Mexico 87125

NOV 23 1977

NOV 17 1977

*Nov. 6002*

Gulf Oil Corporation  
Attention: Mr. R. E. Griffith  
P. O. Drawer 1150  
Midland, Texas 79702

Gentlemen:

One approved copy of the Sand Well unit agreement, Lea County, New Mexico, with Gulf Oil Corporation as unit operator is returned herewith. Such agreement has been assigned No. 14-08-0001-16066, and is effective as of the date of approval.

You are requested to furnish the New Mexico Oil Conservation Commission and all other interested principals with evidence of this approval.

Sincerely yours,

(ORIG. SGD.) JAMES W. SUTHERLAND

Area Oil and Gas Supervisor

Enclosure

cc:  
Com. Pub. Lands, Santa Fe (ltr. only)  
NMOCC, Santa Fe (ltr. only)

*This copy for*





State of New Mexico

Commissioner of Public Lands

PHIL R. LUCERO  
COMMISSIONER

November 16, 1977

P. O. BOX 1148  
SANTA FE, NEW MEXICO 87301

Gulf Energy & Minerals Company-U.S.  
P. O. Drawer 1150  
Midland, Texas 79702

no. 6082

Re: Sand Well Unit  
Los County, New Mexico

ATTENTION: Mr. R. E. Griffith

Gentlemen:

The Commissioner of Public Lands has this date approved the Sand Well Unit, Los County, New Mexico. This approval is subject to like approval by the United States Geological Survey.

Our approval is given with the understanding that State Tract No. 13 is not committed to the unit.

Enclosed are five (5) Certificates of approval. Your filing fee in the amount of Sixty (\$60.00) Dollars has been received.

When the United States Geological Survey approves this unit please advise this office so that we may finish processing the unit, and ascertain the effective date.

Very truly yours,

PHIL R. LUCERO  
COMMISSIONER OF PUBLIC LANDS

BY:  
RAY D. GRAHAM, Director  
Oil and Gas Division

PHL/RDG/s  
encls.

cc: RECC-Santa Fe, New Mexico ✓  
USGS-Roswell, New Mexico  
USGS-Albuquerque, New Mexico

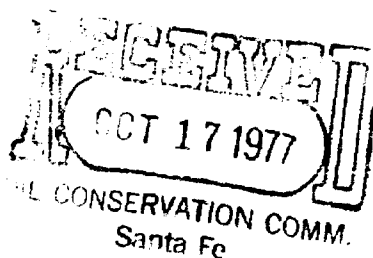
Case 6082

# Gulf Energy and Minerals Company - U. S.

SOUTHWEST DIVISION

R. E. Griffith  
MANAGER-LAND

P. O. Drawer 1150  
Midland, TX 79702



October 14, 1977

Re: Sand Well Unit, covering all of  
Sections 3, 4, 9, 10, 15 & 16,  
T-23-S, R-35-E, NMPM, LEA COUNTY,  
New Mexico

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

Attention: Mr. Dan Nutter

Gentlemen:

The undersigned, Gulf Oil Corporation, with offices in Midland, Texas, does hereby make Application to the New Mexico Oil Conservation Commission for a hearing for the purpose of receiving approval of the captioned unit area as required by Rule 507. State of New Mexico, Oil Conservation Commission - Rules and Regulations.

Enclosed herewith, as requested, is a copy of the Unit Agreement for the captioned Unit.

We respectfully request you supply this office with details on what materials, personnell etc., will be required of Gulf at the hearing in order to obtain the desired approval.

If you have any questions, please contact Mr. Chesley Blackham of our Land Department at 915-682-7301, extension 468.

GULF OIL CORPORATION

BY

  
R. E. Griffith, Attorney-in-fact

P. O. Drawer 1150  
Midland, Texas 79702

CTB/dh



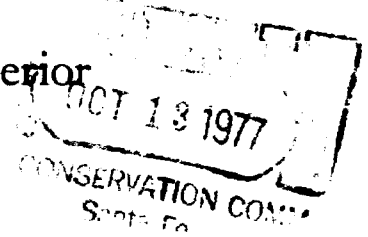
A DIVISION OF GULF OIL CORPORATION



United States Department of the Interior

GEOLOGICAL SURVEY

Box 25046  
Denver Federal Center  
Denver, Colorado 80225



SEP 30 1977

No. 6082

Gulf Energy & Minerals Company - U. S.  
Attention: Mr. R. E. Griffith  
P. O. Box 1190  
Midland, Texas 79702

**Re: Notice:**

Your application of September 14, 1977, filed with the Assistant Area Oil and Gas Supervisor, Dismal, New Mexico, requests the designation of the Sand Well Unit, embracing 3,842.92 acres, more or less, in Lea County, New Mexico, as logically subject to the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations 30 CFR 126, the land requested as outlined on your plat marked "Unit A", Sand Well Unit Area" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test all formations of Pennsylvanian Age or to a depth of 15,000 feet. Your proposed use of the Form of Agreement for Unproved Areas, modified as shown in your application, will be accepted, provided it is further modified as follows:

Add the words "as amended" after (30 F.R. 1232) in Section 26, Modification.

If conditions are such that further modification of said standard form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office through the Oil and Gas Supervisor for preliminary approval.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted

OCT 13 1977

in approachable status within a reasonable period of time. It is hereby given that the right is reserved to deny approval of any agreement submitted which in our opinion, does not have the full complement of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to Bernal, New Mexico for the Supervisor's approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1973 report of the aforementioned firm.

Inasmuch as this agreement involves State lands we are sending a copy of the letter to the Commissioner of Public Lands. Please contact the State of New Mexico before submitting jointing regardless of prior contracts or clearance from the State.

Sincerely yours,

*George W. Horn*

Regional Conservation Manager  
For the Director

Enclosure

cc: N.M.O.C.C., Santa Fe ← This Copy for

SAND WELL UNIT, comprising  
All of Sections 3, 4, 9, 10, 15 and 16,  
T-23-S, R-35-E, N.M.P.M., LEA COUNTY, New Mexico

1. Size of Unit	
a. Federal Acreage	1922.60 acres
b. State Acreage	1800.32 acres
c. Fee Acreage	120.00 acres
TOTAL	3842.92 acres

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION  
EXHIBIT NO. 1  
CASE NO. 6082  
Submitted by Gulf Oil Corp  
Hearing Date \_\_\_\_\_

EXHIBIT No. 1  
SAND WELL UNIT  
Lea County, New Mexico  
Gulf Oil Corporation - Southwest Division  
Midland, Texas  
November 16, 1977  
CASE NO. 6082

2. Ratification of Unit Agreement

1.	2.	3.	4.	5.	6.	7.	8.
Tract No.	Description	% of Unit Area Acres	Serial No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
1	T-23-S, R-35-E Sec 3: Lots 1, 2, S/2 NE/4, SE/4	8.3507% 320.91	NM-10283-A 9-1-79	12.5% U.S.A.	Gulf Oil Corporation 100% Committed	Stan F. Waliszek et ux, Jane M. Waliszek 5% Committed	Gulf Oil Corp. 100% Committed
2	T-23-S, R-35-E Sec 3: S/2 SW/4 Sec 15: N/2 NE/4 N/2 NW/4	6.2453% 240.00	NM-13427 4-1-81	12.5% U.S.A.	Union Oil Co. of California 100% Committed	William B. Kidd - 5% Committed	Union Oil Co. of California 100% Committed
3	T-23-S, R-35-E Sec 3: Lot 3, SE/4 NW/4	2.0919% 80.39	NM-14337 9-1-81	12.5% U.S.A.	Mrs. Jack C. Fraser 100% Committed	None	Mrs. Jack C. Fraser 100% Committed
4	T-23-S, R-35-E Sec 10: S/2 NE/4, NW/4 SW/4, SE/4 SW/4	4.1635% 160.00	NM-14501 12-1-81	12.5% U.S.A.	Superior Oil Company 100% Committed	W. M. Smith 5% Committed	Superior Oil Co. 100% Committed
5	T-23-S, R-35-E Sec 10: N/2 NE/4	2.0818% 80.00	NM-14802 2-1-82	12.5% U.S.A.	BTA Oil Producers 100% Committed	D. L. Simasko 20% of 4% Committed John M. Hawes 80% of 4% Committed	BTA Oil Producers 100% Committed
6	T-23-S, R-35-E Sec 3: Lot 4, SW/4 NW/4	2.0906% 80.34	NM-15039 3-1-82	12.5% U.S.A.	Gulf Oil Corporation 100% Committed	Dorothy Langley 5% Committed	Gulf Oil Corp. 100% Committed
7	T-23-S, R-35-E Sec 10: W/2 SE/4	2.0818% 80.00	NM-15456 4-1-82	12.5% U.S.A.	Union Oil Co. of California 100% Committed	J.C. Head 5% Committed	Union Oil Co. of Calif 100% Committed

1.	2.	3.	4.	5.	6.	7.	8.
8	T-23-S, R-35-E Sec 10: NE/4 SW/4, SW/4	2.0818% 80.00	NM-17604 3-1-83	12.5% U.S.A.	Gulf Oil Corporation 100% Committed	Cleo C. Atsworth 5% Uncommitted	Gulf Oil Corp. 100% Committed
9	T-23S, R-35-E Sec 3: N/2 SW/4 Sec 15: S/2 NE/4, S/2 NW/4	6.2453% 240.00	NM-18856 8-1-83	12.5% U.S.A.	Aztec Oil & Gas Co. 100% Committed	Obie P. Leonard 6.25% Committed	Aztec O&G Co. 100% Committed
10	T-23-S, R-35-E Sec 4: Lots 2, 3, 4. Sec 10: NW/4	7.3111% 280.96	NM-19208 10-1-83	12.5% U.S.A.	Gulf Oil Corporation 100% Committed	Beulah E. Grear- 4% J. Paul Reynolds- 1% Both Committed	Gulf Oil Corp. 100% Committed
11	T-23S, R-35-E Sec 10: E/2 SE/4	2.0818% 80.00	NM-19454 11-1-83	12.5% U.S.A.	BTA Oil Producers 100% Committed	Marshall R. Perkins 5% Committed	BTA Producers 100% Committed
12	T-23-S, R-35-E Sec 15: SW/4 SE/4, SW/4	5.2044% 200.00	NM-22097 9-1-84	12.5% U.S.A.	Exxon Corporation 100% Committed	Josephine McSweeney* Henry R. Keller* T. E. Tomlinson 5% Undivided**	Exxon Corporation 100% Committed
TOTAL: 1922.60 Acres Federal Lands, 50.0297% of the Unit Area.							
13	T-23-S, R-35-E Sec 16: E/2 SE/4	2.0818% 80.00	B-1040 -1 HBP	12.5% State of N.M.	Amerada Hess Corporation 100% Uncommitted	None	50.00%--Amerada Hess Corp** 31.14%--Bass Enterprises Prod. Co.* 12.57%--Sun Oil Company* 6.29%--Amoco Prod. Co.*
14	T-23-S, R-35-E Sec 4: S/2 Sec 9: NE/4 NE/4	9.3679% 360.00	L-347 10-17-77	12.5% State of N.M.	Gulf Oil Corporation 100% Committed	None	Gulf Oil Corp. 100% Committed
15	T-23-S, R-35-E Sec 16: W/2, W/2 SE/4	10.40860% 400.00	L-439 11-21-77	12.5% State of N.M.	Gulf Oil Corporation 100% Committed	None	Gulf Oil Corp. 100% Committed
16	T-23-S, R-35-E Sec 9: S/2 Sec 16: NE/4	12.4905% 480.00	L-2497 2-18-79	12.5% State of N.M.	Gulf Oil Corporation 100% Committed	None	Gulf Oil Corp. 100% Committed

\*Committed  
\*\*Uncommitted

1.	2.	3.	4.	5.	6.	7.	8.
17	T-23-S, R-35-E Sec 9: NW/4, W/2 NE/4 SE/4 NE/4	7.2861% 280.00	L-4888 9-15-80	12.5% State of N.M.	Mesa Petroleum Co. 100% committed	None	Mesa Petro. Co. 100% committed
18	T-23-S, R-35-E Sec 4: Lot 1, S/2 N/2	5.212% 200.32	L6-3231 12-1-85	12.5% State of N.M.	Gulf Oil Corp. 100% committed	None	Gulf Oil Corp. 100% committed

TOTAL: 1800.32 Acres State Lands/46.8477% of the Unit Area.

19	T-23-S, R-35-E Sec 15: E/2 SE/4 NW/4 SE/4	3.1226% 120.00	Gulf Fee 8-20-79	18.75% Hugh Ward - 5/48 uncommitted Opheia W. Ratliff - 5/48 uncommitted Velma W. Kerr - 5/48 uncommitted Rose M. Fulfer - 4/48 uncommitted Helen Linder - 5/192 uncommitted Ruby Dell Bulger - 5/192 uncommitted Virginia McCarthy - 5/384 uncommitted Cynthia Poulin - 5/384 uncommitted Ethel Lee Klingman - 5/384 uncommitted E. L. Bauer - 5/384 uncommitted Mache Gordon Riley - 3/64 committed Betsy Moran Rice - 31/512 committed #Mary Gertrude Moran Fagan - 31/512 uncommitted #Phillip C. Hayes - 1/160 uncommitted #L. A. Griffith - 1/640 uncommitted Elizabeth Rittenhouse Lamb - 85% of 1/16 committed Georgia K. Clingenpeel - 5.93% of 1/128 committed Rex de Vlaming - 6.35% of 1/128 committed #George Kerby - 19.06% of 1/128 uncommitted #Gutla Kerby - 5.93% of 1/128 uncommitted #Gertrude A. Webster - 15% of 1/16 committed #Fred K. Haskell - 1/256 uncommitted #Archy Elkins - 30.97% of 1/128 uncommitted #Wm. C. C. Chambliss - 19.06% of 1/128 uncommitted Virginia Priddy - 6.35% of 1/128 committed #George W. de Vlaming - 6.35% of 1/128 uncommitted	Gulf Oil Corp. 92% committed Open: 8% uncommitted	None	Gulf Oil Corp. 92% committed Open: 8% uncommitted
			9-10-82				
			9-20-80				
			9-12-82				
			9-23-80				
			9-29-82				

\*See information continued  
#Open (not leased by Gulf)  
\*10-6-79

20% Royalty  
1st Natl Bank & Jessie Belvins uncommitted  
Crump Estate - 1/8 uncommitted  
Fort Worth Natl Bank & J. C. Crump uncommitted  
Estate - 1/8

TOTAL FEE LANDS: 120.00 Acres, 3.1226% of Unit Area



BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION

EXHIBIT NO. 2

CASE NO. 6082

SUBMITTED BY Gulf Oil Corp

Hearing Date \_\_\_\_\_

UNIT AGREEMENT

EXHIBIT NO. 2  
SAND WELL UNIT  
Lea County, New Mexico

Gulf Oil Corporation  
Southwest Division  
Midland, Texas  
November 16, 1977  
CASE NO. 6082

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1 UNIT AGREEMENT  
2 FOR THE DEVELOPMENT AND OPERATION  
3 SANDWELL  
4 UNIT AREA  
5 COUNTY OF LEA  
6 STATE OF NEW MEXICO

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

8 THIS AGREEMENT entered into as of the 22nd day of September,  
9 1977, by and between the parties subscribing, ratifying or con-  
10 senting hereto, and herein referred to as the "parties hereto".

11 WITNESSETH:

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

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

25 WHEREAS, the Commissioner of Public Lands of the State of New  
26 Mexico is authorized by an Act of the Legislature (Sec. 7-11-39  
27 N.M. Statutes 1953 Annotated) to consent to or approve this agree-  
28 ment on behalf of the State of New Mexico, insofar as it covers  
29 and includes lands and mineral interests of the State of New  
30 Mexico; and

1           WHEREAS, the Oil Conservation Commission of the State of  
2 New Mexico is authorized by an Act of the Legislature (Article 3,  
3 Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this agree-  
4 ment and the conservation provisions hereof; and

5           WHEREAS, the parties hereto hold sufficient interests in the  
6 SANDWELL Unit Area covering the land  
7 hereinafter described to give reasonably effective control of opera-  
8 tions therein; and

9           WHEREAS, it is the purpose of the parties hereto to conserve  
10 natural resources, prevent waste, and secure other benefits obtain-  
11 able through development and operation of the area subject to this  
12 agreement under the terms, conditions and limitations herein set  
13 forth;

14          NOW THEREFORE, in consideration of the premises and the pro-  
15 mises herein contained, the parties hereto commit to this agreement  
16 their respective interests in the below-defined unit area, and  
17 agree severally among themselves as follows:

18           1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act  
19 of February 25, 1920, as amended, supra, and all valid pertinent  
20 regulations, including operating and unit plan regulations, hereto-  
21 fore issued thereunder or valid, pertinent and reasonable regula-  
22 tions hereafter issued thereunder are accepted and made a part of  
23 this agreement as to Federal lands, provided such regulations are  
24 not inconsistent with the terms of this agreement; and as to non-  
25 Federal lands, the oil and gas operating regulations in effect as  
26 of the effective date hereof governing drilling and producing  
27 operations, not inconsistent with the terms hereof or the laws  
28 of the State of which the non-Federal land is located, are hereby  
29 accepted and made a part of this agreement.

30           2. UNIT AREA. The area specified on the map attached hereto

1 marked Exhibit "A" is hereby designated and recognized as  
2 constituting the unit area, containing 3842.92 acres, more or  
3 less.

4 Exhibit "A" shows, in addition to the boundary of the unit  
5 area, the boundaries and identity of tracts and leases in said  
6 area to the extent known to the Unit Operator. Exhibit "B"  
7 attached hereto is a schedule showing to the extent known to  
8 the Unit Operator the acreage, percentage, and kind of ownership  
9 of oil and gas interests in all land in the unit area. However,  
10 nothing herein or in said schedule or map shall be construed as  
11 a representation by any party hereto as to the ownership of any  
12 interest other than such interest or interests as are shown in  
13 said map or schedule as owned by such party. Exhibits "A" and  
14 "B" shall be revised by the Unit Operator whenever changes in  
15 the unit area render such revision necessary, or when requested  
16 by the Oil and Gas Supervisor, hereinafter referred to as "Super-  
17 visor," or when requested by the Commissioner of Public Lands of  
18 the State of New Mexico, hereinafter referred to as "Commissioner,"  
19 and not less than five copies of the revised exhibits shall be  
20 filed with the Supervisor, and two copies thereof shall be filed  
21 with the Commissioner, and one copy with the New Mexico Oil Con-  
22 servation Commission, hereinafter referred to as "Commission."

23 The above-described unit area shall when practicable be  
24 expanded to include therein any additional lands or shall be  
25 contracted to exclude lands whenever such expansion or contraction  
26 is deemed to be necessary or advisable to conform with the purposes  
27 of this agreement. Such expansion or contraction shall be effected  
28 in the following manner:

29 (a) Unit Operator, on its own motion or on demand of the  
30 Director of the Geological Survey, hereinafter referred to as

1 "Director," or on demand of the Commissioner, after preliminary  
2 concurrence by the Director and the Commissioner, shall prepare  
3 a notice of proposed expansion or contraction describing the  
4 contemplated changes in the boundaries of the unit area, the  
5 reasons therefor, and the proposed effective date thereof, pre-  
6 ferably the first day of a month subsequent to the date of notice.

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

12 (c) Upon expiration of the 30-day period provided in the  
13 preceding item (b) hereof, Unit Operator shall file with the  
14 Supervisor, the Commissioner and the Commission evidence of mailing  
15 of the notice of expansion or contraction and a copy of any objec-  
16 tions thereto which have been filed with the Unit Operator, together  
17 with an application in sufficient number, for approval of such  
18 expansion or contraction and with appropriate joinders.

19 (d) After due consideration of all pertinent information,  
20 the expansion or contraction shall, upon approval by the Super-  
21 visor, the Commissioner and the Commission, become effective as  
22 of the date prescribed in the notice thereof.

23 (e) All legal subdivisions of lands (i.e., 40 acres by Govern-  
24 ment survey or its nearest lot or tract equivalent; in instances  
25 of irregular surveys unusually large lots or tracts shall be con-  
26 sidered in multiples of 40 acres or the nearest aliquot equivalent  
27 thereof), no parts of which are entitled to be in a participating  
28 area on or before the fifth anniversary of the effective date of  
29 the first initial participating area established under this unit  
30 agreement, shall be eliminated automatically from this agreement,

1 effective as of said fifth anniversary, and such lands shall no  
2 longer be a part of the unit area and shall no longer be  
3 subject to this agreement, unless diligent drilling operations  
4 are in progress on unitized lands not entitled to participation  
5 on said fifth anniversary, in which event all such lands  
6 shall remain subject hereto so long as such drilling operations  
7 are continued diligently with not more than 90 days' time  
8 elapsing between the completion of one well and the commence-  
9 ment of the next well. All legal subdivisions of lands not  
10 entitled to be in a participating area within 10 years after  
11 the effective date of the first initial participating area  
12 approved under this agreement shall be automatically elimi-  
13 nated from this agreement as of said tenth anniversary. All  
14 lands proved productive by diligent drilling operations after  
15 the aforesaid 5-year period shall become participating in  
16 the same manner as during said 5-year period. However, when  
17 such diligent drilling operations cease, all nonparticipating  
18 lands shall be automatically eliminated effective as of the  
19 91st day thereafter. The Unit Operator shall, within 90  
20 days after the effective date of any elimination hereunder,  
21 describe the area so eliminated to the satisfaction of the  
22 Supervisor and the Commissioner, and promptly notify all  
23 parties in interest.

24 If conditions warrant extension of the 10-year period  
25 specified in this subsection 2(e), a single extension of not  
26 to exceed 2 years may be accomplished by consent of the owners  
27 of 90% of the working interests in the current nonparticipating  
28 unitized lands and the owners of 60% of the basic  
29 royalty interests (exclusive of the basic royalty interests  
30 of the United States) in nonparticipating unitized lands

1 with approval of the Director and Commissioner, provided  
2 such extension application is submitted to the Director and  
3 Commissioner not later than 60 days prior to the expiration  
4 of said ten-year period.

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

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

15 4. UNIT OPERATOR. GULF OIL CORPORATION is hereby  
16 designated as Unit Operator and by signature hereto as Unit  
17 Operator agrees and consents to accept the duties and obligations  
18 of Unit Operator for the discovery, development and production of  
19 unitized substances as herein provided. Whenever reference is made  
20 herein to the Unit Operator, such reference means the Unit Operator  
21 acting in that capacity and not as an owner of interest in unitized  
22 substances, and the term "working interest owner" when used herein  
23 shall include or refer to Unit Operator as the owner of a working  
24 interest when such an interest is owned by it.

25 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator  
26 shall have the right to resign at any time prior to the establish-  
27 ment of a participating area or areas hereunder, but such resigna-  
28 tion shall not become effective so as to release Unit Operator from  
29 the duties and obligations of Unit Operator and terminate Unit  
30 Operator's rights as such for a period of 6 months after notice of

1 intention to resign has been served by Unit Operator on all  
2 working interest owners and the Supervisor, the Commissioner  
3 and the Commission, and until all wells then drilled hereunder are  
4 placed in a satisfactory condition for suspension or abandonment  
5 whichever is required by the Supervisor as to Federal lands and  
6 by the Commission as to State and privately owned lands, unless  
7 a new Unit Operator shall have been selected and approved and  
8 shall have taken over and assumed the duties and obligations of  
9 Unit Operator prior to the expiration of said period.

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

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

23 The Unit Operator may, upon default or failure in the per-  
24 formance of its duties or obligations hereunder, be subject to  
25 removal by the same percentage vote of the owners of working  
26 interests as herein provided for the selection of a new Unit  
27 Operator. Such removal shall be effective upon notice thereof  
28 to the Supervisor and the Commissioner.

29 The resignation or removal of Unit Operator under this agree-  
30 ment shall not terminate its right, title or interest as the owner



1 of a working interest or other interest in unitized substances,  
2 but upon the resignation or removal of Unit Operator becoming  
3 effective, such Unit Operator shall deliver possession of all  
4 wells, equipment, materials and appurtenances used in conducting  
5 the unit operations to the new duly qualified successor Unit  
6 Operator or to the common agent, if no such new Unit Operator  
7 is elected, to be used for the purpose of conducting unit opera-  
8 tions hereunder. Nothing herein shall be construed as authorizing  
9 removal of any material, equipment and appurtenances needed for  
10 the preservation of any wells.

11 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator  
12 shall tender his or its resignation as Unit Operator or shall be  
13 removed as hereinabove provided, or a change of Unit Operator is  
14 negotiated by working interest owners, the owners of the working  
15 interests in the participating area or areas according to their  
16 respective acreage interests in such participating area or areas,  
17 or, until a participating area shall have been established, the  
18 owners of the working interests according to their respective  
19 acreage interests in all unitized land, shall by majority vote  
20 select a successor Unit Operator: Provided, That, if a majority  
21 but less than 75 per cent of the working interests qualified to  
22 vote are owned by one party to this agreement, a concurring vote  
23 of one or more additional working interest owners shall be required  
24 to select a new operator. Such selection shall not become effective  
25 until

26 (a) a Unit Operator so selected shall accept in writing the  
27 duties and responsibilities of Unit Operator, and

28 (b) the selection shall have been approved by the Supervisor  
29 and the Commissioner.

30 If no successor Unit Operator is selected and qualified as

1 herein provided, the Director and Commissioner at their election  
2 may declare this unit agreement terminated.

3 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If  
4 the Unit Operator is not the sole owner of working interest, costs  
5 and expenses incurred by Unit Operator in conducting unit opera-  
6 tions hereunder shall be paid and apportioned among and borne by  
7 the owners of working interests, all in accordance with the agree-  
8 ment or agreements entered into by and between the Unit Operator  
9 and the owners of working interests, whether one or more, sepa-  
10 rately or collectively. Any agreement or agreements entered into  
11 between the working interest owners and the Unit Operator as pro-  
12 vided in this section, whether one or more, are herein referred to  
13 as the "unit operating agreement." Such unit operating agree-  
14 ment shall also provide the manner in which the working interest  
15 owners shall be entitled to receive their respective proportionate  
16 and allocated share of the benefits accruing hereto in conformity  
17 with their underlying operating agreements, leases or other  
18 independent contracts, and such other rights and obligations as  
19 between Unit Operator and the working interest owners as may be  
20 agreed upon by Unit Operator and the working interest owners; how-  
21 ever, no such unit operating agreement shall be deemed either to  
22 modify any of the terms and conditions of this unit agreement or  
23 to relieve the Unit Operator of any right or obligation established  
24 under this unit agreement, and in case of any inconsistency or  
25 conflict between this unit agreement and the unit operating agree-  
26 ment, this unit agreement shall govern. Three true copies of any  
27 unit operating agreement executed pursuant to this section should  
28 be filed with the Supervisor and two true copies with the Commis-  
29 sioner and one true copy with the Commission, prior to approval of  
30 this unit agreement.

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

16           9. DRILLING TO DISCOVERY. Within six (6) months after the  
17 effective date hereof, the Unit Operator shall begin to drill an  
18 adequate test well at a location approved by the Supervisor, if on  
19 Federal land, or by the Commissioner if on State Land, or by the Com-  
20 mission if on fee land, unless on such effective date a well is being  
21 drilled conformably with the terms hereof, and thereafter continue  
22 such drilling diligently until all formations of Pennsylvania age have  
23 been tested or until at a lesser depth unitized substances shall be  
24 discovered which can be produced in paying quantities (to wit: quanti-  
25 ties sufficient to repay the costs of drilling, completing, and  
26 producing operations, with a reasonable profit) or the Unit Operator  
27 shall at any time establish to the satisfaction of the Supervisor  
28 if located on Federal lands, or the Commissioner if located on  
29 State lands, or the Commission if located on fee lands, that further  
30 drilling of said well would be unwarranted or impracticable, provided

1 however, that Unit Operator shall not in any event be required  
2 to drill said well to a depth in excess of 15,600 feet. Until the  
3 discovery of a deposit of unitized substances capable of being  
4 produced in paying quantities, the Unit Operator shall continue  
5 drilling one well at a time, allowing not more than 6 months be-  
6 tween the completion of one well and the beginning of the next  
7 well, until a well capable of producing unitized substances in  
8 paying quantities is completed to the satisfaction of said Super-  
9 visor if on Federal land, or the Commissioner if on State land,  
10 or the Commission if on fee land, or until it is reasonably proved  
11 that the unitized land is incapable of producing unitized substances  
12 in paying quantities in the formations drilled hereunder. Nothing  
13 in this section shall be deemed to limit the right of the Unit  
14 Operator to resign as provided in Section 5 hereof, or as requiring  
15 Unit Operator to commence or continue any drilling during the period  
16 pending such resignation becoming effective in order to comply with  
17 the requirements of this section. The Supervisor and Commissioner  
18 may modify the drilling requirements of this section by granting  
19 reasonable extensions of time when, in their opinion, such action  
20 is warranted. Upon failure to commence any well provided for in  
21 this section within the time allowed, including any extension of  
22 time granted by the Supervisor and the Commissioner, this agreement  
23 will automatically terminate; upon failure to continue drilling  
24 diligently any well commenced hereunder, the Supervisor and Com-  
25 missioner may, after 15 days notice to the Unit Operator, declare  
26 this unit agreement terminated.

27 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6  
28 months after completion of a well capable of producing unitized  
29 substances in paying quantities, the Unit Operator shall submit  
30 for the approval of the Supervisor and the Commissioner an

1 acceptable plan of development and operation for the unitized  
2 land which, when approved by the Supervisor and the Commissioner,  
3 shall constitute the further drilling and operating obligations  
4 of the Unit Operator under this agreement for the period specified  
5 therein. Thereafter, from time to time before the expiration of  
6 any existing plan, the Unit Operator shall submit for the approval  
7 of the Supervisor and the Commissioner a plan for an additional  
8 specified period for the development and operation of the unitized  
9 land.

10 Any plan submitted pursuant to this section shall provide for  
11 the exploration of the unitized area and for the diligent drilling  
12 necessary for determination of the area or areas thereof capable  
13 of producing unitized substances in paying quantities in each and  
14 every productive formation and shall be as complete and adequate  
15 as the Supervisor, the Commissioner and Commission may determine  
16 to be necessary for timely development and proper conservation of  
17 the oil and gas resources of the unitized area and shall:

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

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

24 Separate plans may be submitted for separate productive zones,  
25 subject to the approval of the Supervisor, the Commissioner and  
26 the Commission.

27 Plans shall be modified or supplemented when necessary to  
28 meet changed conditions or to protect the interests of all parties  
29 to this agreement. Reasonable diligence shall be exercised in  
30 complying with the obligations of the approved plan of development.

1 The Supervisor and Commissioner are authorized to grant a reason-  
2 able extension of the 6-month period herein prescribed for sub-  
3 mission of an initial plan of development where such action is  
4 justified because of unusual conditions or circumstances. After  
5 completion hereunder of a well capable of producing any unitized  
6 substances in paying quantities, no further wells, except such as  
7 may be necessary to afford protection against operations not under  
8 this agreement and such as may be specifically approved by the  
9 Supervisor and the Commissioner, shall be drilled except in  
10 accordance with a plan of development approved as herein provided.

11 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a  
12 well capable of producing unitized substances in paying quantities  
13 or as soon thereafter as required by the Supervisor and Commissioner,  
14 the Unit Operator shall submit for approval by the Supervisor and  
15 Commissioner a schedule, based on subdivisions of the public land  
16 survey or aliquot parts thereof, of all land then regarded as  
17 reasonably proved to be productive in paying quantities; all lands  
18 in said schedule on approval of the Supervisor and Commissioner  
19 to constitute a participating area, effective as of the date of  
20 completion of such well or the effective date of this unit agree-  
21 ment, whichever is later. The acreages of both Federal and non-  
22 Federal lands shall be based upon appropriate computations from  
23 the courses and distances shown on the last approved public land  
24 survey as of the effective date of each initial participating area.  
25 Said schedule shall also set forth the percentage of unitized sub-  
26 stances to be allocated as herein provided to each tract in the  
27 participating area so established, and shall govern the allocation  
28 of production commencing with the effective date of the participating  
29 area. A separate participating area shall be established for each  
30 separate pool or deposit of unitized substances or for any group

1       thereof which is produced as a single pool or zone, and any  
2       two or more participating areas so established may be combined  
3       into one, on approval of the Supervisor and Commissioner. When  
4       production from two or more participating areas, so established,  
5       is subsequently found to be from a common pool or deposit said  
6       participating areas shall be combined into one effective as of  
7       such appropriate date as may be approved or prescribed by the  
8       Supervisor and Commissioner. The participating area or areas  
9       so established shall be revised from time to time, subject to  
10      like approval, to include additional land then regarded as  
11      reasonably proved to be productive in paying quantities or  
12      necessary for unit operations, or to exclude land then regarded  
13      as reasonably proved not to be productive in paying quantities  
14      and the schedule of allocation percentages shall be revised  
15      accordingly. The effective date of any revisions shall be the  
16      first day of the month in which is obtained the knowledge or  
17      information on which such revision is predicated, provided,  
18      however, that a more appropriate effective date may be used if  
19      justified by the Unit Operator and approved by the Supervisor  
20      and Commissioner. No land shall be excluded from a participating  
21      area on account of depletion of the unitized substances, except  
22      that any participating area established under the provisions of  
23      this unit agreement shall terminate automatically whenever all  
24      completions in the formation on which the participating area is  
25      based are abandoned.

26           It is the intent of this section that a participating area  
27      shall represent the area known or reasonably estimated to be pro-  
28      ductive in paying quantities, but, regardless of any revision  
29      of the participating area, nothing herein contained shall be con-  
30      strued as requiring any retroactive adjustment for production

1 obtained prior to the effective date of the revision of the  
2 participating area.

3 In the absence of agreement at any time between the Unit  
4 Operator and the Supervisor and Commissioner as to the proper  
5 definition or redefinition of a participating area, or until a  
6 participating area has, or areas have, been established as pro-  
7 vided herein, the portion of all payments affected thereby shall  
8 be impounded in a manner mutually acceptable to the owners of  
9 working interests and the Supervisor and Commissioner. Royalties  
10 due the United States and the State of New Mexico, which shall  
11 be determined by the Supervisor for Federal land and the Com-  
12 missioner for State land and the amount thereof shall be deposited,  
13 as directed by the Supervisor and Commissioner respectively, to  
14 be held as unearned money until a participating area is finally  
15 approved and then applied as earned or returned in accordance  
16 with a determination of the sum due as Federal and State royalty  
17 on the basis of such approved participating area.

18 Whenever it is determined, subject to the approval of the  
19 Supervisor as to wells drilled on Federal land and of the Com-  
20 missioner as to wells drilled on State land, that a well drilled  
21 under this agreement is not capable of production in paying quanti-  
22 ties and inclusion of the land on which it is situated in a parti-  
23 cipating area is unwarranted, production from such well shall, for  
24 the purposes of settlement among all parties other than working  
25 interest owners, be allocated to the land on which the well is  
26 located unless such land is already within the participating area  
27 established for the pool or deposit from which such production is  
28 obtained. Settlement for working interest benefits from such a  
29 well shall be made as provided in the unit operating agreement.

30 12. ALLOCATION OF PRODUCTION. All unitized substances



1 produced from each participating area established under this  
2 agreement, except any part thereof used in conformity with good  
3 operating practices within the unitized area for drilling,  
4 operating, camp and other production or development purposes,  
5 for repressuring or recycling in accordance with a plan of  
6 development approved by the Supervisor and Commissioner, or  
7 unavoidably lost, shall be deemed to be produced equally on an  
8 acreage basis from the several tracts of unitized land of the  
9 participating area established for such production and, for the  
10 purpose of determining any benefits accruing under this agreement,  
11 each such tract of unitized land shall have allocated to it such  
12 percentage of said production as the number of acres of such tract  
13 included in said participating area bears to the total acres of  
14 unitized land in said participating area, except that allocation  
15 of production hereunder for purposes other than for settlement  
16 of the royalty, overriding royalty, or payment out of production  
17 obligations of the respective working interest owners, shall be  
18 on the basis prescribed in the unit operating agreement whether  
19 in conformity with the basis of allocation herein set forth or  
20 otherwise. It is hereby agreed that production of unitized sub-  
21 stances from a participating area shall be allocated as provided  
22 herein regardless of whether any wells are drilled on any particular  
23 part or tract of said participating area. If any gas produced  
24 from one participating area is used for repressuring or recycling  
25 purposes in another participating area, the first gas withdrawn  
26 from such last mentioned participating area for sale during the  
27 life of this agreement shall be considered to be the gas so trans-  
28 ferred until an amount equal to that transferred shall be so pro-  
29 duced for sale and such gas shall be allocated to the participating  
30 area from which initially produced as such area was last defined

1 at the time of such final production.

2 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR  
3 FORMATIONS. Any party hereto owning or controlling the working  
4 interest in any unitized land having thereon a regular well loca-  
5 tion may with the approval of the Supervisor as to Federal land,  
6 the Commissioner as to State land and the Commission as to pri-  
7 vately owned land, at such party's sole risk, cost and expense,  
8 drill a well to test any formation for which a participating area  
9 has not been established or to test any formation for which a  
10 participating area has been established if such location is not  
11 within said participating area, unless within 90 days of receipt  
12 of notice from said party of his intention to drill the well the  
13 Unit Operator elects and commences to drill such a well in like  
14 manner as other wells are drilled by the Unit Operator under this  
15 agreement.

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

23 If any well drilled as aforesaid by a working interest owner  
24 obtains production in quantities insufficient to justify the in-  
25 clusion of the land upon which such well is situated in a partici-  
26 pating area, such well may be operated and produced by the party  
27 drilling the same subject to the conservation requirements of  
28 this agreement. The royalties in amount or value of production  
29 from any such well shall be paid as specified in the underlying  
30 lease and agreements affected.

1           14. ROYALTY SETTLEMENT. The United States and any State  
2 and any royalty owner who is entitled to take in kind a share  
3 of the substances now unitized hereunder shall hereafter be  
4 entitled to the right to take in kind its share of the unitized  
5 substances, and the Unit Operator, or the working interest owner  
6 in case of the operation of a well by a working interest owner as  
7 herein provided for in special cases, shall make deliveries of  
8 such royalty share taken in kind in conformity with the applicable  
9 contracts, laws and regulations. Settlement for royalty interest  
10 not taken in kind shall be made by working interest owners respon-  
11 sible therefor under existing contracts, laws and regulations, or  
12 by the Unit Operator, on or before the last day of each month for  
13 unitized substances produced during the preceding calendar month;  
14 provided, however, that nothing herein contained shall operate to  
15 relieve the lessees of any land from their respective lease obli-  
16 gations for the payment of any royalties due under their leases.

17           If gas obtained from lands not subject to this agreement is  
18 introduced into any participating area hereunder, for use in re-  
19 pressuring, stimulation of production, or increasing ultimate  
20 recovery, in conformity with a plan of operations approved by the  
21 Supervisor, the Commissioner, and Commission, a like amount of gas,  
22 after settlement as herein provided for any gas transferred from  
23 any other participating area and with appropriate deduction for  
24 loss from any cause, may be withdrawn from the formation in which  
25 the gas is introduced, royalty free as to dry gas, but not as to  
26 any products which may be extracted therefrom; provided that such  
27 withdrawal shall be at such time as may be provided in the approved  
28 plan of operations or as may otherwise be consented to by the  
29 Supervisor, the Commissioner and Commission as conforming to good  
30 petroleum engineering practice; and provided further, that such

1 right of withdrawal shall terminate on the termination of this  
2 unit agreement.

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

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

16 15. RENTAL SETTLEMENT. Rental or minimum royalties due on  
17 leases committed hereto shall be paid by working interest owners  
18 responsible therefor under existing contracts, laws and regula-  
19 tions, provided that nothing herein contained shall operate to  
20 relieve the lessees of any land from their respective lease obli-  
21 gations for the payment of any rental or minimum royalty due under  
22 their leases. Rental or minimum royalty for lands of the United  
23 States subject to this agreement shall be paid at the rate specified  
24 in the respective leases from the United States unless such rental  
25 or minimum royalty is waived, suspended or reduced by law or by  
26 approval of the Secretary or his duly authorized representative.

27 Rentals on State of New Mexico lands subject to this agree-  
28 ment shall be paid at the rates specified in the respective leases.

29 With respect to any lease on non-Federal land containing pro-  
30 visions which would terminate such lease unless drilling operations

1 are commenced upon the land covered thereby within the time  
2 therein specified or rentals are paid for the privilege of  
3 deferring such drilling operations, the rentals required thereby  
4 shall, notwithstanding any other provisions of this agreement,  
5 be deemed to accrue and become payable during the term thereof  
6 as extended by this agreement and until the required drilling  
7 operations are commenced upon the land covered thereby or until  
8 some portion of such land is included with a participating area.

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

13 17. DRAINAGE. The Unit Operator shall take such measures  
14 as the Supervisor and Commissioner deem appropriate and adequate  
15 to prevent drainage of unitized substances from unitized land by  
16 wells on land not subject to this agreement.

17 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,  
18 conditions and provisions of all leases, subleases and other con-  
19 tracts relating to exploration, drilling, development or operations  
20 for oil or gas on lands committed to this agreement are hereby  
21 expressly modified and amended to the extent necessary to make  
22 the same conform to the provisions hereof, but otherwise to remain  
23 in full force and effect; and the parties hereto hereby consent  
24 that the Secretary as to Federal leases and the Commissioner as  
25 to State leases shall and each by his approval hereof, or by the  
26 approval hereof by their duly authorized representatives, do hereby  
27 establish, alter, change or revoke the drilling, producing, rental,  
28 minimum royalty and royalty requirements of Federal and State  
29 leases committed hereto and the regulations in respect thereto  
30 to conform said requirements to the provisions of this agreement,

1 and, without limiting the generality of the foregoing, all leases,  
2 subleases, and contracts are particularly modified in accordance  
3 with the following:

4 (a) The development and operation of lands subject to this  
5 agreement under the terms hereof shall be deemed full per-  
6 formance of all obligations for development and operation  
7 with respect to each and every separately owned tract subject  
8 to this agreement, regardless of whether there is any develop-  
9 ment of any particular tract of the unit area.

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

16 (c) Suspension of drilling or producing operations on all  
17 unitized lands pursuant to direction or consent of the  
18 Secretary and Commissioner or their duly authorized repre-  
19 sentatives shall be deemed to constitute such suspension  
20 pursuant to such direction or consent as to each and every  
21 tract of unitized land. A suspension of drilling or producing  
22 operations limited to specified lands shall be applicable  
23 only to such lands.

24 (d) Each lease, sublease or contract relating to the ex-  
25 ploration, drilling, development or operation for oil or  
26 gas of lands other than those of the United States or State  
27 of New Mexico committed to this agreement, which by its  
28 terms might expire prior to the termination of this agree-  
29 ment, is hereby extended beyond any such term so provided  
30 therein so that it shall be continued in full force and

1 effect for and during the term of this agreement.

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

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

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

1 committed hereto until the termination hereof, subject to  
2 the provisions of subsection (e) of Section 2 and sub-  
3 section (i) of this Section 18.

4 (h) The segregation of any Federal lease committed to  
5 this agreement is governed by the following provisions in  
6 the fourth paragraph of Sec. 17(j) of the Mineral Leasing  
7 Act, as amended by the Act of September 2, 1960 (74 Stat.  
8 781-784): "Any (Federal) lease heretofore or hereafter  
9 committed to any such (unit) plan embracing lands that  
10 are in part within and in part outside of the area covered  
11 by any such plan shall be segregated into separate leases  
12 as to the lands committed and the lands not committed as  
13 of the effective date of unitization: Provided, however,  
14 That any such lease as to the nonunitized portion shall  
15 continue in force and effect for the term thereof but for  
16 not less than two years from the date of such segregation  
17 and so long thereafter as oil or gas is produced in paying  
18 quantities."

19 (i) Any lease embracing lands of the State of New Mexico  
20 having only a portion of its lands committed hereto, shall  
21 be segregated as to the portion committed and the portion  
22 not committed, and the provisions of such lease shall apply  
23 separately to such segregated portions commencing as of the  
24 effective date hereof; provided, however, notwithstanding  
25 any of the provisions of this agreement to the contrary, any  
26 lease embracing lands of the State of New Mexico having only  
27 a portion of its lands committed hereto shall continue in  
28 full force and effect beyond the term provided therein as  
29 to all lands embraced in such lease, if oil or gas is dis-  
30 covered and is capable of being produced in paying quantities



1 from some part of the lands embraced in such lease at  
2 the expiration of the secondary term of such lease; or  
3 if, at the expiration of the secondary term, the lessee  
4 or Unit Operator is then engaged in bona fide drilling  
5 or reworking operations on some part of the lands embraced  
6 in such lease, the same, as to all lands embraced therein  
7 shall remain in full force and effect so long as such opera-  
8 tions are being diligently prosecuted, and if they result  
9 in the production of oil or gas, said lease shall continue  
0 in full force and effect as to all of the lands embraced  
1 therein, so long thereafter as oil or gas in paying quantities  
2 is being produced from any portion of said lands.

3 (j) Any lease, other than a Federal lease, having only a  
4 portion of its lands committed hereto shall be segregated  
5 as to the portion committed and the portion not committed,  
6 and the provisions of such lease shall apply separately to  
7 such segregated portions commencing as of the effective date  
8 hereof. In the event any such lease provides for a lump sum  
9 rental payment, such payment shall be prorated between the  
0 portions so segregated in proportion to the acreage of the  
1 respective tracts.

22 19. COVENANTS RUN WITH LAND. The covenants herein shall be  
23 construed to be covenants running with the land with respect to  
24 the interest of the parties hereto and their successors in interest  
25 until this agreement terminates, and any grant, transfer, or con-  
26 veyance of interest in land or leases subject hereto shall be and  
27 hereby is conditioned upon the assumption of all privileges and  
28 obligations hereunder by the grantee, transferee or other successor  
29 in interest. No assignment or transfer of any working interest,  
30 royalty, or other interest subject hereto shall be binding upon

1 Unit Operator until the first day of the calendar month after  
2 Unit Operator is furnished with the original, photostatic, or  
3 certified copy of the instrument of transfer.

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

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

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

19 (c) a valuable discovery of unitized substances has been  
20 made or accepted on unitized land during said initial term  
21 or any extension thereof, in which event the agreement shall  
22 remain in effect for such term and so long as unitized sub-  
23 stances can be produced in quantities sufficient to pay for  
24 the cost of producing same from wells on unitized land within  
25 any participating area established hereunder and, should  
26 production cease, so long thereafter as diligent operations  
27 are in progress for the restoration of production or discovery  
28 of new production and so long thereafter as unitized sub-  
29 stances so discovered can be produced as aforesaid, or

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

1 This agreement may be terminated at any time by not less than  
2 75 per centum, on an acreage basis, of the working interest owners  
3 signatory hereto, with the approval of the Supervisor and Commis-  
4 sioner; notice of any such approval to be given by the Unit  
5 Operator to all parties hereto.

6 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The  
7 Director is hereby vested with authority to alter or modify from  
8 time to time in his discretion the quantity and rate of production  
9 under this agreement when such quantity and rate is not fixed  
10 pursuant to Federal or State law or does not conform to any state-  
11 wide voluntary conservation or allocation program, which is estab-  
12 lished, recognized and generally adhered to by the majority of  
13 operators in such State, such authority being hereby limited to  
14 alteration or modification in the public interest, the purpose  
15 thereof and the public interest to be served thereby to be stated  
16 in the order of alteration or modification. Without regard to  
17 the foregoing, the Director is also hereby vested with authority  
18 to alter or modify from time to time in his discretion the rate  
19 of prospecting and development and the quantity and rate of pro-  
20 duction under this agreement when such alteration or modification  
21 is in the interest of attaining the conservation objectives stated  
22 in this agreement and is not in violation of any applicable Federal  
23 or State law; provided, further, that no such alteration or modi-  
24 fication shall be effective as to any land of the State of New  
25 Mexico, as to the rate of prospecting and developing in the absence  
26 of the specific written approval thereof by the Commissioner and  
27 as to any lands of the State of New Mexico or privately owned lands  
28 subject to this agreement as to the quantity and rate of production  
29 in the absence of specific written approval thereof by the  
30 Commission.

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

4 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor  
5 the working interest owners nor any of them shall be subject to  
6 any forfeiture, termination or expiration of any rights hereunder  
7 or under any leases or contracts subject hereto, or to any penalty  
8 or liability on account of delay or failure in whole or in part  
9 to comply with any applicable provision thereof to the extent that  
10 the Unit Operator, working interest owners or any of them are hin-  
11 dered, delayed or prevented from complying therewith by reason of  
12 failure of the Unit Operator to obtain in the exercise of due  
13 diligence, the concurrence of proper representatives of the United  
14 States and proper representatives of the State of New Mexico in  
15 and about any matters or things concerning which it is required  
16 herein that such concurrence be obtained. The parties hereto,  
17 including the Commission, agree that all powers and authority  
18 vested in the Commission in and by any provisions of this agree-  
19 ment are vested in the Commission and shall be exercised by it  
20 pursuant to the provisions of the laws of the State of New Mexico  
21 and subject in any case to appeal or judicial review as may now  
22 or hereafter be provided by the laws of the State of New Mexico.

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

1 the Department of the Interior, the Commissioner, or Commission,  
2 or any other legally constituted authority; provided, however,  
3 that any other interested party shall also have the right at his  
4 own expense to be heard in any such proceeding.

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

14 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement  
15 contained shall be construed as a waiver by any party hereto of  
16 the right to assert any legal or constitutional right or defense  
17 as to the validity or invalidity of any law of the State wherein  
18 said unitized lands are located, or of the United States, or regu-  
19 lations issued thereunder in any way affecting such party, or as  
20 a waiver by any such party of any right beyond his or its authority  
21 to waive.

22 26. UNAVOIDABLE DELAY. All obligations under this agreement  
23 requiring the Unit Operator to commence or continue drilling or to  
24 operate on or produce unitized substances from any of the lands  
25 covered by this agreement shall be suspended while the Unit Opera-  
26 tor, despite the exercise of due care and diligence, is prevented  
27 from complying with such obligations, in whole or in part, by  
28 strikes, acts of God, Federal, State or municipal law or agencies,  
29 unavoidable accidents, uncontrollable delays in transportation,  
30 inability to obtain necessary materials in open market, or other

1 matters beyond the reasonable control of the Unit Operator  
2 whether similar to matters herein enumerated or not. No unit  
3 obligation which is suspended under this section shall become  
4 due less than thirty (30) days after it has been determined  
5 that the suspension is no longer applicable. Determination of  
6 creditable "Unavoidable Delay" time shall be made by the Unit  
7 Operator subject to approval of the Supervisor and Commissioner.

8 27. NONDISCRIMINATION. In connection with the performance  
9 of work under this agreement, the operator agrees to comply with  
10 all of the provisions of section 202 (1) to (7) inclusive of  
11 Executive Order 11246 (30 F.R. 12319)<sup>as amended,</sup> which are hereby incor-  
12 porated by reference in this agreement.

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

30 Unit Operator as such is relieved from any responsibility for

1 any defect or failure of any title hereunder.

2 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of  
3 any substantial interest in a tract within the unit area fails  
4 or refuses to subscribe or consent to this agreement, the owner  
5 of the working interest in such tract may withdraw said tract  
6 from this agreement by written notice delivered to the Supervisor  
7 and the Commissioner and the Unit Operator prior to the approval  
8 of this agreement by the Supervisor and Commissioner. Any oil  
9 or gas interests in lands within the unit area not committed hereto  
10 prior to submission of this agreement for final approval may there-  
11 after be committed hereto by the owner or owners thereof sub-  
12 scribing or consenting to this agreement, and, if the interest  
13 is a working interest, by the owner of such interest also sub-  
14 scribing to the unit operating agreement. After operations are  
15 commenced hereunder, the right of subsequent joinder, as provided  
16 in this section, by a working interest owner is subject to such  
17 requirements or approvals, if any, pertaining to such joinder,  
18 as may be provided for in the unit operating agreement. After  
19 final approval hereof, joinder by a non-working interest owner  
20 must be consented to in writing by the working interest owner  
21 committed hereto and responsible for the payment of any benefits  
22 that may accrue hereunder in behalf of such non-working interest.  
23 A non-working interest may not be committed to this unit agree-  
24 ment unless the corresponding working interest is committed hereto.  
25 Joinder to the unit agreement by a working interest owner, at any  
26 time, must be accompanied by appropriate joinder to the Unit Operat-  
27 ing agreement, if more than one committed working interest owner  
28 is involved, in order for the interest to be regarded as committed  
29 to this unit agreement. Except as may otherwise herein be provided,  
30 subsequent joinders to this agreement shall be effective as of the

1 first day of the month following the filing with the Supervisor  
2 and the Commissioner of duly executed counterparts of all or any  
3 papers necessary to establish effective commitment of any tract  
4 to this agreement unless objection to such joinder is duly made  
5 within 60 days by the Supervisor, provided, however, that as to  
6 State lands all subsequent joinders must be approved by the  
7 Commissioner.

8 30. COUNTERPARTS. This agreement may be executed in any  
9 number of counterparts no one of which needs to be executed by  
10 all parties or may be ratified or consented to by separate instru-  
11 ment in writing specifically referring hereto and shall be binding  
12 upon all those parties who have executed such a counterpart, rati-  
13 fication, or consent in like manner with the same force and effect as if  
14 all such parties had signed the same document and regardless of  
15 whether or not it is executed by all other parties owning or  
16 claiming an interest in the lands within the above described unit  
17 area.

18  
19 31. BUREAU OF LAND MANAGEMENT SPECIAL STIPULATIONS. Nothing in this agree-  
20 ment shall modify or change any special federal stipulation relating to surface  
21 management, surface disturbances, or cultural resources attached to and made a part  
22 of any oil and gas lease covering lands within the unit area.

23  
24 IN WITNESS WHEREOF, the parties hereto have caused this agree-  
25 ment to be executed and have set opposite their respective names the  
26 date of execution.

UNIT OPERATOR AND WORKING INTEREST OWNER

DATE: September 22, 1977

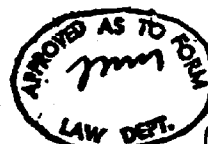
Address: P. O. Box 1150

Midland, Texas 79702

ATTEST:   
Assistant Secretary

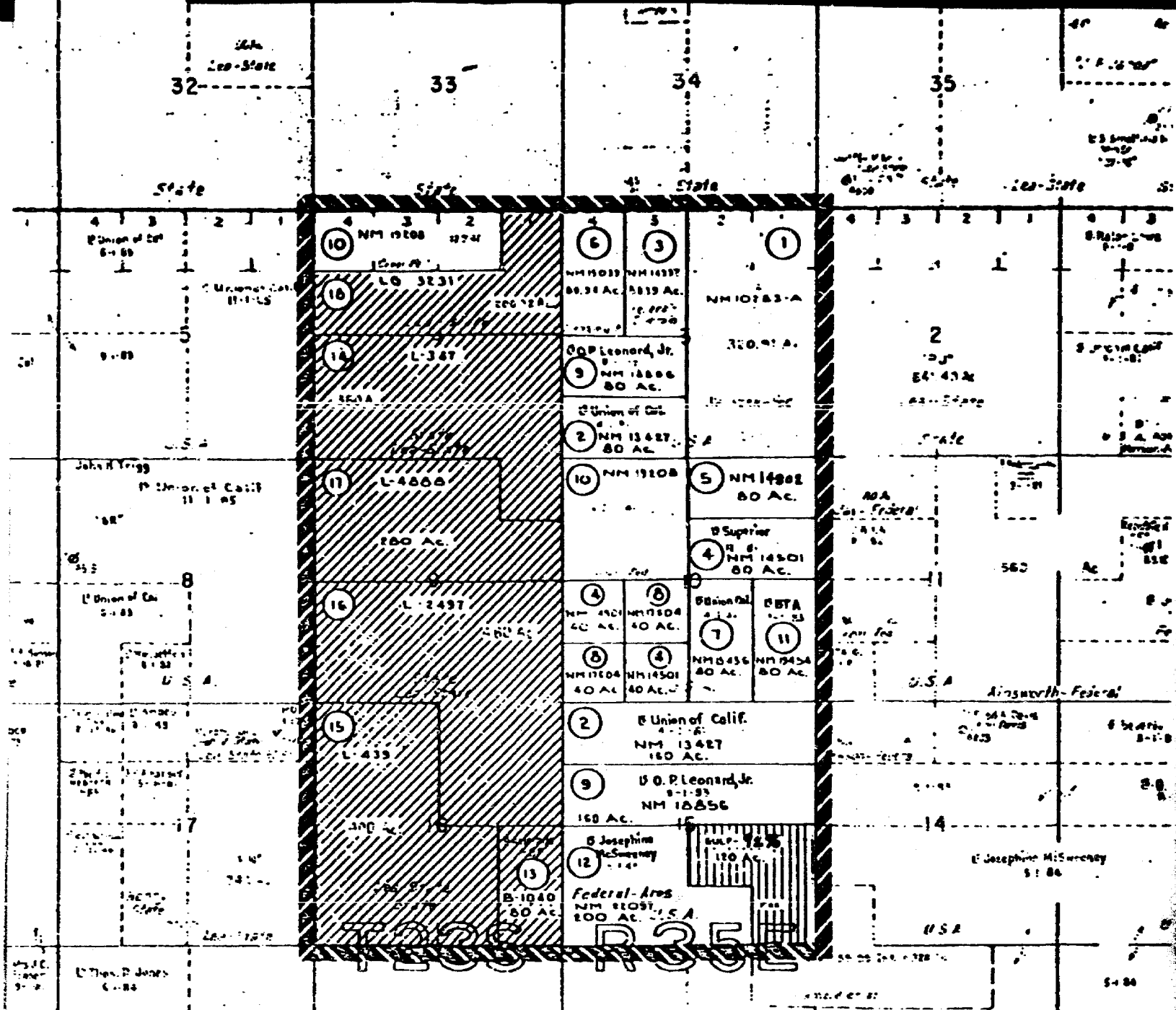
GULF OIL CORPORATION

By   
Attorney-in-Fact



CB  
OFF





**Exhibit A**  
**SAND WELL UNIT**  
 LEA COUNTY, NEW MEXICO

**Tract Numbers**

1. NM 10283-A
2. NM 13427
3. NM 14337
4. NM 14501
5. NM 14802
6. NM 15039
7. NM 15456
8. NM 17604
9. NM 18856
10. NM 19208
11. NM 19454
12. NM 22097
13. B-1040
14. L-347
15. L-439
16. L-2497
17. L-4888
18. LG-3231
19. Gulf





-  Unit Area Outline
-  Federal Lands, 1922.60 Ac.  
50.0297% Unit Area
-  State Lands, 1800.32 Ac.  
46.8477% Unit Area
-  Fee (Patent) Lands, 120 Ac.  
3.1226% Unit Area

EXHIBIT "A"  
SAND WELL UNIT

Page 2

UNIT AREA DESCRIPTION

T-23-S, R-35-E, N.M.P.N.

Section 3: All  
Section 4: All  
Section 9: All  
Section 10: All  
Section 15: All  
Section 16: All

Containing 3842.92 acres, more or less, Lea County, New Mexico.

EXHIBIT "B"  
SCHEDULE OF LANDS AND LEASES  
SAND WELL UNIT  
LEA COUNTY, NEW MEXICO

Tract No.	Description	Acres	Serial No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
1	T-23-S, R-35-E Sec 3: Lots 1, 2, S/2 NE/4, SE/4	320.91	NM-10283-A 9-1-79	12.5% U.S.A.	Gulf Oil Corporation 100%	Stan F. Waliszek et ux, Jane M. Waliszek 5%	Gulf Oil Corp. 100%
2	T-23-S, R-35-E Sec 3: S/2 SW/4 Sec 15: N/2 NE/4 N/2 NW/4	240.00	NM-13427 4-1-81	12.5% U.S.A.	Union Oil Co. of California 100%	William B. Kidd- 5%	Union Oil Co. of California 100%
3	T-23-S, R-35-E Sec 3: Lot 3, SE/4 NW/4	80.39	NM-14337 9-1-81	12.5% U.S.A.	Mrs. Jack C. Fraser 100%	None	Mrs. Jack C. Fraser 100%
4	T-23-S, R-35-E Sec 10: S/2 NE/4, NW/4 SW/4, SE/4 SW/4	160.00	NM-14501 12-1-81	12.5% U.S.A.	Superior Oil Company 100%	W. M. Smith 5%	Superior Oil Co. 100%
5	T-23-S, R-35-E Sec 10: N/2 NE/4	90.00	NM-14802 2-1-82	12.5% U.S.A.	BTA Oil Producers 100%	D. L. Simasko 20% of 4% John M. Hawes 80% of 4%	BTA Oil Producers 100%
6	T-23-S, R-35-E Sec 3: Lot 4, SW/4 NW/4	80.34	NM-15039 3-1-82	12.5% U.S.A.	Gulf Oil Corporation 100%	Dorothy Langley 5%	Gulf Oil Corp. 100%
7	T-23-S, R-35-E Sec 10: W/2 SE/4	80.00	NM-15456 4-1-82	12.5% U.S.A.	Union Oil Co. of California 100%	J.C. Head 5%	Union Oil Co. of Calif. 100%

8	<u>T-23-S, R-35-E</u> Sec 10: <u>NE/4 SW/4</u> SW/4	80.00	NM-17604 3-1-83	12.5% U.S.A.	Gulf Oil Corporation 100%	Cleo C. Ainsworth 5%	Gulf Oil Corp. 100%
9	<u>T-23S, R-35-E</u> Sec 3: <u>N/2 SW/4</u> Sec 15: <u>S/2 NE/4, S/2 NW/4</u>	240.00	NM-18856 8-1-83	12.5% U.S.A.	Aztec Oil & Gas Co. 100%	Obie P. Leonard 6.25%	Aztec Oil Co. 100%
10	<u>T-23-S, R-35-E</u> Sec 4: <u>Lots 2, 3, 4.</u> Sec 10: <u>NW/4</u>	280.96	NM-19208 10-1-83	12.5% U.S.A.	Gulf Oil Corporation 100%	Beulah E. Grear- 4% J. Paul Reynolds- 1%	Gulf Oil Corp. 100%
11	<u>T-23S, R-35-E</u> Sec 10: <u>E/2 SE/4</u>	80.00	NM-19454 11-1-83	12.5% U.S.A.	BTA Oil Producers 100%	Marshall R. Perkins 5%	BTA Producers 100%
12	<u>T-23-S, R-35-E</u> Sec 15: <u>SW/4 SE/4</u> SW/4	200.00	NM-22097 9-1-84	12.5% U.S.A.	Exxon Corporation 100%	Josephine McSweeney Henry R. Keller T. E. Tomlinson 5% Undivided	Exxon Corporation 100%
TOTAL: 1922.60 Acres Federal Lands, 50.0297% of the Unit Area.							
13	<u>T-23-S, R-35-E</u> Sec 16: <u>E/2 SE/4</u>	80.00	B-1040 -1 HBP	12.5% State of N.M.	Amerada Hess Corporation 100%	None	50.00%--Amerada Hess Corp. 31.14%--Bass Enterprises Prod. Co. 12.57%--Sun Oil Company 6.29%--Amoco Prod. Co.
14	<u>T-23-S, R-35-E</u> Sec 4: <u>S/2</u> Sec 9: <u>NE/4 NE/4</u>	360.00	L-347 10-17-77	12.5% State of N.M.	Gulf Oil Corporation 100%	None	Gulf Oil Corp. 100%
15	<u>T-23-S, R-35-E</u> Sec 16: <u>W/2, W/2 SE/4</u>	400.00	L-439 11-21-77	12.5% State of N.M.	Gulf Oil Corporation 100%	None	Gulf Oil Corp. 100%
16	<u>T-23-S, R-35-E</u> Sec 9: <u>S/2</u> Sec 16: <u>NE/4</u>	480.00	L-2497 2-18-79	12.5% State of N.M.	Gulf Oil Corporation 100%	None	Gulf Oil Corp. 100%

TOTAL: 1800.32 Acres State Lands/46.8477% of the Unit Area.

**TOTAL FEE LANDS: 120.00 Acres, 3.1226% of Unit Area**

20% Royalty  
1st Natl Bank & Jessie Belvins  
Crump Estate - 1/8  
Fort Worth Natl Bank & J. C. Crump  
Estate - 1/8

RECAPITULATION

FEDERAL LANDS	1922.60 Acres	50.0297% of Unit Area
STATE LANDS	1800.32 Acres	46.8477% of Unit Area
FEE LANDS	<u>120.00 Acres</u>	<u>3.1226% of Unit Area</u>
TOTAL	3842.92 Acres	100.0000%

SUMMARY OF TOTAL ACREAGE COMMITTED AND UNCOMMITTED

A. Federal Acreage                      1922.60 acres - 50.0297% of Unit Area

<u>Lessee of Record</u>	<u>Working Interest Owners</u>	<u>Overriding Royalty Owner</u>	
Committed - All	All	13	86.67%
Uncommitted - None	None	2	13.33%

B. State Acreage                      1800.32 acres - 46.8477% of Unit Area

<u>Lessee of Record</u>	<u>Working Interest Owners</u>	<u>Overriding Royalty Owner</u>
Committed - 2 of 3	4 of 6	None
Uncommitted - 1	2*	"

\*These two parties are being carried by other Working Interest Owners.

C. Fee Acreage                      120 acres - 3.1226% of Unit Area

<u>Lessee of Record</u>	<u>Working Interest Owners</u>	<u>Royalty Interest Owner</u>
Committed - 92%	92%	17.14%
Uncommitted - 8% Open	8% Open	82.86%

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION

EXHIBIT NO. 3  
CASE NO. 6082  
BY Gulf Oil Corp

EXHIBIT NO. 3  
SAND WELL UNIT  
Lea County, New Mexico

Gulf Oil Corporation - Southwest Div.  
Midland, Texas

November 16, 1977  
CASE NO. 6082

SAND WELL UNIT, comprising  
 All of Sections 3, 4, 9, 10, 15 and 16,  
T-23-S, R-35-E, N.M.P.M., LEA COUNTY, New Mexico

1. Size of Unit	
a. Federal Acreage	1922.60 acres
b. State Acreage	1800.32 acres
c. Fee Acreage	120.00 acres
TOTAL	
	3842.92 acres

FIELD EXAMINER STAMPS	
OF CONSERVATION COMMISSION	
CASE NO. <u>6082</u>	DATE <u>1</u>
Submitted by <u>Gulf Oil Corp.</u>	
Hearing Date _____	

EXHIBIT No. 1  
 SAND WELL UNIT  
 Lea County, New Mexico

Gulf Oil Corporation - Southwest Division  
 Midland, Texas

November 16, 1977  
 CASE NO. 6082



2. Ratification of Unit Agreement

1.	2.	3.	4.	5.	6.	7.	8.
Tract No.	Description	% of Unit Area Acres	Serial No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
1	T-23-S, R-35-E Sec 3: Lots 1, 2, S/2 NE/4, SE/4	8.3507% 320.91	NM-10283-A 9-1-79	12.5% U.S.A.	Gulf Oil Corporation 100% Committed	Stan F. Waliszek et ux, Jane M. Waliszek 5% Committed	Gulf Oil Corp. 100% Committed
2	T-23-S, R-35-E Sec 3: S/2 SW/4 Sec 15: N/2 NE/4 N/2 NW/4	6.2453% 240.00	NM-13427 4-1-81	12.5% U.S.A.	Union Oil Co. of California 100% Committed	William B. Kidd - 5% Committed	Union Oil Co. of California 100% Committed
3	T-23-S, R-35-E Sec 3: Lot 3, SE/4 NW/4	2.0919% 80.39	NM-14337 9-1-81	12.5% U.S.A.	Mrs. Jack C. Fraser 100% Committed	None	Mrs. Jack C. Fraser 100% Committed
4	T-23-S, R-35-E Sec 10: S/2 NE/4, NW/4 SW/4, SE/4 SW/4	4.1635% 160.00	NM-14501 12-1-81	12.5% U.S.A.	Superior Oil Company 100% Committed	W. M. Smith 5% Committed	Superior Oil Co. 100% Committed
5	T-23-S, R-35-E Sec 10: N/2 NE/4	2.0818% 80.00	NM-14802 2-1-82	12.5% U.S.A.	BTA Oil Producers 100% Committed	D. L. Simasko 20% of 4% Committed John M. Hawes 80% of 4% Committed	BTA Oil Producers 100% Committed
6	T-23-S, R-35-E Sec 3: Lot 4, SW/4 NW/4	2.0906% 80.34	NM-15039 3-1-82	12.5% U.S.A.	Gulf Oil Corporation 100% Committed	Dorothy Langley 5% Committed	Gulf Oil Corp. 100% Committed
7	T-23-S, R-35-E Sec 10: W/2 SE/4	2.0818% 80.00	NM-15456 4-1-82	12.5% U.S.A.	Union Oil Co. of California 100% Committed	J.C. Head 5% Committed	Union Oil Co. of Calif 100% Committed

1.	2.	3.	4.	5.	6.	7.	8.
8	T-23-S, R-35-E Sec 10: NE/4 SW/4, SW/4	2.0818% 80.00	NM-17604 3-1-83	12.5% U.S.A.	Gulf Oil Corporation 100% Committed	Cleu C. Almsworth 5% Uncommitted	Gulf Oil Corp. 100% Committed
9	T-23S, R-35-E Sec 3: N/2 SW/4 Sec 15: S/2 NE/4, S/2 NW/4	6.2453% 240.00	NM-18856 8-1-83	12.5% U.S.A.	Aztec Oil & Gas Co. 100% Committed	Obie P. Leonard 6.25% Committed	Aztec Oil & Gas Co. 100% Committed
10	T-23-S, R-35-E Sec 4: Lots 2, 3, 4. Sec 10: NW/4	7.3111% 280.96	NM-19208 10-1-83	12.5% U.S.A.	Gulf Oil Corporation 100% Committed	Beulah E. Gear- 4% J. Paul Reynolds- 4% Both Committed	Gulf Oil Corp. 100% Committed
11	T-23S, R-35-E Sec 10: E/2 SE/4	2.0818% 80.00	NM-19454 11-1-83	12.5% U.S.A.	BTA Oil Producers 100% Committed	Marshall R. Perkins 5% Committed	BTA Producers 100% Committed
12	T-23-S, R-35-E Sec 15: SW/4 SE/4, SW/4	5.2044% 200.00	NM-22097 9-1-84	12.5% U.S.A.	Exxon Corporation 100% Committed	Josephine McSweeney* Henry R. Keller* T. E. Tomlinson 5% Undivided**	Exxon Corporation 100% Committed
TOTAL: 1922.60 Acres Federal Lands, 50.0297% of the Unit Area.							
13	T-23-S, R-35-E Sec 16: E/2 SE/4	2.0818% 80.00	B-1040 -1 HBP	12.5% State of N.M.	Amerada Hess Corporation 100% Uncommitted	None	50.00%--Amerada Hess Corp** 31.14%--Bass Enterprises Prod. Co.* 12.57%--Sun Oil Company* 6.29%--Amoco Prod. Co.*
14	T-23-S, R-35-E Sec 4: S/2 Sec 9: NE/4 NE/4	9.3679% 360.00	L-347 10-17-77	12.5% State of N.M.	Gulf Oil Corporation 100% Committed	None	Gulf Oil Corp. 100% Committed
15	T-23-S, R-35-E Sec 16: W/2, W/2 SE/4	10.40860% 400.00	L-439 11-21-77	12.5% State of N.M.	Gulf Oil Corporation 100% Committed	None	Gulf Oil Corp. 100% Committed
16	T-23-S, R-35-E Sec 9: S/2 Sec 16: NE/4	12.4905% 480.00	L-2497 2-18-79	12.5% State of N.M.	Gulf Oil Corporation 100% Committed	None	Gulf Oil Corp. 100% Committed

\*Committed  
\*\*Uncommitted

**\*See information continued**  
**#Open (not leased by Gulf)**

20% Royalty  
1st Natl Bank & Jessie Belvins uncommitted  
Crump Estate - 1/8 uncommitted  
Fort Worth Natl Bank & J. C. Crump uncommitted  
Estate - 1/8

BEFORE EXAMINER STARTS  
OIL CONSERVATION COLLECTION

EXHIBIT NO. 2

CASE NO. 6082

Submitted by Gulf Oil Corp

Hearing Date \_\_\_\_\_

SECTION

UNIT AGREEMENT

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EXHIBIT NO. 2  
SAND WELL UNIT  
Lea County, New Mexico

Gulf Oil Corporation  
Southwest Division  
Midland, Texas  
November 16, 1977  
CASE NO. 6082

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1 UNIT AGREEMENT  
2 FOR THE DEVELOPMENT AND OPERATION

3 SANDWELL

4 UNIT AREA

5 COUNTY OF LEA

6 STATE OF NEW MEXICO

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

8 THIS AGREEMENT entered into as of the 22nd day of September,  
9 1977, by and between the parties subscribing, ratifying or con-  
10 senting hereto, and herein referred to as the "parties hereto".

11 WITNESSETH:

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

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

25 WHEREAS, the Commissioner of Public Lands of the State of New  
26 Mexico is authorized by an Act of the Legislature (Sec. 7-11-39  
27 N.M. Statutes 1953 Annotated) to consent to or approve this agree-  
28 ment on behalf of the State of New Mexico, insofar as it covers  
29 and includes lands and mineral interests of the State of New  
30 Mexico; and

1 WHEREAS, the Oil Conservation Commission of the State of  
2 New Mexico is authorized by an Act of the Legislature (Article 3,  
3 Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this agree-  
4 ment and the conservation provisions hereof; and

5 WHEREAS, the parties hereto hold sufficient interests in the  
6 SANDWELL Unit Area covering the land  
7 hereinafter described to give reasonably effective control of opera-  
8 tions therein; and

9 WHEREAS, it is the purpose of the parties hereto to conserve  
10 natural resources, prevent waste, and secure other benefits obtain-  
11 able through development and operation of the area subject to this  
12 agreement under the terms, conditions and limitations herein set  
13 forth;

14 NOW THEREFORE, in consideration of the premises and the pro-  
15 mises herein contained, the parties hereto commit to this agreement  
16 their respective interests in the below-defined unit area, and  
17 agree severally among themselves as follows:

18 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act  
19 of February 25, 1920, as amended, supra, and all valid pertinent  
20 regulations, including operating and unit plan regulations, hereto-  
21 fore issued thereunder or valid, pertinent and reasonable regula-  
22 tions hereafter issued thereunder are accepted and made a part of  
23 this agreement as to Federal lands, provided such regulations are  
24 not inconsistent with the terms of this agreement; and as to non-  
25 Federal lands, the oil and gas operating regulations in effect as  
26 of the effective date hereof governing drilling and producing  
27 operations, not inconsistent with the terms hereof or the laws  
28 of the State of which the non-Federal land is located, are hereby  
29 accepted and made a part of this agreement.

30 2. UNIT AREA. The area specified on the map attached hereto

1 marked Exhibit "A" is hereby designated and recognized as  
2 constituting the unit area, containing 3842.92 acres, more or  
3 less.

4 Exhibit "A" shows, in addition to the boundary of the unit  
5 area, the boundaries and identity of tracts and leases in said  
6 area to the extent known to the Unit Operator. Exhibit "B"  
7 attached hereto is a schedule showing to the extent known to  
8 the Unit Operator the acreage, percentage, and kind of ownership  
9 of oil and gas interests in all land in the unit area. However,  
10 nothing herein or in said schedule or map shall be construed as  
11 a representation by any party hereto as to the ownership of any  
12 interest other than such interest or interests as are shown in  
13 said map or schedule as owned by such party. Exhibits "A" and  
14 "B" shall be revised by the Unit Operator whenever changes in  
15 the unit area render such revision necessary, or when requested  
16 by the Oil and Gas Supervisor, hereinafter referred to as "Super-  
17 visor," or when requested by the Commissioner of Public Lands of  
18 the State of New Mexico, hereinafter referred to as "Commissioner,"  
19 and not less than five copies of the revised exhibits shall be  
20 filed with the Supervisor, and two copies thereof shall be filed  
21 with the Commissioner, and one copy with the New Mexico Oil Con-  
22 servation Commission, hereinafter referred to as "Commission."

23 The above-described unit area shall when practicable be  
24 expanded to include therein any additional lands or shall be  
25 contracted to exclude lands whenever such expansion or contraction  
26 is deemed to be necessary or advisable to conform with the purposes  
27 of this agreement. Such expansion or contraction shall be effected  
28 in the following manner:

29 (a) Unit Operator, on its own motion or on demand of the  
30 Director of the Geological Survey, hereinafter referred to as

1 "Director," or on demand of the Commissioner, after preliminary  
2 concurrence by the Director and the Commissioner, shall prepare  
3 a notice of proposed expansion or contraction describing the  
4 contemplated changes in the boundaries of the unit area, the  
5 reasons therefor, and the proposed effective date thereof, pre-  
6 ferably the first day of a month subsequent to the date of notice.

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

12 (c) Upon expiration of the 30-day period provided in the  
13 preceding item (b) hereof, Unit Operator shall file with the  
14 Supervisor, the Commissioner and the Commission evidence of mailing  
15 of the notice of expansion or contraction and a copy of any objec-  
16 tions thereto which have been filed with the Unit Operator, together  
17 with an application in sufficient number, for approval of such  
18 expansion or contraction and with appropriate joinders.

19 (d) After due consideration of all pertinent information,  
20 the expansion or contraction shall, upon approval by the Super-  
21 visor, the Commissioner and the Commission, become effective as  
22 of the date prescribed in the notice thereof.

23 (e) All legal subdivisions of lands (i.e., 40 acres by Govern-  
24 ment survey or its nearest lot or tract equivalent; in instances  
25 of irregular surveys unusually large lots or tracts shall be con-  
26 sidered in multiples of 40 acres or the nearest aliquot equivalent  
27 thereof), no parts of which are entitled to be in a participating  
28 area on or before the fifth anniversary of the effective date of  
29 the first initial participating area established under this unit  
30 agreement, shall be eliminated automatically from this agreement.



1 effective as of said fifth anniversary, and such lands shall no  
2 longer be a part of the unit area and shall no longer be  
3 subject to this agreement, unless diligent drilling operations  
4 are in progress on unitized lands not entitled to participation  
5 on said fifth anniversary, in which event all such lands  
6 shall remain subject hereto so long as such drilling operations  
7 are continued diligently with not more than 90 days' time  
8 elapsing between the completion of one well and the commence-  
9 ment of the next well. All legal subdivisions of lands not  
10 entitled to be in a participating area within 10 years after  
11 the effective date of the first initial participating area  
12 approved under this agreement shall be automatically elimi-  
13 nated from this agreement as of said tenth anniversary. All  
14 lands proved productive by diligent drilling operations after  
15 the aforesaid 5-year period shall become participating in  
16 the same manner as during said 5-year period. However, when  
17 such diligent drilling operations cease, all nonparticipating  
18 lands shall be automatically eliminated effective as of the  
19 91st day thereafter. The Unit Operator shall, within 90  
20 days after the effective date of any elimination hereunder,  
21 describe the area so eliminated to the satisfaction of the  
22 Supervisor and the Commissioner, and promptly notify all  
23 parties in interest.

24 If conditions warrant extension of the 10-year period  
25 specified in this subsection 2(e), a single extension of not  
26 to exceed 2 years may be accomplished by consent of the owners  
27 of 90% of the working interests in the current nonparticipating  
28 unitized lands and the owners of 60% of the basic  
29 royalty interests (exclusive of the basic royalty interests  
30 of the United States) in nonparticipating unitized lands

1 with approval of the Director and Commissioner, provided  
2 such extension application is submitted to the Director and  
3 Commissioner not later than 60 days prior to the expiration  
4 of said ten-year period.

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

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

15 4. UNIT OPERATOR. GULF OIL CORPORATION is hereby  
16 designated as Unit Operator and by signature hereto as Unit  
17 Operator agrees and consents to accept the duties and obligations  
18 of Unit Operator for the discovery, development and production of  
19 unitized substances as herein provided. Whenever reference is made  
20 herein to the Unit Operator, such reference means the Unit Operator  
21 acting in that capacity and not as an owner of interest in unitized  
22 substances, and the term "working interest owner" when used herein  
23 shall include or refer to Unit Operator as the owner of a working  
24 interest when such an interest is owned by it.

25 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator  
26 shall have the right to resign at any time prior to the establish-  
27 ment of a participating area or areas hereunder, but such resigna-  
28 tion shall not become effective so as to release Unit Operator from  
29 the duties and obligations of Unit Operator and terminate Unit  
30 Operator's rights as such for a period of 6 months after notice of

1 intention to resign has been served by Unit Operator on all  
2 working interest owners and the Supervisor, the Commissioner  
3 and the Commission, and until all wells then drilled hereunder are  
4 placed in a satisfactory condition for suspension or abandonment  
5 whichever is required by the Supervisor as to Federal lands and  
6 by the Commission as to State and privately owned lands, unless  
7 a new Unit Operator shall have been selected and approved and  
8 shall have taken over and assumed the duties and obligations of  
9 Unit Operator prior to the expiration of said period.

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

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

23 The Unit Operator may, upon default or failure in the per-  
24 formance of its duties or obligations hereunder, be subject to  
25 removal by the same percentage vote of the owners of working  
26 interests as herein provided for the selection of a new Unit  
27 Operator. Such removal shall be effective upon notice thereof  
28 to the Supervisor and the Commissioner.

29 The resignation or removal of Unit Operator under this agree-  
30 ment shall not terminate its right, title or interest as the owner

1 of a working interest or other interest in unitized substances,  
2 but upon the resignation or removal of Unit Operator becoming  
3 effective, such Unit Operator shall deliver possession of all  
4 wells, equipment, materials and appurtenances used in conducting  
5 the unit operations to the new duly qualified successor Unit  
6 Operator or to the common agent, if no such new Unit Operator  
7 is elected, to be used for the purpose of conducting unit opera-  
8 tions hereunder. Nothing herein shall be construed as authorizing  
9 removal of any material, equipment and appurtenances needed for  
10 the preservation of any wells.

11 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator  
12 shall tender his or its resignation as Unit Operator or shall be  
13 removed as hereinabove provided, or a change of Unit Operator is  
14 negotiated by working interest owners, the owners of the working  
15 interests in the participating area or areas according to their  
16 respective acreage interests in such participating area or areas,  
17 or, until a participating area shall have been established, the  
18 owners of the working interests according to their respective  
19 acreage interests in all unitized land, shall by majority vote  
20 select a successor Unit Operator: Provided, That, if a majority  
21 but less than 75 per cent of the working interests qualified to  
22 vote are owned by one party to this agreement, a concurring vote  
23 of one or more additional working interest owners shall be required  
24 to select a new operator. Such selection shall not become effective  
25 until

26 (a) a Unit Operator so selected shall accept in writing the  
27 duties and responsibilities of Unit Operator, and

28 (b) the selection shall have been approved by the Supervisor  
29 and the Commissioner.

30 If no successor Unit Operator is selected and qualified as

1       herein provided, the Director and Commissioner at their election  
2       may declare this unit agreement terminated.

3               7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If  
4       the Unit Operator is not the sole owner of working interest, costs  
5       and expenses incurred by Unit Operator in conducting unit opera-  
6       tions hereunder shall be paid and apportioned among and borne by  
7       the owners of working interests, all in accordance with the agree-  
8       ment or agreements entered into by and between the Unit Operator  
9       and the owners of working interests, whether one or more, sepa-  
10      rately or collectively. Any agreement or agreements entered into  
11      between the working interest owners and the Unit Operator as pro-  
12      vided in this section, whether one or more, are herein referred to  
13      as the "unit operating agreement." Such unit operating agree-  
14      ment shall also provide the manner in which the working interest  
15      owners shall be entitled to receive their respective proportionate  
16      and allocated share of the benefits accruing hereto in conformity  
17      with their underlying operating agreements, leases or other  
18      independent contracts, and such other rights and obligations as  
19      between Unit Operator and the working interest owners as may be  
20      agreed upon by Unit Operator and the working interest owners; how-  
21      ever, no such unit operating agreement shall be deemed either to  
22      modify any of the terms and conditions of this unit agreement or  
23      to relieve the Unit Operator of any right or obligation established  
24      under this unit agreement, and in case of any inconsistency or  
25      conflict between this unit agreement and the unit operating agree-  
26      ment, this unit agreement shall govern. Three true copies of any  
27      unit operating agreement executed pursuant to this section should  
28      be filed with the Supervisor and two true copies with the Commis-  
29      sioner and one true copy with the Commission, prior to approval of  
30      this unit agreement.

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

16           9. DRILLING TO DISCOVERY. Within six (6) months after the  
17 effective date hereof, the Unit Operator shall begin to drill an  
18 adequate test well at a location approved by the Supervisor, if on  
19 Federal land, or by the Commissioner if on State Land, or by the Com-  
20 mission if on fee land, unless on such effective date a well is being  
21 drilled conformably with the terms hereof, and thereafter continue  
22 such drilling diligently until all formations of Pennsylvania age have  
23 been tested or until at a lesser depth unitized substances shall be  
24 discovered which can be produced in paying quantities (to wit: quanti-  
25 ties sufficient to repay the costs of drilling, completing, and  
26 producing operations, with a reasonable profit) or the Unit Operator  
27 shall at any time establish to the satisfaction of the Supervisor  
28 if located on Federal lands, or the Commissioner if located on  
29 State lands, or the Commission if located on fee lands, that further  
30 drilling of said well would be unwarranted or impracticable, provided

1 however, that Unit Operator shall not in any event be required  
2 to drill said well to a depth in excess of 15,600 feet. Until the  
3 discovery of a deposit of unitized substances capable of being  
4 produced in paying quantities, the Unit Operator shall continue  
5 drilling one well at a time, allowing not more than 6 months be-  
6 tween the completion of one well and the beginning of the next  
7 well, until a well capable of producing unitized substances in  
8 paying quantities is completed to the satisfaction of said Super-  
9 visor if on Federal land, or the Commissioner if on State land,  
10 or the Commission if on fee land, or until it is reasonably proved  
11 that the unitized land is incapable of producing unitized substances  
12 in paying quantities in the formations drilled hereunder. Nothing  
13 in this section shall be deemed to limit the right of the Unit  
14 Operator to resign as provided in Section 5 hereof, or as requiring  
15 Unit Operator to commence or continue any drilling during the period  
16 pending such resignation becoming effective in order to comply with  
17 the requirements of this section. The Supervisor and Commissioner  
18 may modify the drilling requirements of this section by granting  
19 reasonable extensions of time when, in their opinion, such action  
20 is warranted. Upon failure to commence any well provided for in  
21 this section within the time allowed, including any extension of  
22 time granted by the Supervisor and the Commissioner, this agreement  
23 will automatically terminate; upon failure to continue drilling  
24 diligently any well commenced hereunder, the Supervisor and Com-  
25 missioner may, after 15 days notice to the Unit Operator, declare  
26 this unit agreement terminated.

27 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6  
28 months after completion of a well capable of producing unitized  
29 substances in paying quantities, the Unit Operator shall submit  
30 for the approval of the Supervisor and the Commissioner an

1 acceptable plan of development and operation for the unitized  
2 land which, when approved by the Supervisor and the Commissioner,  
3 shall constitute the further drilling and operating obligations  
4 of the Unit Operator under this agreement for the period specified  
5 therein. Thereafter, from time to time before the expiration of  
6 any existing plan, the Unit Operator shall submit for the approval  
7 of the Supervisor and the Commissioner a plan for an additional  
8 specified period for the development and operation of the unitized  
9 land.

10 Any plan submitted pursuant to this section shall provide for  
11 the exploration of the unitized area and for the diligent drilling  
12 necessary for determination of the area or areas thereof capable  
13 of producing unitized substances in paying quantities in each and  
14 every productive formation and shall be as complete and adequate  
15 as the Supervisor, the Commissioner and Commission may determine  
16 to be necessary for timely development and proper conservation of  
17 the oil and gas resources of the unitized area and shall:

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

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

24 Separate plans may be submitted for separate productive zones,  
25 subject to the approval of the Supervisor, the Commissioner and  
26 the Commission.

27 Plans shall be modified or supplemented when necessary to  
28 meet changed conditions or to protect the interests of all parties  
29 to this agreement. Reasonable diligence shall be exercised in  
30 complying with the obligations of the approved plan of development.



1 The Supervisor and Commissioner are authorized to grant a reason-  
2 able extension of the 6-month period herein prescribed for sub-  
3 mission of an initial plan of development where such action is  
4 justified because of unusual conditions or circumstances. After  
5 completion hereunder of a well capable of producing any unitized  
6 substances in paying quantities, no further wells, except such as  
7 may be necessary to afford protection against operations not under  
8 this agreement and such as may be specifically approved by the  
9 Supervisor and the Commissioner, shall be drilled except in  
10 accordance with a plan of development approved as herein provided.

11 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a  
12 well capable of producing unitized substances in paying quantities  
13 or as soon thereafter as required by the Supervisor and Commissioner,  
14 the Unit Operator shall submit for approval by the Supervisor and  
15 Commissioner a schedule, based on subdivisions of the public land  
16 survey or aliquot parts thereof, of all land then regarded as  
17 reasonably proved to be productive in paying quantities; all lands  
18 in said schedule on approval of the Supervisor and Commissioner  
19 to constitute a participating area, effective as of the date of  
20 completion of such well or the effective date of this unit agree-  
21 ment, whichever is later. The acreages of both Federal and non-  
22 Federal lands shall be based upon appropriate computations from  
23 the courses and distances shown on the last approved public land  
24 survey as of the effective date of each initial participating area.  
25 Said schedule shall also set forth the percentage of unitized sub-  
26 stances to be allocated as herein provided to each tract in the  
27 participating area so established, and shall govern the allocation  
28 of production commencing with the effective date of the participating  
29 area. A separate participating area shall be established for each  
30 separate pool or deposit of unitized substances or for any group

1       thereof which is produced as a single pool or zone, and any  
2       two or more participating areas so established may be combined  
3       into one, on approval of the Supervisor and Commissioner. When  
4       production from two or more participating areas, so established,  
5       is subsequently found to be from a common pool or deposit said  
6       participating areas shall be combined into one effective as of  
7       such appropriate date as may be approved or prescribed by the  
8       Supervisor and Commissioner. The participating area or areas  
9       so established shall be revised from time to time, subject to  
10      like approval, to include additional land then regarded as  
11      reasonably proved to be productive in paying quantities or  
12      necessary for unit operations, or to exclude land then regarded  
13      as reasonably proved not to be productive in paying quantities  
14      and the schedule of allocation percentages shall be revised  
15      accordingly. The effective date of any revisions shall be the  
16      first day of the month in which is obtained the knowledge or  
17      information on which such revision is predicated, provided,  
18      however, that a more appropriate effective date may be used if  
19      justified by the Unit Operator and approved by the Supervisor  
20      and Commissioner. No land shall be excluded from a participating  
21      area on account of depletion of the unitized substances, except  
22      that any participating area established under the provisions of  
23      this unit agreement shall terminate automatically whenever all  
24      completions in the formation on which the participating area is  
25      based are abandoned.

26             It is the intent of this section that a participating area  
27      shall represent the area known or reasonably estimated to be pro-  
28      ductive in paying quantities, but, regardless of any revision  
29      of the participating area, nothing herein contained shall be con-  
30      strued as requiring any retroactive adjustment for production

1 obtained prior to the effective date of the revision of the  
2 participating area.

3 In the absence of agreement at any time between the Unit  
4 Operator and the Supervisor and Commissioner as to the proper  
5 definition or redefinition of a participating area, or until a  
6 participating area has, or areas have, been established as pro-  
7 vided herein, the portion of all payments affected thereby shall  
8 be impounded in a manner mutually acceptable to the owners of  
9 working interests and the Supervisor and Commissioner. Royalties  
10 due the United States and the State of New Mexico, which shall  
11 be determined by the Supervisor for Federal land and the Com-  
12 missioner for State land and the amount thereof shall be deposited,  
13 as directed by the Supervisor and Commissioner respectively, to  
14 be held as unearned money until a participating area is finally  
15 approved and then applied as earned or returned in accordance  
16 with a determination of the sum due as Federal and State royalty  
17 on the basis of such approved participating area.

18 Whenever it is determined, subject to the approval of the  
19 Supervisor as to wells drilled on Federal land and of the Com-  
20 missioner as to wells drilled on State land, that a well drilled  
21 under this agreement is not capable of production in paying quanti-  
22 ties and inclusion of the land on which it is situated in a parti-  
23 cipating area is unwarranted, production from such well shall, for  
24 the purposes of settlement among all parties other than working  
25 interest owners, be allocated to the land on which the well is  
26 located unless such land is already within the participating area  
27 established for the pool or deposit from which such production is  
28 obtained. Settlement for working interest benefits from such a  
29 well shall be made as provided in the unit operating agreement.

30 12. ALLOCATION OF PRODUCTION. All unitized substances

1 produced from each participating area established under this  
2 agreement, except any part thereof used in conformity with good  
3 operating practices within the unitized area for drilling,  
4 operating, camp and other production or development purposes,  
5 for repressuring or recycling in accordance with a plan of  
6 development approved by the Supervisor and Commissioner, or  
7 unavoidably lost, shall be deemed to be produced equally on an  
8 acreage basis from the several tracts of unitized land of the  
9 participating area established for such production and, for the  
10 purpose of determining any benefits accruing under this agreement,  
11 each such tract of unitized land shall have allocated to it such  
12 percentage of said production as the number of acres of such tract  
13 included in said participating area bears to the total acres of  
14 unitized land in said participating area, except that allocation  
15 of production hereunder for purposes other than for settlement  
16 of the royalty, overriding royalty, or payment out of production  
17 obligations of the respective working interest owners, shall be  
18 on the basis prescribed in the unit operating agreement whether  
19 in conformity with the basis of allocation herein set forth or  
20 otherwise. It is hereby agreed that production of unitized sub-  
21 stances from a participating area shall be allocated as provided  
22 herein regardless of whether any wells are drilled on any particular  
23 part or tract of said participating area. If any gas produced  
24 from one participating area is used for repressuring or recycling  
25 purposes in another participating area, the first gas withdrawn  
26 from such last mentioned participating area for sale during the  
27 life of this agreement shall be considered to be the gas so trans-  
28 ferred until an amount equal to that transferred shall be so pro-  
29 duced for sale and such gas shall be allocated to the participating  
30 area from which initially produced as such area was last defined

1 at the time of such final production.

2 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR  
3 FORMATIONS. Any party hereto owning or controlling the working  
4 interest in any unitized land having thereon a regular well loca-  
5 tion may with the approval of the Supervisor as to Federal land,  
6 the Commissioner as to State land and the Commission as to pri-  
7 vately owned land, at such party's sole risk, cost and expense,  
8 drill a well to test any formation for which a participating area  
9 has not been established or to test any formation for which a  
10 participating area has been established if such location is not  
11 within said participating area, unless within 90 days of receipt  
12 of notice from said party of his intention to drill the well the  
13 Unit Operator elects and commences to drill such a well in like  
14 manner as other wells are drilled by the Unit Operator under this  
15 agreement.

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

23 If any well drilled as aforesaid by a working interest owner  
24 obtains production in quantities insufficient to justify the in-  
25 clusion of the land upon which such well is situated in a partici-  
26 pating area, such well may be operated and produced by the party  
27 drilling the same subject to the conservation requirements of  
28 this agreement. The royalties in amount or value of production  
29 from any such well shall be paid as specified in the underlying  
30 lease and agreements affected.

1           14. ROYALTY SETTLEMENT. The United States and any State  
2 and any royalty owner who is entitled to take in kind a share  
3 of the substances now unitized hereunder shall hereafter be  
4 entitled to the right to take in kind its share of the unitized  
5 substances, and the Unit Operator, or the working interest owner  
6 in case of the operation of a well by a working interest owner as  
7 herein provided for in special cases, shall make deliveries of  
8 such royalty share taken in kind in conformity with the applicable  
9 contracts, laws and regulations. Settlement for royalty interest  
10 not taken in kind shall be made by working interest owners respon-  
11 sible therefor under existing contracts, laws and regulations, or  
12 by the Unit Operator, on or before the last day of each month for  
13 unitized substances produced during the preceding calendar month;  
14 provided, however, that nothing herein contained shall operate to  
15 relieve the lessees of any land from their respective lease obli-  
16 gations for the payment of any royalties due under their leases.

17           If gas obtained from lands not subject to this agreement is  
18 introduced into any participating area hereunder, for use in re-  
19 pressuring, stimulation of production, or increasing ultimate  
20 recovery, in conformity with a plan of operations approved by the  
21 Supervisor, the Commissioner, and Commission, a like amount of gas,  
22 after settlement as herein provided for any gas transferred from  
23 any other participating area and with appropriate deduction for  
24 loss from any cause, may be withdrawn from the formation in which  
25 the gas is introduced, royalty free as to dry gas, but not as to  
26 any products which may be extracted therefrom; provided that such  
27 withdrawal shall be at such time as may be provided in the approved  
28 plan of operations or as may otherwise be consented to by the  
29 Supervisor, the Commissioner and Commission as conforming to good  
30 petroleum engineering practice; and provided further, that such

1 right of withdrawal shall terminate on the termination of this  
2 unit agreement.

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

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

16 15. RENTAL SETTLEMENT. Rental or minimum royalties due on  
17 leases committed hereto shall be paid by working interest owners  
18 responsible therefor under existing contracts, laws and regula-  
19 tions, provided that nothing herein contained shall operate to  
20 relieve the lessees of any land from their respective lease obli-  
21 gations for the payment of any rental or minimum royalty due under  
22 their leases. Rental or minimum royalty for lands of the United  
23 States subject to this agreement shall be paid at the rate specified  
24 in the respective leases from the United States unless such rental  
25 or minimum royalty is waived, suspended or reduced by law or by  
26 approval of the Secretary or his duly authorized representative.

27 Rentals on State of New Mexico lands subject to this agree-  
28 ment shall be paid at the rates specified in the respective leases.

29 With respect to any lease on non-Federal land containing pro-  
30 visions which would terminate such lease unless drilling operations

1 are commenced upon the land covered thereby within the time  
2 therein specified or rentals are paid for the privilege of  
3 deferring such drilling operations, the rentals required thereby  
4 shall, notwithstanding any other provisions of this agreement,  
5 be deemed to accrue and become payable during the term thereof  
6 as extended by this agreement and until the required drilling  
7 operations are commenced upon the land covered thereby or until  
8 some portion of such land is included with a participating area.

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

13 17. DRAINAGE. The Unit Operator shall take such measures  
14 as the Supervisor and Commissioner deem appropriate and adequate  
15 to prevent drainage of unitized substances from unitized land by  
16 wells on land not subject to this agreement.

17 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,  
18 conditions and provisions of all leases, subleases and other con-  
19 tracts relating to exploration, drilling, development or operations  
20 for oil or gas on lands committed to this agreement are hereby  
21 expressly modified and amended to the extent necessary to make  
22 the same conform to the provisions hereof, but otherwise to remain  
23 in full force and effect; and the parties hereto hereby consent  
24 that the Secretary as to Federal leases and the Commissioner as  
25 to State leases shall and each by his approval hereof, or by the  
26 approval hereof by their duly authorized representatives, do hereby  
27 establish, alter, change or revoke the drilling, producing, rental,  
28 minimum royalty and royalty requirements of Federal and State  
29 leases committed hereto and the regulations in respect thereto  
30 to conform said requirements to the provisions of this agreement,



1 and, without limiting the generality of the foregoing, all leases,  
2 subleases, and contracts are particularly modified in accordance  
3 with the following:

4 (a) The development and operation of lands subject to this  
5 agreement under the terms hereof shall be deemed full per-  
6 formance of all obligations for development and operation  
7 with respect to each and every separately owned tract subject  
8 to this agreement, regardless of whether there is any develop-  
9 ment of any particular tract of the unit area.

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

16 (c) Suspension of drilling or producing operations on all  
17 unitized lands pursuant to direction or consent of the  
18 Secretary and Commissioner or their duly authorized repre-  
19 sentatives shall be deemed to constitute such suspension  
20 pursuant to such direction or consent as to each and every  
21 tract of unitized land. A suspension of drilling or producing  
22 operations limited to specified lands shall be applicable  
23 only to such lands.

24 (d) Each lease, sublease or contract relating to the ex-  
25 ploration, drilling, development or operation for oil or  
26 gas of lands other than those of the United States or State  
27 of New Mexico committed to this agreement, which by its  
28 terms might expire prior to the termination of this agree-  
29 ment, is hereby extended beyond any such term so provided  
30 therein so that it shall be continued in full force and

1 effect for and during the term of this agreement.

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

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

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

1 committed hereto until the termination hereof, subject to  
2 the provisions of subsection (e) of Section 2 and sub-  
3 section (i) of this Section 18.

4 (h) The segregation of any Federal lease committed to  
5 this agreement is governed by the following provisions in  
6 the fourth paragraph of Sec. 17(j) of the Mineral Leasing  
7 Act, as amended by the Act of September 2, 1960 (74 Stat.  
8 781-784): "Any (Federal) lease heretofore or hereafter  
9 committed to any such (unit) plan embracing lands that  
10 are in part within and in part outside of the area covered  
11 by any such plan shall be segregated into separate leases  
12 as to the lands committed and the lands not committed as  
13 of the effective date of unitization: Provided, however,  
14 That any such lease as to the nonunitized portion shall  
15 continue in force and effect for the term thereof but for  
16 not less than two years from the date of such segregation  
17 and so long thereafter as oil or gas is produced in paying  
18 quantities."

19 (i) Any lease embracing lands of the State of New Mexico  
20 having only a portion of its lands committed hereto, shall  
21 be segregated as to the portion committed and the portion  
22 not committed, and the provisions of such lease shall apply  
23 separately to such segregated portions commencing as of the  
24 effective date hereof; provided, however, notwithstanding  
25 any of the provisions of this agreement to the contrary, any  
26 lease embracing lands of the State of New Mexico having only  
27 a portion of its lands committed hereto shall continue in  
28 full force and effect beyond the term provided therein as  
29 to all lands embraced in such lease, if oil or gas is dis-  
30 covered and is capable of being produced in paying quantities

1 from some part of the lands embraced in such lease at  
2 the expiration of the secondary term of such lease; or  
3 if, at the expiration of the secondary term, the lessee  
4 or Unit Operator is then engaged in bona fide drilling  
5 or reworking operations on some part of the lands embraced  
6 in such lease, the same, as to all lands embraced therein  
7 shall remain in full force and effect so long as such opera-  
8 tions are being diligently prosecuted, and if they result  
9 in the production of oil or gas, said lease shall continue  
0 in full force and effect as to all of the lands embraced  
1 therein, so long thereafter as oil or gas in paying quantities  
2 is being produced from any portion of said lands.

3 (j) Any lease, other than a Federal lease, having only a  
4 portion of its lands committed hereto shall be segregated  
5 as to the portion committed and the portion not committed,  
6 and the provisions of such lease shall apply separately to  
7 such segregated portions commencing as of the effective date  
8 hereof. In the event any such lease provides for a lump sum  
9 rental payment, such payment shall be prorated between the  
0 portions so segregated in proportion to the acreage of the  
1 respective tracts.

22 19. COVENANTS RUN WITH LAND. The covenants herein shall be  
23 construed to be covenants running with the land with respect to  
24 the interest of the parties hereto and their successors in interest  
25 until this agreement terminates, and any grant, transfer, or con-  
26 veyance of interest in land or leases subject hereto shall be and  
27 hereby is conditioned upon the assumption of all privileges and  
28 obligations hereunder by the grantee, transferee or other successor  
29 in interest. No assignment or transfer of any working interest,  
30 royalty, or other interest subject hereto shall be binding upon

1 Unit Operator until the first day of the calendar month after  
2 Unit Operator is furnished with the original, photostatic, or  
3 certified copy of the instrument of transfer.

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

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

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

19 (c) a valuable discovery of unitized substances has been  
20 made or accepted on unitized land during said initial term  
21 or any extension thereof, in which event the agreement shall  
22 remain in effect for such term and so long as unitized sub-  
23 stances can be produced in quantities sufficient to pay for  
24 the cost of producing same from wells on unitized land within  
25 any participating area established hereunder and, should  
26 production cease, so long thereafter as diligent operations  
27 are in progress for the restoration of production or discovery  
28 of new production and so long thereafter as unitized sub-  
29 stances so discovered can be produced as aforesaid, or  
30 (d) it is terminated as heretofore provided in this agreement.

1 This agreement may be terminated at any time by not less than  
2 75 per centum, on an acreage basis, of the working interest owners  
3 signatory hereto, with the approval of the Supervisor and Commis-  
4 sioner; notice of any such approval to be given by the Unit  
5 Operator to all parties hereto.

6 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The  
7 Director is hereby vested with authority to alter or modify from  
8 time to time in his discretion the quantity and rate of production  
9 under this agreement when such quantity and rate is not fixed  
10 pursuant to Federal or State law or does not conform to any state-  
11 wide voluntary conservation or allocation program, which is estab-  
12 lished, recognized and generally adhered to by the majority of  
13 operators in such State, such authority being hereby limited to  
14 alteration or modification in the public interest, the purpose  
15 thereof and the public interest to be served thereby to be stated  
16 in the order of alteration or modification. Without regard to  
17 the foregoing, the Director is also hereby vested with authority  
18 to alter or modify from time to time in his discretion the rate  
19 of prospecting and development and the quantity and rate of pro-  
20 duction under this agreement when such alteration or modification  
21 is in the interest of attaining the conservation objectives stated  
22 in this agreement and is not in violation of any applicable Federal  
23 or State law; provided, further, that no such alteration or modi-  
24 fication shall be effective as to any land of the State of New  
25 Mexico, as to the rate of prospecting and developing in the absence  
26 of the specific written approval thereof by the Commissioner and  
27 as to any lands of the State of New Mexico or privately owned lands  
28 subject to this agreement as to the quantity and rate of production  
29 in the absence of specific written approval thereof by the  
30 Commission.

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

4 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor  
5 the working interest owners nor any of them shall be subject to  
6 any forfeiture, termination or expiration of any rights hereunder  
7 or under any leases or contracts subject hereto, or to any penalty  
8 or liability on account of delay or failure in whole or in part  
9 to comply with any applicable provision thereof to the extent that  
10 the Unit Operator, working interest owners or any of them are hin-  
11 dered, delayed or prevented from complying therewith by reason of  
12 failure of the Unit Operator to obtain in the exercise of due  
13 diligence, the concurrence of proper representatives of the United  
14 States and proper representatives of the State of New Mexico in  
15 and about any matters or things concerning which it is required  
16 herein that such concurrence be obtained. The parties hereto,  
17 including the Commission, agree that all powers and authority  
18 vested in the Commission in and by any provisions of this agree-  
19 ment are vested in the Commission and shall be exercised by it  
20 pursuant to the provisions of the laws of the State of New Mexico  
21 and subject in any case to appeal or judicial review as may now  
22 or hereafter be provided by the laws of the State of New Mexico.

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

1 the Department of the Interior, the Commissioner, or Commission,  
2 or any other legally constituted authority; provided, however,  
3 that any other interested party shall also have the right at his  
4 own expense to be heard in any such proceeding.

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

14 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement  
15 contained shall be construed as a waiver by any party hereto of  
16 the right to assert any legal or constitutional right or defense  
17 as to the validity or invalidity of any law of the State wherein  
18 said unitized lands are located, or of the United States, or regu-  
19 lations issued thereunder in any way affecting such party, or as  
20 a waiver by any such party of any right beyond his or its authority  
21 to waive.

22 26. UNAVOIDABLE DELAY. All obligations under this agreement  
23 requiring the Unit Operator to commence or continue drilling or to  
24 operate on or produce unitized substances from any of the lands  
25 covered by this agreement shall be suspended while the Unit Opera-  
26 tor, despite the exercise of due care and diligence, is prevented  
27 from complying with such obligations, in whole or in part, by  
28 strikes, acts of God, Federal, State or municipal law or agencies,  
29 unavoidable accidents, uncontrollable delays in transportation,  
30 inability to obtain necessary materials in open market, or other



1 matters beyond the reasonable control of the Unit Operator  
2 whether similar to matters herein enumerated or not. No unit  
3 obligation which is suspended under this section shall become  
4 due less than thirty (30) days after it has been determined  
5 that the suspension is no longer applicable. Determination of  
6 creditable "Unavoidable Delay" time shall be made by the Unit  
7 Operator subject to approval of the Supervisor and Commissioner.

8 27. NONDISCRIMINATION. In connection with the performance  
9 of work under this agreement, the operator agrees to comply with  
10 all of the provisions of section 202 (1) to (7) inclusive of  
11 Executive Order 11246 (30 F.R. 12319)<sup>as amended,</sup> which are hereby incor-  
12 porated by reference in this agreement.

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

30 Unit Operator as such is relieved from any responsibility for

1 any defect or failure of any title hereunder.

2 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of  
3 any substantial interest in a tract within the unit area fails  
4 or refuses to subscribe or consent to this agreement, the owner  
5 of the working interest in such tract may withdraw said tract  
6 from this agreement by written notice delivered to the Supervisor  
7 and the Commissioner and the Unit Operator prior to the approval  
8 of this agreement by the Supervisor and Commissioner. Any oil  
9 or gas interests in lands within the unit area not committed hereto  
10 prior to submission of this agreement for final approval may there-  
11 after be committed hereto by the owner or owners thereof sub-  
12 scribing or consenting to this agreement, and, if the interest  
13 is a working interest, by the owner of such interest also sub-  
14 scribing to the unit operating agreement. After operations are  
15 commenced hereunder, the right of subsequent joinder, as provided  
16 in this section, by a working interest owner is subject to such  
17 requirements or approvals, if any, pertaining to such joinder,  
18 as may be provided for in the unit operating agreement. After  
19 final approval hereof, joinder by a non-working interest owner  
20 must be consented to in writing by the working interest owner  
21 committed hereto and responsible for the payment of any benefits  
22 that may accrue hereunder in behalf of such non-working interest.  
23 A non-working interest may not be committed to this unit agree-  
24 ment unless the corresponding working interest is committed hereto.  
25 Joinder to the unit agreement by a working interest owner, at any  
26 time, must be accompanied by appropriate joinder to the Unit Operat-  
27 ing agreement, if more than one committed working interest owner  
28 is involved, in order for the interest to be regarded as committed  
29 to this unit agreement. Except as may otherwise herein be provided,  
30 subsequent joinders to this agreement shall be effective as of the

1 first day of the month following the filing with the Supervisor  
2 and the Commissioner of duly executed counterparts of all or any  
3 papers necessary to establish effective commitment of any tract  
4 to this agreement unless objection to such joinder is duly made  
5 within 60 days by the Supervisor, provided, however, that as to  
6 State lands all subsequent joinders must be approved by the  
7 Commissioner.

8 30. COUNTERPARTS. This agreement may be executed in any  
9 number of counterparts no one of which needs to be executed by  
10 all parties or may be executed or consented to by separate instru-  
11 ment in writing specifically referring hereto and shall be binding  
12 upon all those parties who have executed such a counterpart, rati-  
13 fication, or consent hereto with the same force and effect as if  
14 all such parties had signed the same document and regardless of  
15 whether or not it is executed by all other parties owning or  
16 claiming an interest in the lands within the above described unit  
17 area.

18  
19 31. BUREAU OF LAND MANAGEMENT SPECIAL STIPULATIONS. Nothing in this agree-  
20 ment shall modify or change any special federal stipulation relating to surface  
21 management, surface disturbances, or cultural resources attached to and made a part  
22 of any oil and gas lease covering lands within the unit area.

23  
24 IN WITNESS WHEREOF, the parties hereto have caused this agree-  
25 ment to be executed and have set opposite their respective names the  
26 date of execution.

UNIT OPERATOR AND WORKING INTEREST OWNER

DATE: September 22, 1977

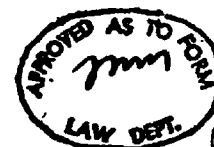
Address: P. O. Box 1150

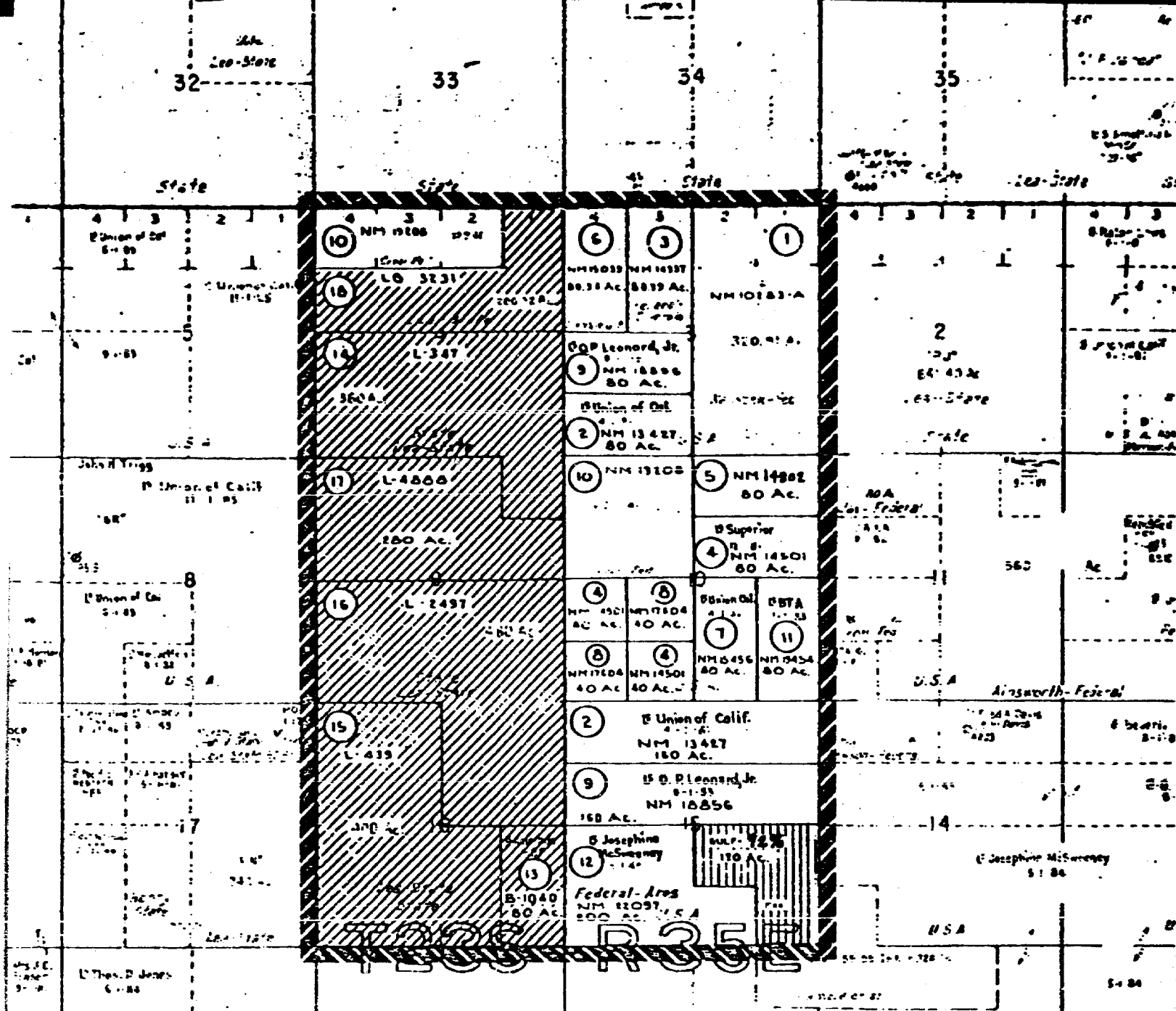
Midland, Texas 79702

ATTEST:  
  
Assistant Secretary

GULF OIL CORPORATION

By   
Attorney-in-Fact





**Exhibit A**  
**SAND WELL UNIT**  
 LEA COUNTY, NEW MEXICO

**Tract Numbers**

1. NM 10283-A
2. NM 13427
3. NM 14337
4. NM 14501
5. NM 14802
6. NM 15039
7. NM 15456
8. NM 17604
9. NM 18856
10. NM 19208
11. NM 19454
12. NM 22097
13. B-1040
14. L-347
15. L-439
16. L-2497
17. L-4888
18. LG-3231
19. Gulf



Unit Area Outline



Federal Lands, 1922.60 Ac.  
 50.0297% Unit Area



State Lands, 1800.32 Ac.  
 46.8477% Unit Area



Fee (Patent) Lands, 120 Ac.  
 3.1226% Unit Area

EXHIBIT "A"  
SAND WELL UNIT

Page 2

UNIT AREA DESCRIPTION

T-23-S, R-35-E, N.M.P.M.

Section 3: All

Section 4: All

Section 9: All

Section 10: All

Section 15: All

Section 16: All

Containing 3842.92 acres, more or less, Lea County, New Mexico.

EXHIBIT "B"  
SCHEDULE OF LANDS AND LEASES  
SAND WELL UNIT  
LEA COUNTY, NEW MEXICO

Tract No.	Description	Acres	Serial No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
1	T-23-S, R-35-E Sec 3: Lots 1, 2, S/2 NE/4, SE/4	320.91	NM-10283-A 9-1-79	12.5% U.S.A.	Gulf Oil Corporation 100%	Stan F. Waliszek et ux, Jane M. Waliszek 5%	Gulf Oil Corp. 100%
2	T-23-S, R-35-E Sec 3: S/2 SW/4 Sec 15: N/2 NE/4 N/2 NW/4	240.00	NM-13427 4-1-81	12.5% U.S.A.	Union Oil Co. of California 100%	William B. Kidd - 5%	Union Oil Co. of California 100%
3	T-23-S, R-35-E Sec 3: Lot 3, SE/4 NW/4	80.39	NM-14337 9-1-81	12.5% U.S.A.	Mrs. Jack C. Fraser 100%	None	Mrs. Jack C. Fraser 100%
4	T-23-S, R-35-E Sec 10: S/2 NE/4, NW/4 SW/4, SE/4 SW/4	160.00	NM-14301 12-1-81	12.5% U.S.A.	Superior Oil Company 100%	W. M. Smith 5%	Superior Oil Co. 100%
5	T-23-S, R-35-E Sec 10: N/2 NE/4	80.00	NM-14802 2-1-82	12.5% U.S.A.	BTA Oil Producers 100%	D. L. Simasko 20% of 4% John M. Hawes 80% of 4%	BTA Oil Producers 100%
6	T-23-S, R-35-E Sec 3: Lot 4, SW/4 NW/4	80.34	NM-15039 3-1-82	12.5% U.S.A.	Gulf Oil Corporation 100%	Dorothy Largley 5%	Gulf Oil Corp. 100%
7	T-23-S, R-35-E Sec 10: W/2 SE/4	80.00	NM-15456 4-1-82	12.5% U.S.A.	Union Oil Co. of California 100%	J.C. Head 5%	Union Oil Co. of Calif. 100%

8	T-23-S, R-35-E Sec 10: NE/4 SW/4, SW/4 SW/4	NM-17604 3-1-83	12.5% U.S.A.	Gulf Oil Corporation 100%	Cleo C. Atinsworth 5%	Gulf Oil Corp. 100%
9	T-23S, R-35-E Sec 3: N/2 SW/4 Sec 15: S/2 NE/4, S/2 NW/4	NM-18856 8-1-83	12.5% U.S.A.	Aztec Oil & Gas Co. 100%	Obie P. Leonard 6.25%	Aztec Oil Co. 100%
10	T-23-S, R-35-E Sec 4: Lots 2, 3, 4. Sec 10: NW/4	NM-19208 10-1-83	12.5% U.S.A.	Gulf Oil Corporation 100%	Baulah E. Grear- 4% J. Paul Reynolds- 1/2%	Gulf Oil Corp. 100%
11	T-23S, R-35-E Sec 10: E/2 SE/4	NM-19454 11-1-83	12.5% U.S.A.	BTA Oil Producers 100%	Marshall R. Perkins 5%	BTA Producers 100%
12	T-23-S, R-35-E Sec 15: SW/4 SE/4, SW/4	NM-22097 9-1-84	12.5% U.S.A.	Exxon Corporation 100%	Josephine McSweeney Henry R. Keller T. E. Tomlinson 5% Undivided	Exxon Corporation 100%
TOTAL: 1922.60 Acres Federal Lands, 50.0297% of the Unit Area.						
13	T-23-S, R-35-E Sec 16: E/2 SE/4	B-1040 -1 HBP	12.5% State of N.M.	Amerada Hess Corporation 100%	None	50.00%--Amerada Hess Corp. 31.14%--Bass Enterprises Prod. Co. 12.57%--Sun Oil Company 6.29%--Amoco Prod. Co.
14	T-23-S, R-35-E Sec 4: S/2 Sec 9: NE/4 NE/4	L-347 10-17-77	12.5% State of N.M.	Gulf Oil Corporation 100%	None	Gulf Oil Corp. 100%
15	T-23-S, R-35-E Sec 16: W/2, W/2 SE/4	L-439 11-21-77	12.5% State of N.M.	Gulf Oil Corporation 100%	None	Gulf Oil Corp. 100%
16	T-23-S, R-35-E Sec 9: S/2 Sec 16: NE/4	L-2497 2-18-79	12.5% State of N.M.	Gulf Oil Corporation 100%	None	Gulf Oil Corp. 100%

20% Royalty  
1st Natl Bank & Jessie Belvins  
Crump Estate - 1/8  
Fort Worth Natl Bank & J. C. Crump  
Estate - 1/8



RECAPITULATION

FEDERAL LANDS	1922.50 Acres	50.0297% of Unit Area
STATE LANDS	1800.32 Acres	46.8477% of Unit Area
FEE LANDS	<u>120.00 Acres</u>	<u>3.1226% of Unit Area</u>
TOTAL	3842.92 Acres	100.0000%

SUMMARY OF TOTAL ACREAGE COMMITTED AND UNCOMMITTED

A. Federal Acreage                      1922.60 acres - 50.0297% of Unit Area

<u>Lessee of Record</u>	<u>Working Interest Owners</u>	<u>Overriding Royalty Owner</u>	
Committed - All	All	13	86.67%
Uncommitted - None	None	2	13.33%

B. State Acreage                      1800.32 acres - 46.8477% of Unit Area

<u>Lessee of Record</u>	<u>Working Interest Owners</u>	<u>Overriding Royalty Owner</u>	
Committed - 2 of 3	4 of 6	None	
Uncommitted - 1	2*	"	

\*These two parties are being carried by other Working Interest Owners.

C. Fee Acreage                      120 acres - 3.1226% of Unit Area

<u>Lessee of Record</u>	<u>Working Interest Owners</u>	<u>Royalty Interest Owner</u>	
Committed - 92%	92%	17.14%	
Uncommitted - 8% Open	8% Open	82.86%	

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION  
EXHIBIT NO. 3  
CASE NO. 6082  
Submitted by Gulf Oil Corp  
Hearing Date \_\_\_\_\_

EXHIBIT NO. 3  
SAND WELL UNIT  
Lea County, New Mexico

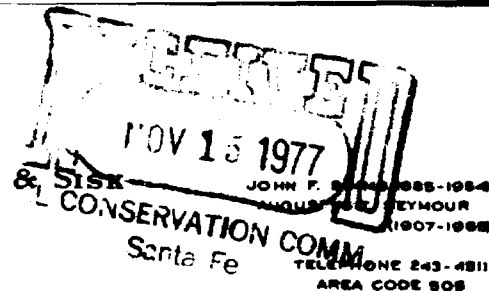
Gulf Oil Corporation - Southwest Div.  
Midland, Texas

November 16, 1977  
CASE NO. 6082



J. R. MODRALL  
JAMES E. SPERLING  
JOSEPH E. ROEHL  
GEORGE T. HARRIS, JR.  
DANIEL A. SISK  
LELAND S. SEDBERRY, JR.  
ALLEN C. DEWEY, JR.  
FRANK H. ALLEN, JR.  
JAMES A. PARKER  
JOHN R. COONEY  
KENNETH L. HARRIGAN  
PETER J. ADAMS  
DALE W. EK  
DENNIS J. FALK  
JOE R. G. FULCHER  
ARTHUR D. MELENDRES  
JAMES P. HOUGHTON  
GEORGE J. HOPKINS  
PAUL M. FISH  
JUDY A. FRY  
MARK E. THOMPSON W  
JEFFREY W. LOUBET  
RUTH H. SCHIFANI  
THOMAS L. JOHNSON  
LYNN H. SLADE  
ALAN KONRAD

LAW OFFICES OF  
MODRALL, SPERLING, ROEHL, HARRIS & SISK  
PUBLIC SERVICE BUILDING  
P. O. BOX 2165  
ALBUQUERQUE, NEW MEXICO 87103



November 14, 1977

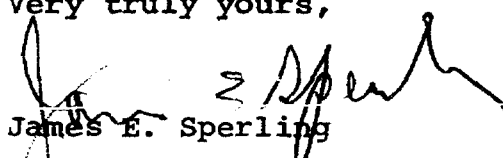
Mr. Joe D. Ramey  
Secretary-Director  
Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Application of Gulf Oil Corporation -  
Docket No. 37-77, Case No. 6082

Dear Mr. Ramey:

Enclosed, please find Entry of Appearance on behalf of  
Gulf Oil Corporation in Case No. 6082, which has been  
docketed for the Examiner's Hearing on November 16,  
1977.

Very truly yours,

  
James E. Sperling

/jev  
Enclosure

cc: Mr. Morgan L. Copeland, w/encl.  
Mr. Jeffrey G. Shrader, w/encl.

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF GULF OIL CORPORATION FOR APPROVAL  
OF A DRILLING UNIT FOR GULF'S SAND  
WELL UNIT, LEA COUNTY, NEW MEXICO

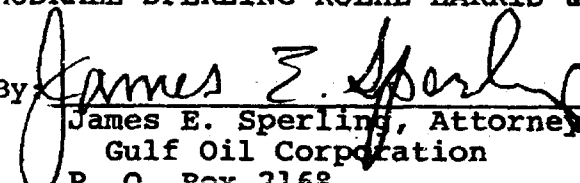
Case No. 6082

ENTRY OF APPEARANCE

The undersigned, Modrall, Sperling, Roehl, Harris & Sisk,  
of Albuquerque, New Mexico, hereby enter their appearance for  
the applicant, Gulf Oil Corporation, with its house counsel  
of Midland, Texas.

MODRALL SPERLING ROEHL HARRIS & SISK

By

  
James E. Sperling, Attorneys for  
Gulf Oil Corporation  
P. O. Box 2168  
Albuquerque, New Mexico 87103  
Telephone: (505) 243-4511

Dockets Nos. 38-77 and 39-77 are tentatively set for hearing on November 30 and December 14, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 16, 1977

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

**ALLOWABLE:** (1) Consideration of the allowable production of gas for December, 1977, from fifteen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.

(2) Consideration of the allowable production of gas for December, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

**CASE 6079:** Application of Dome Petroleum Corporation for a non-standard oil proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 80-acre non-standard oil proration unit comprising the E/2 SW/4 of Section 10, Township 26 North, Range 14 West, Bisti-Lower Gallup Pool, San Juan County, New Mexico.

**CASE 6059:** (Continued from October 12, 1977, Examiner Hearing)

Application of Dome Petroleum Corporation for pool creation, an oil discovery allowable, and a special depth bracket allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Leggs-Entrada Oil Pool in Section 11, Township 21 North, Range 10 West, San Juan County, New Mexico, the assignment of approximately 27,020 barrels of oil discovery allowable to its Santa Fe-Leggs Well No. 1 located in Unit O of said Section 11, and the establishment of a special depth bracket allowable of 750 barrels of oil per day for said pool.

**CASE 6080:** Application of Orla Petco, Inc., for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its R. K. Williams Well No. 1 to be located 1980 feet from the South line and 660 feet from the West line of Section 8, Township 19 South, Range 26 East, Eddy County, New Mexico, the S/2 of said Section 8 to be dedicated to the well.

**CASE 6081:** Application of Atlantic Richfield Company for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling in a northwesterly direction of its Lanehart 22 Well No. 1 from a surface location 660 feet from the North and West lines of Section 22, Township 25 South, Range 37 East, Langlie-Mattix Pool, Lea County, New Mexico, bottoming said well no closer than 280 feet from the North and West lines of said Section 22.

**CASE 6082:** Application of Gulf Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Sand Well Unit Area comprising 3843 acres, more or less, of State, Federal, and fee lands in Township 23 South, Range 35 East, Lea County, New Mexico.

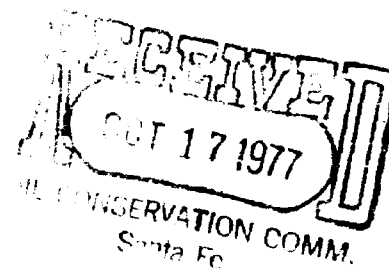
**CASE 6083:** Application of Sun Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Drinkard and Tubb production in the wellbore of its State 15 Well No. 4 located in Unit P of Section 16, Township 21 South, Range 37 East, Lea County, New Mexico.

**CASE 6084:** Application of Freeport Oil Company for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance in the West Garrett-Devonian Pool by the injection of water into the Devonian formation through its Mattie Price Well No. 4 located in Unit O of Section 6, Township 17 South, Range 38 East, Lea County, New Mexico.

**CASE 6085:** Application of Reserve Oil, Inc., for downhole commingling or pool contraction and extension, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Jalmat and Langlie-Mattix production in the wellbore of its Cooper Jal Unit Wells No. 115 in Unit P of Section 13 and Nos. 121, 134, and 209 in Units B, N, and L of Section 24, Township 24 South, Range 36 East, and No. 117 in Unit N of Section 18, and Nos. 150 and 221 in Units L and N of Section 19, Township 24 South, Range 37 East, Lea County, New Mexico, and an administrative procedure for such approval for future wells. In the alternative, applicant seeks the contraction of the vertical limits of the Jalmat Gas Pool underlying said Cooper Jal Unit Area by the deletion of the Yates and Seven Rivers formations therefrom and the extension of the vertical limits of the Langlie-Mattix Pool to include said formations.

## UNIT AGREEMENT

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1 UNIT AGREEMENT  
2 FOR THE DEVELOPMENT AND OPERATION

3 SANDWELL  
4 UNIT AREA  
5 COUNTY OF LEA  
6 STATE OF NEW MEXICO

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

8 THIS AGREEMENT entered into as of the 20th day of September,  
9 19 77, by and between the parties subscribing, ratifying or con-  
10 senting hereto, and herein referred to as the "parties hereto".

11 WITNESSETH:

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

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

25 WHEREAS, the Commissioner of Public Lands of the State of New  
26 Mexico is authorized by an Act of the Legislature (Sec. 7-11-39  
27 N.M. Statutes 1953 Annotated) to consent to or approve this agree-  
28 ment on behalf of the State of New Mexico, insofar as it covers  
29 and includes lands and mineral interests of the State of New  
30 Mexico; and



1 WHEREAS, the Oil Conservation Commission of the State of  
2 New Mexico is authorized by an Act of the Legislature (Article 3,  
3 Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this agree-  
4 ment and the conservation provisions hereof; and

5 WHEREAS, the parties hereto hold sufficient interests in the  
6 SANDWELL Unit Area covering the land  
7 hereinafter described to give reasonably effective control of opera-  
8 tions therein; and

9 WHEREAS, it is the purpose of the parties hereto to conserve  
10 natural resources, prevent waste, and secure other benefits obtain-  
11 able through development and operation of the area subject to this  
12 agreement under the terms, conditions and limitations herein set  
13 forth;

14 NOW THEREFORE, in consideration of the premises and the pro-  
15 mises herein contained, the parties hereto commit to this agreement  
16 their respective interests in the below-defined unit area, and  
17 agree severally among themselves as follows:

18 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act  
19 of February 25, 1920, as amended, supra, and all valid pertinent  
20 regulations, including operating and unit plan regulations, hereto-  
21 fore issued thereunder or valid, pertinent and reasonable regula-  
22 tions hereafter issued thereunder are accepted and made a part of  
23 this agreement as to Federal lands, provided such regulations are  
24 not inconsistent with the terms of this agreement; and as to non-  
25 Federal lands, the oil and gas operating regulations in effect as  
26 of the effective date hereof governing drilling and producing  
27 operations, not inconsistent with the terms hereof or the laws  
28 of the State of which the non-Federal land is located, are hereby  
29 accepted and made a part of this agreement.

30 2. UNIT AREA. The area specified on the map attached hereto

1 marked Exhibit "A" is hereby designated and recognized as  
2 constituting the unit area, containing 3842.92 acres, more or  
3 less.

4 Exhibit "A" shows, in addition to the boundary of the unit  
5 area, the boundaries and identity of tracts and leases in said  
6 area to the extent known to the Unit Operator. Exhibit "B"  
7 attached hereto is a schedule showing to the extent known to  
8 the Unit Operator the acreage, percentage, and kind of ownership  
9 of oil and gas interests in all land in the unit area. However,  
10 nothing herein or in said schedule or map shall be construed as  
11 a representation by any party hereto as to the ownership of any  
12 interest other than such interest or interests as are shown in  
13 said map or schedule as owned by such party. Exhibits "A" and  
14 "B" shall be revised by the Unit Operator whenever changes in  
15 the unit area render such revision necessary, or when requested  
16 by the Oil and Gas Supervisor, hereinafter referred to as "Super-  
17 visor," or when requested by the Commissioner of Public Lands of  
18 the State of New Mexico, hereinafter referred to as "Commissioner,"  
19 and not less than five copies of the revised exhibits shall be  
20 filed with the Supervisor, and two copies thereof shall be filed  
21 with the Commissioner, and one copy with the New Mexico Oil Con-  
22 servation Commission, hereinafter referred to as "Commission."

23 The above-described unit area shall when practicable be  
24 expanded to include therein any additional lands or shall be  
25 contracted to exclude lands whenever such expansion or contraction  
26 is deemed to be necessary or advisable to conform with the purposes  
27 of this agreement. Such expansion or contraction shall be effected  
28 in the following manner:

29 (a) Unit Operator, on its own motion or on demand of the  
30 Director of the Geological Survey, hereinafter referred to as

1 "Director," or on demand of the Commissioner, after preliminary  
2 concurrence by the Director and the Commissioner, shall prepare  
3 a notice of proposed expansion or contraction describing the  
4 contemplated changes in the boundaries of the unit area, the  
5 reasons therefor, and the proposed effective date thereof, pre-  
6 ferably the first day of a month subsequent to the date of notice.

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

12 (c) Upon expiration of the 30-day period provided in the  
13 preceding item (b) hereof, Unit Operator shall file with the  
14 Supervisor, the Commissioner and the Commission evidence of mailing  
15 of the notice of expansion or contraction and a copy of any objec-  
16 tions thereto which have been filed with the Unit Operator, together  
17 with an application in sufficient number, for approval of such  
18 expansion or contraction and with appropriate joinders.

19 (d) After due consideration of all pertinent information,  
20 the expansion or contraction shall, upon approval by the Super-  
21 visor, the Commissioner and the Commission, become effective as  
22 of the date prescribed in the notice thereof.

23 (e) All legal subdivisions of lands (i.e., 40 acres by Govern-  
24 ment survey or its nearest lot or tract equivalent; in instances  
25 of irregular surveys unusually large lots or tracts shall be con-  
26 sidered in multiples of 40 acres or the nearest aliquot equivalent  
27 thereof), no parts of which are entitled to be in a participating  
28 area on or before the fifth anniversary of the effective date of  
29 the first initial participating area established under this unit  
30 agreement, shall be eliminated automatically from this agreement,

1 effective as of said fifth anniversary, and such lands shall no  
2 longer be a part of the unit area and shall no longer be  
3 subject to this agreement, unless diligent drilling operations  
4 are in progress on unitized lands not entitled to participation  
5 on said fifth anniversary, in which event all such lands  
6 shall remain subject hereto so long as such drilling operations  
7 are continued diligently with not more than 90 days' time  
8 elapsing between the completion of one well and the commence-  
9 ment of the next well. All legal subdivisions of lands not  
10 entitled to be in a participating area within 10 years after  
11 the effective date of the first initial participating area  
12 approved under this agreement shall be automatically elimi-  
13 nated from this agreement as of said tenth anniversary. All  
14 lands proved productive by diligent drilling operations after  
15 the aforesaid 5-year period shall become participating in  
16 the same manner as during said 5-year period. However, when  
17 such diligent drilling operations cease, all nonparticipating  
18 lands shall be automatically eliminated effective as of the  
19 91st day thereafter. The Unit Operator shall, within 90  
20 days after the effective date of any elimination hereunder,  
21 describe the area so eliminated to the satisfaction of the  
22 Supervisor and the Commissioner, and promptly notify all  
23 parties in interest.

24 If conditions warrant extension of the 10-year period  
25 specified in this subsection 2(e), a single extension of not  
26 to exceed 2 years may be accomplished by consent of the owners  
27 of 90% of the working interests in the current nonparticipating  
28 unitized lands and the owners of 60% of the basic  
29 royalty interests (exclusive of the basic royalty interests  
30 of the United States) in nonparticipating unitized lands

1 with approval of the Director and Commissioner, provided  
2 such extension application is submitted to the Director and  
3 Commissioner not later than 60 days prior to the expiration  
4 of said ten-year period.

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

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

15 4. UNIT OPERATOR. GULF OIL CORPORATION is hereby  
16 designated as Unit Operator and by signature hereto as Unit  
17 Operator agrees and consents to accept the duties and obligations  
18 of Unit Operator for the discovery, development and production of  
19 unitized substances as herein provided. Whenever reference is made  
20 herein to the Unit Operator, such reference means the Unit Operator  
21 acting in that capacity and not as an owner of interest in unitized  
22 substances, and the term "working interest owner" when used herein  
23 shall include or refer to Unit Operator as the owner of a working  
24 interest when such an interest is owned by it.

25 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator  
26 shall have the right to resign at any time prior to the establish-  
27 ment of a participating area or areas hereunder, but such resigna-  
28 tion shall not become effective so as to release Unit Operator from  
29 the duties and obligations of Unit Operator and terminate Unit  
30 Operator's rights as such for a period of 6 months after notice of

1 intention to resign has been served by Unit Operator on all  
2 working interest owners and the Supervisor, the Commissioner  
3 and the Commission, and until all wells then drilled hereunder are  
4 placed in a satisfactory condition for suspension or abandonment  
5 whichever is required by the Supervisor as to Federal lands and  
6 by the Commission as to State and privately owned lands, unless  
7 a new Unit Operator shall have been selected and approved and  
8 shall have taken over and assumed the duties and obligations of  
9 Unit Operator prior to the expiration of said period.

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

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

23 The Unit Operator may, upon default or failure in the per-  
24 formance of its duties or obligations hereunder, be subject to  
25 removal by the same percentage vote of the owners of working  
26 interests as herein provided for the selection of a new Unit  
27 Operator. Such removal shall be effective upon notice thereof  
28 to the Supervisor and the Commissioner.

29 The resignation or removal of Unit Operator under this agree-  
30 ment shall not terminate its right, title or interest as the owner

1 of a working interest or other interest in unitized substances,  
2 but upon the resignation or removal of Unit Operator becoming  
3 effective, such Unit Operator shall deliver possession of all  
4 wells, equipment, materials and appurtenances used in conducting  
5 the unit operations to the new duly qualified successor Unit  
6 Operator or to the common agent, if no such new Unit Operator  
7 is elected, to be used for the purpose of conducting unit opera-  
8 tions hereunder. Nothing herein shall be construed as authorizing  
9 removal of any material, equipment and appurtenances needed for  
10 the preservation of any wells.

11 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator  
12 shall tender his or its resignation as Unit Operator or shall be  
13 removed as hereinabove provided, or a change of Unit Operator is  
14 negotiated by working interest owners, the owners of the working  
15 interests in the participating area or areas according to their  
16 respective acreage interests in such participating area or areas,  
17 or, until a participating area shall have been established, the  
18 owners of the working interests according to their respective  
19 acreage interests in all unitized land, shall by majority vote  
20 select a successor Unit Operator: Provided, That, if a majority  
21 but less than 75 per cent of the working interests qualified to  
22 vote are owned by one party to this agreement, a concurring vote  
23 of one or more additional working interest owners shall be required  
24 to select a new operator. Such selection shall not become effective  
25 until

26 (a) a Unit Operator so selected shall accept in writing the  
27 duties and responsibilities of Unit Operator, and

28 (b) the selection shall have been approved by the Supervisor  
29 and the Commissioner.

30 If no successor Unit Operator is selected and qualified as

1       herein provided, the Director and Commissioner at their election  
2       may declare this unit agreement terminated.

3               7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If  
4       the Unit Operator is not the sole owner of working interest, costs  
5       and expenses incurred by Unit Operator in conducting unit opera-  
6       tions hereunder shall be paid and apportioned among and borne by  
7       the owners of working interests, all in accordance with the agree-  
8       ment or agreements entered into by and between the Unit Operator  
9       and the owners of working interests, whether one or more, sepa-  
10      rately or collectively. Any agreement or agreements entered into  
11      between the working interest owners and the Unit Operator as pro-  
12      vided in this section, whether one or more, are herein referred to  
13      as the "unit operating agreement." Such unit operating agree-  
14      ment shall also provide the manner in which the working interest  
15      owners shall be entitled to receive their respective proportionate  
16      and allocated share of the benefits accruing hereto in conformity  
17      with their underlying operating agreements, leases or other  
18      independent contracts, and such other rights and obligations as  
19      between Unit Operator and the working interest owners as may be  
20      agreed upon by Unit Operator and the working interest owners; how-  
21      ever, no such unit operating agreement shall be deemed either to  
22      modify any of the terms and conditions of this unit agreement or  
23      to relieve the Unit Operator of any right or obligation established  
24      under this unit agreement, and in case of any inconsistency or  
25      conflict between this unit agreement and the unit operating agree-  
26      ment, this unit agreement shall govern. Three true copies of any  
27      unit operating agreement executed pursuant to this section should  
28      be filed with the Supervisor and two true copies with the Commis-  
29      sioner and one true copy with the Commission, prior to approval of  
30      this unit agreement.



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

16           9. DRILLING TO DISCOVERY. Within six (6) months after the  
17 effective date hereof, the Unit Operator shall begin to drill an  
18 adequate test well at a location approved by the Supervisor, if on  
19 Federal land, or by the Commissioner if on State Land, or by the Com-  
20 mission if on fee land, unless on such effective date a well is being  
21 drilled conformably with the terms hereof, and thereafter continue  
22 such drilling diligently until all formations of Pennsylvania age have  
23 been tested or until at a lesser depth unitized substances shall be  
24 discovered which can be produced in paying quantities (to wit: quanti-  
25 ties sufficient to repay the costs of drilling, completing, and  
26 producing operations, with a reasonable profit) or the Unit Operator  
27 shall at any time establish to the satisfaction of the Supervisor  
28 if located on Federal lands, or the Commissioner if located on  
29 State lands, or the Commission if located on fee lands, that further  
30 drilling of said well would be unwarranted or impracticable, provided

1 however, that Unit Operator shall not in any event be required  
2 to drill said well to a depth in excess of 15,600 feet. Until the  
3 discovery of a deposit of unitized substances capable of being  
4 produced in paying quantities, the Unit Operator shall continue  
5 drilling one well at a time, allowing not more than 6 months be-  
6 tween the completion of one well and the beginning of the next  
7 well, until a well capable of producing unitized substances in  
8 paying quantities is completed to the satisfaction of said Super-  
9 visor if on Federal land, or the Commissioner if on State land,  
10 or the Commission if on fee land, or until it is reasonably proved  
11 that the unitized land is incapable of producing unitized substances  
12 in paying quantities in the formations drilled hereunder. Nothing  
13 in this section shall be deemed to limit the right of the Unit  
14 Operator to resign as provided in Section 5 hereof, or as requiring  
15 Unit Operator to commence or continue any drilling during the period  
16 pending such resignation becoming effective in order to comply with  
17 the requirements of this section. The Supervisor and Commissioner  
18 may modify the drilling requirements of this section by granting  
19 reasonable extensions of time when, in their opinion, such action  
20 is warranted. Upon failure to commence any well provided for in  
21 this section within the time allowed, including any extension of  
22 time granted by the Supervisor and the Commissioner, this agreement  
23 will automatically terminate; upon failure to continue drilling  
24 diligently any well commenced hereunder, the Supervisor and Com-  
25 missioner may, after 15 days notice to the Unit Operator, declare  
26 this unit agreement terminated.

27 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6  
28 months after completion of a well capable of producing unitized  
29 substances in paying quantities, the Unit Operator shall submit  
30 for the approval of the Supervisor and the Commissioner an

1 acceptable plan of development and operation for the unitized  
2 land which, when approved by the Supervisor and the Commissioner,  
3 shall constitute the further drilling and operating obligations  
4 of the Unit Operator under this agreement for the period specified  
5 therein. Thereafter, from time to time before the expiration of  
6 any existing plan, the Unit Operator shall submit for the approval  
7 of the Supervisor and the Commissioner a plan for an additional  
8 specified period for the development and operation of the unitized  
9 land.

10 Any plan submitted pursuant to this section shall provide for  
11 the exploration of the unitized area and for the diligent drilling  
12 necessary for determination of the area or areas thereof capable  
13 of producing unitized substances in paying quantities in each and  
14 every productive formation and shall be as complete and adequate  
15 as the Supervisor, the Commissioner and Commission may determine  
16 to be necessary for timely development and proper conservation of  
17 the oil and gas resources of the unitized area and shall:

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

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

24 Separate plans may be submitted for separate productive zones,  
25 subject to the approval of the Supervisor, the Commissioner and  
26 the Commission.

27 Plans shall be modified or supplemented when necessary to  
28 meet changed conditions or to protect the interests of all parties  
29 to this agreement. Reasonable diligence shall be exercised in  
30 complying with the obligations of the approved plan of development.

1 The Supervisor and Commissioner are authorized to grant a reason-  
2 able extension of the 6-month period herein prescribed for sub-  
3 mission of an initial plan of development where such action is  
4 justified because of unusual conditions or circumstances. After  
5 completion hereunder of a well capable of producing any unitized  
6 substances in paying quantities, no further wells, except such as  
7 may be necessary to afford protection against operations not under  
8 this agreement and such as may be specifically approved by the  
9 Supervisor and the Commissioner, shall be drilled except in  
10 accordance with a plan of development approved as herein provided.

11 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a  
12 well capable of producing unitized substances in paying quantities  
13 or as soon thereafter as required by the Supervisor and Commissioner,  
14 the Unit Operator shall submit for approval by the Supervisor and  
15 Commissioner a schedule, based on subdivisions of the public land  
16 survey or aliquot parts thereof, of all land then regarded as  
17 reasonably proved to be productive in paying quantities; all lands  
18 in said schedule on approval of the Supervisor and Commissioner  
19 to constitute a participating area, effective as of the date of  
20 completion of such well or the effective date of this unit agree-  
21 ment, whichever is later. The acreages of both Federal and non-  
22 Federal lands shall be based upon appropriate computations from  
23 the courses and distances shown on the last approved public land  
24 survey as of the effective date of each initial participating area.  
25 Said schedule shall also set forth the percentage of unitized sub-  
26 stances to be allocated as herein provided to each tract in the  
27 participating area so established, and shall govern the allocation  
28 of production commencing with the effective date of the participating  
29 area. A separate participating area shall be established for each  
30 separate pool or deposit of unitized substances or for any group

1       thereof which is produced as a single pool or zone, and any  
 2       two or more participating areas so established may be combined  
 3       into one, on approval of the Supervisor and Commissioner. When  
 4       production from two or more participating areas, so established,  
 5       is subsequently found to be from a common pool or deposit said  
 6       participating areas shall be combined into one effective as of  
 7       such appropriate date as may be approved or prescribed by the  
 8       Supervisor and Commissioner. The participating area or areas  
 9       so established shall be revised from time to time, subject to  
 10      like approval, to include additional land then regarded as  
 11      reasonably proved to be productive in paying quantities or  
 12      necessary for unit operations, or to exclude land then regarded  
 13      as reasonably proved not to be productive in paying quantities  
 14      and the schedule of allocation percentages shall be revised  
 15      accordingly. The effective date of any revisions shall be the  
 16      first day of the month in which is obtained the knowledge or  
 17      information on which such revision is predicated, provided,  
 18      however, that a more appropriate effective date may be used if  
 19      justified by the Unit Operator and approved by the Supervisor  
 20      and Commissioner. No land shall be excluded from a participating  
 21      area on account of depletion of the unitized substances, except  
 22      that any participating area established under the provisions of  
 23      this unit agreement shall terminate automatically whenever all  
 24      completions in the formation on which the participating area is  
 25      based are abandoned.

26           It is the intent of this section that a participating area  
 27      shall represent the area known or reasonably estimated to be pro-  
 28      ductive in paying quantities, but, regardless of any revision  
 29      of the participating area, nothing herein contained shall be con-  
 30      strued as requiring any retroactive adjustment for production

1 obtained prior to the effective date of the revision of the  
2 participating area.

3 In the absence of agreement at any time between the Unit  
4 Operator and the Supervisor and Commissioner as to the proper  
5 definition or redefinition of a participating area, or until a  
6 participating area has, or areas have, been established as pro-  
7 vided herein, the portion of all payments affected thereby shall  
8 be impounded in a manner mutually acceptable to the owners of  
9 working interests and the Supervisor and Commissioner. Royalties  
10 due the United States and the State of New Mexico, which shall  
11 be determined by the Supervisor for Federal land and the Com-  
12 missioner for State land and the amount thereof shall be deposited,  
13 as directed by the Supervisor and Commissioner respectively, to  
14 be held as unearned money until a participating area is finally  
15 approved and then applied as earned or returned in accordance  
16 with a determination of the sum due as Federal and State royalty  
17 on the basis of such approved participating area.

18 Whenever it is determined, subject to the approval of the  
19 Supervisor as to wells drilled on Federal land and of the Com-  
20 missioner as to wells drilled on State land, that a well drilled  
21 under this agreement is not capable of production in paying quanti-  
22 ties and inclusion of the land on which it is situated in a parti-  
23 cipating area is unwarranted, production from such well shall, for  
24 the purposes of settlement among all parties other than working  
25 interest owners, be allocated to the land on which the well is  
26 located unless such land is already within the participating area  
27 established for the pool or deposit from which such production is  
28 obtained. Settlement for working interest benefits from such a  
29 well shall be made as provided in the unit operating agreement.

30 12. ALLOCATION OF PRODUCTION. All unitized substances

1 produced from each participating area established under this  
2 agreement, except any part thereof used in conformity with good  
3 operating practices within the unitized area for drilling,  
4 operating, camp and other production or development purposes,  
5 for repressuring or recycling in accordance with a plan of  
6 development approved by the Supervisor and Commissioner, or  
7 unavoidably lost, shall be deemed to be produced equally on an  
8 acreage basis from the several tracts of unitized land of the  
9 participating area established for such production and, for the  
10 purpose of determining any benefits accruing under this agreement,  
11 each such tract of unitized land shall have allocated to it such  
12 percentage of said production as the number of acres of such tract  
13 included in said participating area bears to the total acres of  
14 unitized land in said participating area, except that allocation  
15 of production hereunder for purposes other than for settlement  
16 of the royalty, overriding royalty, or payment out of production  
17 obligations of the respective working interest owners, shall be  
18 on the basis prescribed in the unit operating agreement whether  
19 in conformity with the basis of allocation herein set forth or  
20 otherwise. It is hereby agreed that production of unitized sub-  
21 stances from a participating area shall be allocated as provided  
22 herein regardless of whether any wells are drilled on any particular  
23 part or tract of said participating area. If any gas produced  
24 from one participating area is used for repressuring or recycling  
25 purposes in another participating area, the first gas withdrawn  
26 from such last mentioned participating area for sale during the  
27 life of this agreement shall be considered to be the gas so trans-  
28 ferred until an amount equal to that transferred shall be so pro-  
29 duced for sale and such gas shall be allocated to the participating  
30 area from which initially produced as such area was last defined

1 at the time of such final production.

2 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR  
3 FORMATIONS. Any party hereto owning or controlling the working  
4 interest in any unitized land having thereon a regular well loca-  
5 tion may with the approval of the Supervisor as to Federal land,  
6 the Commissioner as to State land and the Commission as to pri-  
7 vately owned land, at such party's sole risk, cost and expense,  
8 drill a well to test any formation for which a participating area  
9 has not been established or to test any formation for which a  
10 participating area has been established if such location is not  
11 within said participating area, unless within 90 days of receipt  
12 of notice from said party of his intention to drill the well the  
13 Unit Operator elects and commences to drill such a well in like  
14 manner as other wells are drilled by the Unit Operator under this  
15 agreement.

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

23 If any well drilled as aforesaid by a working interest owner  
24 obtains production in quantities insufficient to justify the in-  
25 clusion of the land upon which such well is situated in a partici-  
26 pating area, such well may be operated and produced by the party  
27 drilling the same subject to the conservation requirements of  
28 this agreement. The royalties in amount or value of production  
29 from any such well shall be paid as specified in the underlying  
30 lease and agreements affected.



1           14. ROYALTY SETTLEMENT. The United States and any State  
2 and any royalty owner who is entitled to take in kind a share  
3 of the substances now unitized hereunder shall hereafter be  
4 entitled to the right to take in kind its share of the unitized  
5 substances, and the Unit Operator, or the working interest owner  
6 in case of the operation of a well by a working interest owner as  
7 herein provided for in special cases, shall make deliveries of  
8 such royalty share taken in kind in conformity with the applicable  
9 contracts, laws and regulations. Settlement for royalty interest  
10 not taken in kind shall be made by working interest owners respon-  
11 sible therefor under existing contracts, laws and regulations, or  
12 by the Unit Operator, on or before the last day of each month for  
13 unitized substances produced during the preceding calendar month;  
14 provided, however, that nothing herein contained shall operate to  
15 relieve the lessees of any land from their respective lease obli-  
16 gations for the payment of any royalties due under their leases.

17           If gas obtained from lands not subject to this agreement is  
18 introduced into any participating area hereunder, for use in re-  
19 pressuring, stimulation of production, or increasing ultimate  
20 recovery, in conformity with a plan of operations approved by the  
21 Supervisor, the Commissioner, and Commission, a like amount of gas,  
22 after settlement as herein provided for any gas transferred from  
23 any other participating area and with appropriate deduction for  
24 loss from any cause, may be withdrawn from the formation in which  
25 the gas is introduced, royalty free as to dry gas, but not as to  
26 any products which may be extracted therefrom; provided that such  
27 withdrawal shall be at such time as may be provided in the approved  
28 plan of operations or as may otherwise be consented to by the  
29 Supervisor, the Commissioner and Commission as conforming to good  
30 petroleum engineering practice; and provided further, that such

1 right of withdrawal shall terminate on the termination of this  
2 unit agreement.

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

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

16 15. RENTAL SETTLEMENT. Rental or minimum royalties due on  
17 leases committed hereto shall be paid by working interest owners  
18 responsible therefor under existing contracts, laws and regula-  
19 tions, provided that nothing herein contained shall operate to  
20 relieve the lessees of any land from their respective lease obli-  
21 gations for the payment of any rental or minimum royalty due under  
22 their leases. Rental or minimum royalty for lands of the United  
23 States subject to this agreement shall be paid at the rate specified  
24 in the respective leases from the United States unless such rental  
25 or minimum royalty is waived, suspended or reduced by law or by  
26 approval of the Secretary or his duly authorized representative.

27 Rentals on State of New Mexico lands subject to this agree-  
28 ment shall be paid at the rates specified in the respective leases.

29 With respect to any lease on non-Federal land containing pro-  
30 visions which would terminate such lease unless drilling operations

1 are commenced upon the land covered thereby within the time  
2 therein specified or rentals are paid for the privilege of  
3 deferring such drilling operations, the rentals required thereby  
4 shall, notwithstanding any other provisions of this agreement,  
5 be deemed to accrue and become payable during the term thereof  
6 as extended by this agreement and until the required drilling  
7 operations are commenced upon the land covered thereby or until  
8 some portion of such land is included with a participating area.

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

13 17. DRAINAGE. The Unit Operator shall take such measures  
14 as the Supervisor and Commissioner deem appropriate and adequate  
15 to prevent drainage of unitized substances from unitized land by  
16 wells on land not subject to this agreement.

17 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,  
18 conditions and provisions of all leases, subleases and other con-  
19 tracts relating to exploration, drilling, development or operations  
20 for oil or gas on lands committed to this agreement are hereby  
21 expressly modified and amended to the extent necessary to make  
22 the same conform to the provisions hereof, but otherwise to remain  
23 in full force and effect; and the parties hereto hereby consent  
24 that the Secretary as to Federal leases and the Commissioner as  
25 to State leases shall and each by his approval hereof, or by the  
26 approval hereof by their duly authorized representatives, do hereby  
27 establish, alter, change or revoke the drilling, producing, rental,  
28 minimum royalty and royalty requirements of Federal and State  
29 leases committed hereto and the regulations in respect thereto  
30 to conform said requirements to the provisions of this agreement,

1 and, without limiting the generality of the foregoing, all leases,  
2 subleases, and contracts are particularly modified in accordance  
3 with the following:

4 (a) The development and operation of lands subject to this  
5 agreement under the terms hereof shall be deemed full per-  
6 formance of all obligations for development and operation  
7 with respect to each and every separately owned tract subject  
8 to this agreement, regardless of whether there is any develop-  
9 ment of any particular tract of the unit area.

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

16 (c) Suspension of drilling or producing operations on all  
17 unitized lands pursuant to direction or consent of the  
18 Secretary and Commissioner or their duly authorized repre-  
19 sentatives shall be deemed to constitute such suspension  
20 pursuant to such direction or consent as to each and every  
21 tract of unitized land. A suspension of drilling or producing  
22 operations limited to specified lands shall be applicable  
23 only to such lands.

24 (d) Each lease, sublease or contract relating to the ex-  
25 ploration, drilling, development or operation for oil or  
26 gas of lands other than those of the United States or State  
27 of New Mexico committed to this agreement, which by its  
28 terms might expire prior to the termination of this agree-  
29 ment, is hereby extended beyond any such term so provided  
30 therein so that it shall be continued in full force and

1 effect for and during the term of this agreement.

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

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

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

1 committed hereto until the termination hereof, subject to  
2 the provisions of subsection (e) of Section 2 and sub-  
3 section (i) of this Section 18.

4 (h) The segregation of any Federal lease committed to  
5 this agreement is governed by the following provisions in  
6 the fourth paragraph of Sec. 17(j) of the Mineral Leasing  
7 Act, as amended by the Act of September 2, 1960 (74 Stat.  
8 781-784): "Any (Federal) lease heretofore or hereafter  
9 committed to any such (unit) plan embracing lands that  
10 are in part within and in part outside of the area covered  
11 by any such plan shall be segregated into separate leases  
12 as to the lands committed and the lands not committed as  
13 of the effective date of unitization: Provided, however,  
14 That any such lease as to the nonunitized portion shall  
15 continue in force and effect for the term thereof but for  
16 not less than two years from the date of such segregation  
17 and so long thereafter as oil or gas is produced in paying  
18 quantities."

19 (i) Any lease embracing lands of the State of New Mexico  
20 having only a portion of its lands committed hereto, shall  
21 be segregated as to the portion committed and the portion  
22 not committed, and the provisions of such lease shall apply  
23 separately to such segregated portions commencing as of the  
24 effective date hereof; provided, however, notwithstanding  
25 any of the provisions of this agreement to the contrary, any  
26 lease embracing lands of the State of New Mexico having only  
27 a portion of its lands committed hereto shall continue in  
28 full force and effect beyond the term provided therein as  
29 to all lands embraced in such lease, if oil or gas is dis-  
30 covered and is capable of being produced in paying quantities

1 from some part of the lands embraced in such lease at  
2 the expiration of the secondary term of such lease; or  
3 if, at the expiration of the secondary term, the lessee  
4 or Unit Operator is then engaged in bona fide drilling  
5 or reworking operations on some part of the lands embraced  
6 in such lease, the same, as to all lands embraced therein  
7 shall remain in full force and effect so long as such opera-  
8 tions are being diligently prosecuted, and if they result  
9 in the production of oil or gas, said lease shall continue  
10 in full force and effect as to all of the lands embraced  
11 therein, so long thereafter as oil or gas in paying quantities  
12 is being produced from any portion of said lands.

13 (j) Any lease, other than a Federal lease, having only a  
14 portion of its lands committed hereto shall be segregated  
15 as to the portion committed and the portion not committed,  
16 and the provisions of such lease shall apply separately to  
17 such segregated portions commencing as of the effective date  
18 hereof. In the event any such lease provides for a lump sum  
19 rental payment, such payment shall be prorated between the  
20 portions so segregated in proportion to the acreage of the  
21 respective tracts.

22 19. COVENANTS RUN WITH LAND. The covenants herein shall be  
23 construed to be covenants running with the land with respect to  
24 the interest of the parties hereto and their successors in interest  
25 until this agreement terminates, and any grant, transfer, or con-  
26 veyance of interest in land or leases subject hereto shall be and  
27 hereby is conditioned upon the assumption of all privileges and  
28 obligations hereunder by the grantee, transferee or other successor  
29 in interest. No assignment or transfer of any working interest,  
30 royalty, or other interest subject hereto shall be binding upon

1 Unit Operator until the first day of the calendar month after  
2 Unit Operator is furnished with the original, photostatic, or  
3 certified copy of the instrument of transfer.

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

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

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

19 (c) a valuable discovery of unitized substances has been  
20 made or accepted on unitized land during said initial term  
21 or any extension thereof, in which event the agreement shall  
22 remain in effect for such term and so long as unitized sub-  
23 stances can be produced in quantities sufficient to pay for  
24 the cost of producing same from wells on unitized land within  
25 any participating area established hereunder and, should  
26 production cease, so long thereafter as diligent operations  
27 are in progress for the restoration of production or discovery  
28 of new production and so long thereafter as unitized sub-  
29 stances so discovered can be produced as aforesaid, or

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



1 This agreement may be terminated at any time by not less than  
2 75 per centum, on an acreage basis, of the working interest owners  
3 signatory hereto, with the approval of the Supervisor and Commis-  
4 sioner; notice of any such approval to be given by the Unit  
5 Operator to all parties hereto.

6 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The  
7 Director is hereby vested with authority to alter or modify from  
8 time to time in his discretion the quantity and rate of production  
9 under this agreement when such quantity and rate is not fixed  
10 pursuant to Federal or State law or does not conform to any state-  
11 wide voluntary conservation or allocation program, which is estab-  
12 lished, recognized and generally adhered to by the majority of  
13 operators in such State, such authority being hereby limited to  
14 alteration or modification in the public interest, the purpose  
15 thereof and the public interest to be served thereby to be stated  
16 in the order of alteration or modification. Without regard to  
17 the foregoing, the Director is also hereby vested with authority  
18 to alter or modify from time to time in his discretion the rate  
19 of prospecting and development and the quantity and rate of pro-  
20 duction under this agreement when such alteration or modification  
21 is in the interest of attaining the conservation objectives stated  
22 in this agreement and is not in violation of any applicable Federal  
23 or State law; provided, further, that no such alteration or modi-  
24 fication shall be effective as to any land of the State of New  
25 Mexico, as to the rate of prospecting and developing in the absence  
26 of the specific written approval thereof by the Commissioner and  
27 as to any lands of the State of New Mexico or privately owned lands  
28 subject to this agreement as to the quantity and rate of production  
29 in the absence of specific written approval thereof by the  
30 Commission.

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

4 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor  
5 the working interest owners nor any of them shall be subject to  
6 any forfeiture, termination or expiration of any rights hereunder  
7 or under any leases or contracts subject hereto, or to any penalty  
8 or liability on account of delay or failure in whole or in part  
9 to comply with any applicable provision thereof to the extent that  
10 the Unit Operator, working interest owners or any of them are hin-  
11 dered, delayed or prevented from complying therewith by reason of  
12 failure of the Unit Operator to obtain in the exercise of due  
13 diligence, the concurrence of proper representatives of the United  
14 States and proper representatives of the State of New Mexico in  
15 and about any matters or things concerning which it is required  
16 herein that such concurrence be obtained. The parties hereto,  
17 including the Commission, agree that all powers and authority  
18 vested in the Commission in and by any provisions of this agree-  
19 ment are vested in the Commission and shall be exercised by it  
20 pursuant to the provisions of the laws of the State of New Mexico  
21 and subject in any case to appeal or judicial review as may now  
22 or hereafter be provided by the laws of the State of New Mexico.

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

1 the Department of the Interior, the Commissioner, or Commission,  
2 or any other legally constituted authority; provided, however,  
3 that any other interested party shall also have the right at his  
4 own expense to be heard in any such proceeding.

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

14 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement  
15 contained shall be construed as a waiver by any party hereto of  
16 the right to assert any legal or constitutional right or defense  
17 as to the validity or invalidity of any law of the State wherein  
18 said unitized lands are located, or of the United States, or regu-  
19 lations issued thereunder in any way affecting such party, or as  
20 a waiver by any such party of any right beyond his or its authority  
21 to waive.

22 26. UNAVOIDABLE DELAY. All obligations under this agreement  
23 requiring the Unit Operator to commence or continue drilling or to  
24 operate on or produce unitized substances from any of the lands  
25 covered by this agreement shall be suspended while the Unit Opera-  
26 tor, despite the exercise of due care and diligence, is prevented  
27 from complying with such obligations, in whole or in part, by  
28 strikes, acts of God, Federal, State or municipal law or agencies,  
29 unavoidable accidents, uncontrollable delays in transportation,  
30 inability to obtain necessary materials in open market, or other

1 matters beyond the reasonable control of the Unit Operator  
2 whether similar to matters herein enumerated or not. No unit  
3 obligation which is suspended under this section shall become  
4 due less than thirty (30) days after it has been determined  
5 that the suspension is no longer applicable. Determination of  
6 creditable "Unavoidable Delay" time shall be made by the Unit  
7 Operator subject to approval of the Supervisor and Commissioner.

8 27. NONDISCRIMINATION. In connection with the performance  
9 of work under this agreement, the operator agrees to comply with  
10 all of the provisions of section 202 (1) to (7) inclusive of  
11 Executive Order 11246 (30 F.R. 12319)<sup>as amended</sup> which are hereby incor-  
12 porated by reference in this agreement.

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

30 Unit Operator as such is relieved from any responsibility for

1 any defect or failure of any title hereunder.

2 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of  
3 any substantial interest in a tract within the unit area fails  
4 or refuses to subscribe or consent to this agreement, the owner  
5 of the working interest in that tract may withdraw said tract  
6 from this agreement by written notice delivered to the Supervisor  
7 and the Commissioner and the Unit Operator prior to the approval  
8 of this agreement by the Supervisor and Commissioner. Any oil  
9 or gas interests in lands within the unit area not committed hereto  
10 prior to submission of this agreement for final approval may there-  
11 after be committed hereto by the owner or owners thereof sub-  
12 scribing or consenting to this agreement, and, if the interest  
13 is a working interest, by the owner of such interest also sub-  
14 scribing to the unit operating agreement. After operations are  
15 commenced hereunder, the right of subsequent joinder, as provided  
16 in this section, by a working interest owner is subject to such  
17 requirements or approvals, if any, pertaining to such joinder,  
18 as may be provided for in the unit operating agreement. After  
19 final approval hereof, joinder by a non-working interest owner  
20 must be consented to in writing by the working interest owner  
21 committed hereto and responsible for the payment of any benefits  
22 that may accrue hereunder in behalf of such non-working interest.  
23 A non-working interest may not be committed to this unit agree-  
24 ment unless the corresponding working interest is committed hereto.  
25 Joinder to the unit agreement by a working interest owner, at any  
26 time, must be accompanied by appropriate joinder to the Unit Operat-  
27 ing agreement, if more than one committed working interest owner  
28 is involved, in order for the interest to be regarded as committed  
29 to this unit agreement. Except as may otherwise herein be provided,  
30 subsequent joinders to this agreement shall be effective as of the

1 first day of the month following the filing with the Supervisor  
 2 and the Commissioner of duly executed counterparts of all or any  
 3 papers necessary to establish effective commitment of any tract  
 4 to this agreement unless objection to such joinder is duly made  
 5 within 60 days by the Supervisor, provided, however, that as to  
 6 State lands all subsequent joinders must be approved by the  
 7 Commissioner.

8 30. COUNTERPARTS. This agreement may be executed in any  
 9 number of counterparts no one of which needs to be executed by  
 10 all parties or may be ratified or consented to by separate instru-  
 11 ment in writing specifically referring hereto and shall be binding  
 12 upon all those parties who have executed such a counterpart, rati-  
 13 fication, or consent hereto with the same force and effect as if  
 14 all such parties had signed the same document and regardless of  
 15 whether or not it is executed by all other parties owning or  
 16 claiming an interest in the lands within the above described unit  
 17 area.

18 31. BUREAU OF LAND MANAGEMENT SPECIAL STIPULATIONS. Nothing  
 19 in this agreement shall modify or change any special federal stipula-  
 20 tion relating to surface management, surface disturbances, or cultural  
 21 resources attached to and made a part of any oil and gas lease cover-  
 22 ing lands within the unit area.

23  
 24 IN WITNESS WHEREOF, the parties hereto have caused this agree-  
 25 ment to be executed and have set opposite their respective names the  
 26 date of execution.

UNIT OPERATOR AND WORKING INTEREST OWNER

DATE: \_\_\_\_\_

Address: P. O. Box 1150

Midland, Texas 79702

ATTEST: \_\_\_\_\_

*[Signature]*

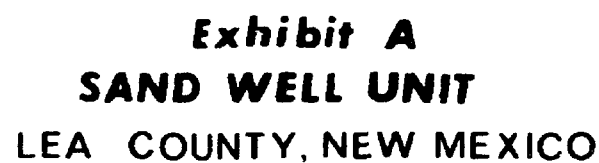
Assistant Secretary

GULF OIL CORPORATION

By \_\_\_\_\_

*[Signature]*  
 Attorney-in-Fact





1. NM 10283-A
2. NM 13427
3. NM 14337
4. NM 14501
5. NM 14802
6. NM 15039
7. NM 15456
8. NM 17604
9. NM 18856
10. NM 19208
11. NM 19454
12. NM 22097
13. B-1040
14. L-347
15. L-439
16. L-2497
17. L-4888
18. LG-3231
19. Gulf




- Unit Area Outline**
-  Federal Lands, 1922.60Ac.  
50.0297% Unit Area
-  State Lands, 1800.32 Ac.  
46.8477% Unit Area
-  Fee (Patent) Lands, 120 Ac.  
3.1226% Unit Area

EXHIBIT "A"

SAND WELL FEDERAL WORKING INTEREST UNIT

UNIT AREA DESCRIPTION

T-23-S, R-35-E, N.M.P.M.

Section 3: A11

Section 4: A11

Section 9: A11

Section 10: A11

Section 15: A11

Section 16: A11

Containing 3842.92 acres, more or less, Lea County, New Mexico.



**EXHIBIT "B"**  
**SCHEDULE OF LANDS AND LEASES**  
**SAND WELL FEDERAL WORKING INTEREST UNIT**

**LEA COUNTY, NEW MEXICO**

Tract No.	Description	Acres	Serial No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
1	T-23-S, R-35-E Sec 3: Lots 1, 2, S/2 NE/4, SE/4	320.91	NM-10283-A 9-1-79	12.5% U.S.A.	Gulf Oil Corporation 100%	Stan F. Waliszek et ux, Jane M. Waliszek 5%	Gulf Oil Corp. 100%
2	T-23-S, R-35-E Sec 3: S/2 SW/4 Sec 15: N/2 NE/4 N/2 NW/4	240.00	NM-13427 4-1-81	12.5% U.S.A.	Union Oil Co. of California 100%	William B. Kidd - 5%	Union Oil Co. of California 100%
3	T-23-S, R-35-E Sec 3: Lot 3, SE/4 NW/4	30.39	NM-14337 9-1-81	12.5% U.S.A.	Mrs. Jack C. Fraser 100%	None	Mrs. Jack C. Fraser 100%
4	T-23-S, R-35-E Sec 10: S/2 NE/4, NW/4 SW/4, SE/4 SW/4	160.00	NM-14501 12-1-81	12.5% U.S.A.	Superior Oil Company 100%	W. M. Smith 5%	Superior Oil Co. 100%
5	T-23-S, R-35-E Sec 10: N/2 NE/4	80.00	NM-14802 2-1-82	12.5% U.S.A.	BTA Oil Producers 100%	D. L. Simasko 20% of 4% John M. Hawes 80% of 4%	BTA Oil Producers 100%
6	T-23-S, R-35-E Sec 3: Lot 4, SW/4 NW/4	80.34	NM-15039 3-1-82	12.5% U.S.A.	Gulf Oil Corporation 100%	Dorothy Langley 5%	Gulf Oil Corp. 100%
7	T-23-S, R-35-E Sec 10: W/2 SE/4	80.00	NM-15456 4-1-82	12.5% U.S.A.	Union Oil Co. of California 100%	J.C. Head 5%	Union Oil Co. of Calif. 100%

EXHIBIT "B" - Page 2  
Sand Well Federal Working Interest Unit

8	T-23-S, R-35-E Sec 10: NE/4 SW/4, SW/4 SW/4	NM-17604 3-1-83	12.5% U.S.A.	Gulf Oil Corporation 100%	Cleo C. Almsworth 5%	Gulf Oil Corp. 100%
9	T-23S, R-35-E Sec 3: N/2 SW/4 Sec 15: S/2 NE/4, S/2 NW/4	NM-18856 8-1-83	12.5% U.S.A.	Aztec Oil & Gas Co. 100%	Obie P. Leonard 6.25%	Aztec O&G Co. 100%
10	T-23-S, R-35-E Sec 4: Lots 2, 3, 4. Sec 10: NW/4	NM-19208 10-1-83	12.5% U.S.A.	Gulf Oil Corporation 100%	Beulah E. Grear- 4% J. Paul Reynolds- 1%	Gulf Oil Corp. 100%
11	T-23S, R-35-E Sec 10: E/2 SE/4	NM-19454 11-1-83	12.5% U.S.A.	BTA Oil Producers 100%	Marshall R. Perkins 5%	BTA Producers 100%
12	T-23-S, R-35-E Sec 15: SW/4 SE/4, SW/4	NM-22097 9-1-84	12.5% U.S.A.	Exxon Company, U.S.A. 100%	Josephine McSweeney Henry R. Keller T. E. Tomlinson 5% Undivided	Exxon Co., U.S.A. 100%
TOTAL: 1922.60 Acres Federal Lands, 50.0297% of the Unit Area.						
13	T-23-S, R-35-E Sec 16: E/2 SE/4	B-1040 HBP	12.5% State of N.M.	Amerada Hess Corporation 100%	50.00%--Amerada Hess Corp. 31.14%--Bass Enterprises 12.57%--Sun Oil Company 6.29%--Amoco Prod. Co.	
14	T-23-S, R-35-E Sec 4: S/2 Sec 9: NE/4 NE/4	L-347 10-17-77	12.5% State of N.M.	Gulf Oil Corporation 100%	None	Gulf Oil Corp. 100%
15	T-23-S, R-35-E Sec 16: W/2, W/2 SE/4	L-439 11-21-77	12.5% State of N.M.	Gulf Oil Corporation 100%	None	Gulf Oil Corp. 100%
16	T-23-S, R-35-E Sec 9: S/2 Sec 16: NE/4	L-2497 2-18-79	12.5% State of N.M.	Gulf Oil Corporation 100%	None	Gulf Oil Corp. 100%

17	T-23-S, R-35-E Sec 9: NW/4, E/2 NE/4 SE/4 NE/4	280.00	L-4888 9-15-80	12.5% State of N.M.	Mesa Petroleum Co. 100%	None	Mesa Petro. Co. 100%
18	T-23-S, R-35-E Sec 4: Lot 1, S/2 N/2	200.32	LG-3231 12-1-85	12.5% State of N.M.	Gulf Oil Corporation 100%	None	Gulf Oil Corp. 100%

TOTAL: 1800.32 Acres State Lands 46.8477% of the Unit Area

19	T-23-S, R-25-E Sec 15: E/2 SE/4 NW/4 SE/4	120.00	Gulf-Fee 8-20-79 8-29-79	13.75% Hugh Ward - 5/48 Ophelia W. Ratliff - 5/48 Vernon W. Kern - 5/48 Rose M. Fuller - 2/48 Helen Linder - 5/192 Ruby Dell Bulger - 5/192 Virginia McCarthy - 5/384 Cynthia Poulin - 5/384 Ethel Lee Klingman - 5/384 E. L. Bauer - 5/384 J. L. Crump estate - 1/4 Mache Gordon Riley - 3/64 Betty Moran Rice and Mary Gertrude Moran Fagan - 31/256 Phillip C. Hayes - 1/160 L. A. Griffith - 1/640 Elizabeth Rittenhouse Lamb - 85% of 1/16 Gertrude A. Webster - 15% of 1/16 Fred K. Haskell - 1/256 Archy Elkins - 30.97% of 1/128 Wm. C. C. Chambliss - 19.06% of 1/128 Georgia K. Clingenpeel - 5.93% of 1/128.	Gulf Oil Corporation 50%; Open: 50%	None	Gulf Oil Corp. 50%; Open: 50%
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TOTAL FEE LANDS: 120.00 Acres, 3.1226% of Unit Area

RECAPITULATION

FEDERAL LANDS	1922.60 Acres	50.0297% of Unit Area
STATE LANDS	1800.32 Acres	46.8477% of Unit Area
FEE LANDS	<u>120.00 Acres</u>	<u>3.1226% of Unit Area</u>
TOTAL	3842.92 Acres	100.0000%

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. 6082

Order No. R-5581

APPLICATION OF GULF OIL CORPORATION  
FOR APPROVAL OF THE SAND WELL  
UNIT AGREEMENT, LEA, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on  
November 16, 1967, at Santa Fe, New Mexico, before Examiner  
Richard L. Stamets.

NOW, on this \_\_\_\_\_ day of November, 1967, 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, Gulf Oil Corporation,  
seeks approval of the Sand Well Unit Agreement  
covering 3842.72 acres, more or less, of Federal lands  
and Fee  
described as follows:

LEA COUNTY, NEW MEXICO  
TOWNSHIP 23 S, RANGE 35 E, NMPM

Sections 3 and 4: A11

Sections 9 and 10: A11

Sections 15 and 16: A11

(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 Sand Well 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.

Gulf Oil Corporation  
Sand Well Unit Area  
3842.92 acre State Fee & Federal lands  
T23 S - R35 E Lea Co

November 14, 1977

called in by Mr. Blackham

Gulf Midland  
915 682 7301 Ext 468

written appl to follow